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

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

$5,310,000
CITY OF ROSEVILLE
STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2006

Dated: Date of Delivery **Due: September 1, as shown below**

The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its Stone Point Community Facilities District No. 5 (Public Facilities) (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of September 1, 2006 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) provide for the establishment of a reserve fund, (iii) provide capitalized interest, and (iv) pay the costs of issuance of the Bonds. Interest on the Bonds is payable on March 1, 2007, and thereafter semiannually on March 1 and September 1 of each year.

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

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

Property in the District comprises approximately 42 acres northeast of the center of the City currently planned for 491 single family units subject to the Special Tax. All of the property is currently owned by a single entity. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

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

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

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

MATURITY SCHEDULE

Maturity Date (September 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† (777870)	Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† (778870)
2008	$15,000	4.000%	100.000%	RP 3	2015	$70,000	4.750%	4.900%	RW 8
2009	20,000	4.000	4.150	RQ 1	2016	75,000	4.875	5.000	RX 6
2010	30,000	4.125	4.250	RR 9	2017	90,000	5.000	5.050	RY 4
2011	35,000	4.250	4.350	RS 7	2018	100,000	5.000	5.075	RZ 1
2012	40,000	4.375	4.450	RT 5	2019	110,000	5.000	5.100	SA 5
2013	50,000	4.500	4.650	RU 2	2020	125,000	5.000	5.125	SB 3
2014	60,000	4.625	4.800	RV 0	2021	135,000	5.000	5.150	SC 1

$910,000 5.100% Term Bond Due September 1, 2026 Price: 98.520% CUSIP†: 777870 SD 9
$3,445,000 5.250% Term Bond Due September 1, 2036 Price: 99.548% CUSIP†: 777870 SE 7

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to DTC on or about September 19, 2006 in New York, New York.

PiperJaffray.

The date of this Official Statement is September 7, 2006

CITY OF ROSEVILLE, CALIFORNIA

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

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

SPECIAL SERVICES

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

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

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

Appraiser
Bender Rosenthal, Inc.
Sacramento, California

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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OFFICIAL STATEMENT

$5,310,000
CITY OF ROSEVILLE
STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5
(PUBLIC FACILITIES) SPECIAL TAX BONDS
SERIES 2006

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "**City**") by and through its Stone Point Community Facilities District No. 5 (Public Facilities) (the "**Community Facilities District**" or the "**District**") of the bonds captioned above (the "**Bonds**").

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

INTRODUCTION

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

Creation of the District. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the **"Act"**) and pursuant to a Fiscal Agent Agreement dated as of September 1, 2006 (the **"Fiscal Agent Agreement"**) between the City and The Bank of New York Trust Company, N.A., San Francisco, California, as fiscal agent (the **"Fiscal Agent"**) and Resolution No. 06-442 (the "**Resolution**") adopted on August 16, 2006 by the City Council of the City (the "**City Council**") which authorized the issuance of a maximum of $9.5 million of bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. No additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

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

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

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance the cost of acquiring and constructing certain public infrastructure improvements (the **"Improvements,"** as described herein), generally including roadways and roadway related improvements, water, wastewater and other miscellaneous infrastructure improvements necessary to facilitate development within the District. Construction of the Improvements by the Developer (described herein) is partially complete. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds, and the Developer is required to fund any remaining shortfall. See "THE IMPROVEMENTS." Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to provide capitalized interest until September 1, 2007 and to pay cost of issuance of the Bonds.

Source of Payment of the Bonds. The Bonds are payable from special taxes (the "**Special Tax**" or "**Special Taxes**") which are to be levied by the City on taxable real property within the boundaries of the District. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the "**Special Tax Formula**") which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The maximum authorized indebtedness for the District is $9.5 million; no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

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

Property Subject to the Special Tax. The District consists of approximately 42.17 acres of vacant land with an approved land use of approximately 522 residential units- 225 planned high-density units and 297 medium density units; however, if developed as planned 31 of the units will not be subject to the Special Tax as a result of their expected designation as affordable units. The Developer is investigating the possibility of rezoning the high-density land to commercial/office, however no plans to do so have been submitted to the City. The land is currently undeveloped, with no tentative subdivision maps for the planned single family homes. Some street improvements and initial mass rough grading has been completed. All of the land in the District is currently owned by Richland Roseville, Ltd. (the **"Landowner"**). The Landowner expects to transfer all of its property to an affiliate, Richland Ventures, Inc. (the **"Developer"**). Infrastructure development will be carried out by the Developer; however, the Developer is not a homebuilder and plans to sell lots to merchant builders. Land in the District also includes open space and public parks not subject to the Special Tax. See "THE DISTRICT."

Appraised Value of Property. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth a total bulk sale discounted value of property in the District of $39,300,000, as of July 6, 2006. The valuation assumes completion of the Improvements funded by the Bonds and accounts for the impact of the lien of the Special Tax securing the Bonds. See "THE IMPROVEMENTS." In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of the Improvements. The Improvements to be paid for with proceeds of the Bonds are not substantially complete. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The appraised bulk sale valuation of property in the District is 3.92 times the $5,310,000 aggregate principal amount of the Bonds and the $4,700,000 principal amount of bonds secured by an overlapping community facilities district (as described herein under the caption "THE APPRAISAL – Overlapping Liens and Priority of Lien").

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 06-442 adopted by the City Council on August 16, 2006, and the Act.

On August 16, 2006, the City Council adopted Resolution No. 06-438 (the "**Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $9,500,000 at a special election in the District held on the same day. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of the Developer. The landowner voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. The Bonds are the first and only series to be issued under the authorization; no additional bonds are expected to be issued.

Description of the Bonds

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

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

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

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

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

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

Redemption

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

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

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

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

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

Term Bonds of 2026

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2022	$150,000
2023	165,000
2024	180,000
2025	200,000
2026 (maturity)	215,000

Term Bonds of 2036

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2027	$235,000
2028	255,000
2029	280,000
2030	300,000
2031	325,000
2032	350,000
2033	380,000
2034	410,000
2035	440,000
2036 (maturity)	470,000

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

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

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

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

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

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

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

Transfer or Exchange of Bonds

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Estimated Sources of Funds:	
Principal Amount of Bonds	$5,310,000.00
Less Original Issue Discount	(37,916.90)
Total	$5,272,083.10
Estimated Uses of Funds:	
Deposit to Improvement Fund	$4,243,815.00
Deposit to Reserve Fund	474,388.04
Deposit to Bond Fund [(1)]	259,496.07
Costs of Issuance [(2)]	294,383.99
Total	$5,272,083.10

[(1)] Represents an amount, when combined with interest earnings, is scheduled to provide for interest up to and including September 1, 2007.

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula prepared by Goodwin Consulting Group, 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 taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

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

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

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

Special Tax Methodology

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

Parcels Subject to the Special Tax. For each Fiscal Year, the City 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 District. By August 1 of each Fiscal Year, using the definitions from Section 2 and the Maximum Special Taxes from Attachment 1 of the Special Tax Formula, the City shall assign the Maximum Special Taxes to Parcels. See Appendix A for Attachment 1.

Annual Special Tax Levy. The Special Tax levy for each Parcel will be established annually based on the "Annual Costs" which means for each Fiscal Year for the District, 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. The Special Tax will be levied each year by comparing the Annual Costs to the Maximum CFD Revenue to be generated by all Taxable Parcels; if the Annual Costs are less than the Maximum CFD Revenue, decrease the Special Tax levy proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the authorized District-funded facilities and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal year 2046-47. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Payments must be made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax levy. Prepayment is permitted on any parcel under the following conditions: (i) the City determines that the prepayment does not jeopardize its ability to make timely payments of debt service on the Bonds, (ii) any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel; and (iii) 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. The prepayment amount will be established using the formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment.

Levy of Annual Special Tax; Annual Maximum Special Tax

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

The Special Tax will be levied in an amount at least equal to the Annual Costs as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The total annual Maximum Special Tax levy for the District is $338,760. The Developer expects to utilize the pay-as-you-go component, however it is expected to be limited to a five-year period beginning from the date of completion of the Improvements. The annual Maximum Special Tax for the planned single family homes in the District as shown in the Special Tax Formula, calculated based upon the Developer's currently anticipated development plan for 522 units in the District is expected to be $465 per unit for the high density units and $840 per unit for the low density units. The per lot amount may change due to differences in the actual number of homes constructed. See "THE DISTRICT."

The property in the District is also subject to an annual bonded special tax of the City's Stone Point Community Facilities District No. 1 (**"CFD No. 1"**) which comprises approximately 130 gross acres (approximately 98 net developable/taxable acres at the time of formation), including the approximate 42 acres in the District. Bonds for CFD No. 1 were issued in 2003. At the time of formation of CFD No. 1, the land therein was planned for an office park development of approximately 1.65 million square feet of gross building area, along with a limited amount of associated retail uses. Subsequent to formation of CFD No. 1, the property in the District was rezoned to the residential uses as described herein, making it desirable to adjust the special tax allocation by forming the District and overlapping the Special Tax of the District on such rezoned property. See APPRAISAL OF PROPERTY IN THE DISTRICT – Overlapping Liens and Priority of Lien" below. For parcels in the District, the per-residential unit combined annual maximum special tax of the District and CFD No. 1 is projected to be $1,994 per medium-density unit and $1,057 per high-density unit, which is consistent with the per unit tax of CFD No. 1 for property within CFD No. 1 which is outside of the District.

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. The pay-as-you-go component of the Special Tax Formula may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the Developer elects not to pay such deficiency from other available sources of funds. The Developer expects to utilize the pay-as-you-go component, however it is expected to be limited to a five year period beginning from the date of completion of the Improvements. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula.

Special Tax Fund

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

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

Deposit and Use of Proceeds of Bonds

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

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

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

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

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

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

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

Reserve Fund

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

Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City.

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

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

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

Improvement Fund

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

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

Additional Bonds

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

DEBT SERVICE SCHEDULE

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

STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5 (PUBLIC FACILITIES)
SPECIAL TAX BONDS SERIES 2006
DEBT SERVICE

Year Ending (Sept. 1)	Principal	Interest	Total
2007	--	$259,496.07	$259,496.07
2008	$15,000	273,153.76	288,153.76
2009	20,000	272,553.76	292,553.76
2010	30,000	271,753.76	301,753.76
2011	35,000	270,516.26	305,516.26
2012	40,000	269,028.76	309,028.76
2013	50,000	267,278.76	317,278.76
2014	60,000	265,028.76	325,028.76
2015	70,000	262,253.76	332,253.76
2016	75,000	258,928.76	333,928.76
2017	90,000	255,272.50	345,272.50
2018	100,000	250,772.50	350,772.50
2019	110,000	245,772.50	355,772.50
2020	125,000	240,272.50	365,272.50
2021	135,000	234,022.50	369,022.50
2022	150,000	227,272.50	377,272.50
2023	165,000	219,622.50	384,622.50
2024	180,000	211,207.50	391,207.50
2025	200,000	202,027.50	402,027.50
2026	215,000	191,827.50	406,827.50
2027	235,000	180,862.50	415,862.50
2028	255,000	168,525.00	423,525.00
2029	280,000	155,137.50	435,137.50
2030	300,000	140,437.50	440,437.50
2031	325,000	124,687.50	449,687.50
2032	350,000	107,625.00	457,625.00
2033	380,000	89,250.00	469,250.00
2034	410,000	69,300.00	479,300.00
2035	440,000	47,775.00	487,775.00
2036	470,000	24,675.00	494,675.00
Total	$5,310,000	$6,056,337.41	$11,366,337.41

* Paid from capitalized interest.

THE DISTRICT

Formation of the District

On June 21, 2006, 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. After conducting a noticed public hearing, on August 16, 2006, the City Council adopted the Resolution of Formation, which established Stone Point Community Facilities District No. 5 (Public Facilities), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed $9.5 million. On the same day, an election was held within the District in which the Developer (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. Notwithstanding the additional bonding capacity of the District, no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

Location and Description of the District and the Immediate Area

The District consists of approximately 42.17 acres of multiple undeveloped parcels with some existing frontage improvements along Stone Point Drive. The proposed development consists of infill sites located within the Stone Point Master Planned Community, which is part of the North East Roseville Specific Plan Area.

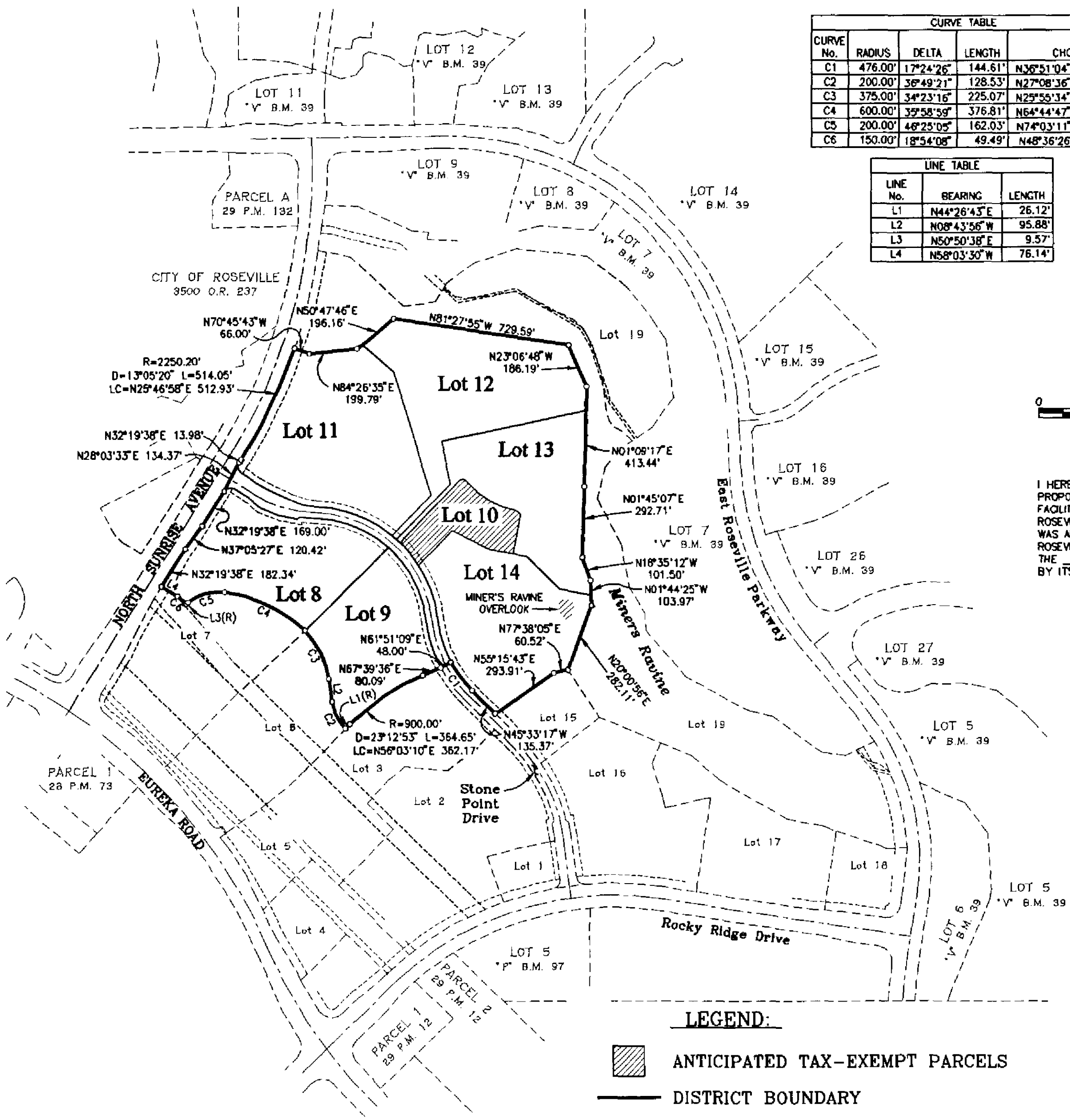
The District is located approximately a half-mile east of I-80, northeast of Eureka Road between North Sunrise Avenue and Rocky Ridge Road. The District is bounded by North Sunrise Avenue at the westerly side, and surrounding parcels at the north, south and east sides that are located within the Stone Point Master Plan area. The surrounding master plan area is bounded by Eureka Road to the southwest, and Miners Ravine open space and East Roseville Parkway to the north and east. Stone Point Drive bisects the project, approximately in the middle, from the northwest to the southeast.

The District is adjacent to a variety of commercial, office, and retail uses. To the south is the Stone Point Business Park, which is under development and planned for professional offices, and local service and retail outlets. To the southeast is the OPUS office buildings and a small park under development. Bordering from the north and east are Miners Ravine open space and park areas, with East Roseville Parkway along the other side. To the northeast across North Sunrise Avenue are Black Angus, United Artists Theatres, Miners Ravine and a 3-story hotel currently under construction.

BOOK ______ OF COMMUNITY FACILITIES, PAGE ______

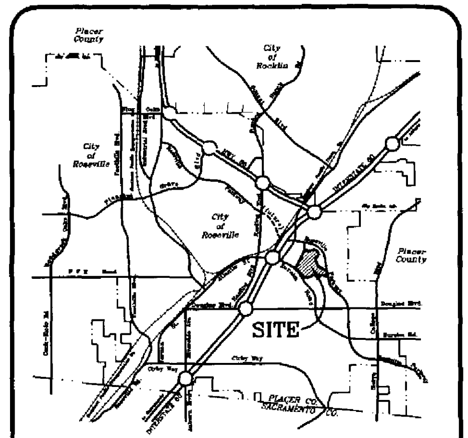
CURVE TABLE				
CURVE No.	RADIUS	DELTA	LENGTH	CHORD
C1	476.00'	17°24'26"	144.61'	N36°51'04"W 144.06'
C2	200.00'	36°49'21"	128.53'	N27°08'36"W 126.33'
C3	375.00'	34°23'16"	225.07'	N25°55'34"W 221.71'
C4	600.00'	35°58'59"	376.81'	N64°44'47"W 370.65'
C5	200.00'	46°25'05"	162.03'	N74°03'11"E 157.63'
C6	150.00'	18°54'08"	49.49'	N48°36'26"W 49.26'

LINE TABLE		
LINE No.	BEARING	LENGTH
L1	N44°26'43"E	26.12'
L2	N08°43'56"W	95.88'
L3	N50°50'38"E	9.57'
L4	N58°03'30"W	76.14'



0 300 600

SCALE: 1" = 300'



VICINITY MAP

NO SCALE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5 (PUBLIC FACILITIES) CITY OF ROSEVILL, COUNTY OF PLACER, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ROSEVILLE, AT A REGULAR MEETING THEREOF, HELD ON THE ______ DAY OF ______________, 2005, BY ITS RESOLUTION NUMBER ______________.

____
SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS _____ DAY OF ______________, 2005

____
SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED THIS _____ DAY OF ___________, 2005, AT THE HOUR OF ______ O'CLOCK ___ .M. IN BOOK ________ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT, AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

____
JIM McCAULEY
COUNTY RECORDER
COUNTY OF PLACER

BOUNDARY MAP
STONE POINT
COMMUNITY FACILITIES DISTRICT No.5
(PUBLIC FACILITIES)
STONE POINT LOTS 8, 9 & 11–14
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

A PORTION OF SECTION 16
TOWNSHIP 10 NORTH, RANGE 7 EAST, M.D.M.
AUGUST 31, 2005

LEGEND:

ANTICIPATED TAX-EXEMPT PARCELS

DISTRICT BOUNDARY

MACKAY & SOMPS
CIVIL ENGINEERS, INC.
ROSEVILLE, CALIFORNIA (916) 773-1189

CITY OF ROSEVILLE CALIFORNIA

Stone Point - Northeast Roseville Specific Plan

Planning & Redevelopment

S:\Arcdata\planning\Map Library\Planners\Chris R\NERSP_StonePoint_Landuse_Aerial.mxd

Anticipated Development in the District

The Developer has provided the following information with respect to development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the 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 Developer is a not a homebuilder and intends to sell all of the developable land within the District to merchant builders for development consistent with the current approved land uses, which primarily consist of medium-density residential ("MDR") and high-density residential ("HDR") neighborhoods. The Developer is considering applying to rezone the HDR property (11.8 acres planned for 225 units) to office/commercial uses, however no application has been submitted to the City and plans are uncertain at this time. See "Projected Marketing Efforts" below.

The District is located within and is part of the Stone Point Master Planned Community, which constitutes a portion of the North East Roseville Specific Plan Area and comprises 130 acres of infill featuring office, retail and residential land uses, with over 90 acres of developable land and over 30 acres of parks and open space. The Stone Point Master Planned Community had a Major Project Permit approved in May 2003 for 1.65 million square feet of office and retail space; however, subsequent strong growth in pricing for new and existing residential units in the local and regional economy influenced the Developer to initiate a rezone of portions of the area to accommodate residential development. If built out according to the current plans, the Stone Point Master Planned Community would have approximately 522 attached and detached residential units on land in the District, as well as approximately 1,150,000 square feet of office and retail space. Street improvements for Stone Point Drive were completed in 2004 connecting North Sunrise Avenue to Rocky Ridge Road.

Entitlements and Subdivision Maps. The Development Agreement (described below) provides the Developer with a vested right to develop a total of 575 residential units, with 225 high-density residential units and 350 medium-density residential units originally planned for the site. The residential parcels of the project are zoned R3, which accommodates both medium and high-density residential uses. A General Plan amendment was approved March 16, 2005, and a rezone was approved changing the zoning from PD178 (Research and Development) to a combination of R3 and PR (Parks and Recreation). A specific plan amendment was also approved, and an amendment to the Development Agreement was recorded May 23, 2005. A tentative map (large lot) to merge and re-subdivide existing parcels 6 through 14 was approved by the Planning Commission on February 24, 2005; the final large lot map was approved and recorded on December 7, 2005. Three small (residential) lot tentative maps were submitted to the City in April 2006 for the medium-density parcels; the Developer expects City approval to occur in accordance with the approved entitlements by early 2007.

Planned Development. The small lot tentative subdivision maps will result in the creation of approximately 297 medium density residential lots, with a density of approximately 9.8 dwelling units per acre. 225 high-density residential units are also planned in the District, with a density of approximately 19.1 dwelling units per acre. In addition, a neighborhood park consisting of 1.95 acres is also proposed and located within the boundaries of the District, however it will not be subject to the Special Tax. The Developer may change the planned high density use property to office/commercial uses. See "Projected Marketing Efforts - Possibility of Rezoning" below.

Two product types are proposed for the 297 medium-density units to be constructed on the four MDR parcels: 172 alley-loaded units, and 125 "green court" units. Up to three stories in height, all of the medium density units in Stone Point will be rear loaded, with entries fronting either paseos or green court areas, with garages located to the rear of the units.

The Developer has designated the parcels as planned neighborhoods 1 through 4, with the following lot numbers and planned units.

City of Roseville
Stone Point Community Facilities District No. 5 (Public Facilities)
Summary of Neighborhood Plan

Neighborhood Designation	Lot No.	Size (Acres)	Zoning	No. of Units
1	8 & 9	11.80	High Density Res.	225*
2	11	9.16	Medium Density Res.	95
3	12 & 13	13.93	Medium Density Res.	125
4	14	7.28	Medium Density Res.	77
Park (No Special Tax)	10	1.95	Park/Recreational	--
		44.10		522*

* If Lot Nos. 8 and 9 are developed as currently planned, 31 of the units will sold as affordable units and will not be subject to the Special Tax of CFD No. 5. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Overlapping Liens; Priority of Liens."

Projected Marketing Efforts. The Developer anticipates marketing the District properties to merchant builders in the Fall of 2006.

Possibility of Rezoning. The City has recently completed a study to identify properties within the City that would be suitable for larger office complexes such as headquarter campuses. This study indicates that there is a scarcity of available sites for such uses. As a result, the Developer is in preliminary discussions with the City regarding the merits, from both a land use and market perspective, of changing the land use on Parcels 8 and 9 within the District (11.8 acres located south of Stone Point Drive) from high density residential to office. The remainder of the developable parcels within the District (Parcels 11-14) are designated for medium density residential development and are located to the north of Stone Point Drive. Parcels 8 and 9 were originally designated for office development in the 1989 Northeast Roseville Specific Plan and in the 2002 Stone Point Master Plan; they were redesignated for high density residential use in 2005. See "Entitlements and Subdivision Maps" above. They are located immediately adjacent to Stone Point Parcels 6 (7.0 acres) and 7 (7.8 acres) (both outside of the District) which are currently designated for office development. Should Parcels 8 and 9 be rezoned for office use, the four contiguous parcels (Parcels 6-9) would most likely be planned as an integrated, 26.6 acre, single or multiple user office complex with a small local serving retail component. In the event Developer determines that there is City interest in and support of a change in land use for Parcels 8 and 9 from HDR to office and that the market conditions warrant such a reversion to office use, Developer will prepare a formal application and begin the rezone process which could take ten months or longer to complete.

Although Parcels 8 and 9 in the District are currently zoned for residential development, it is presently uncertain that they will ultimately be developed for residential use.

Infrastructure and Utilities. Construction of the initial phase of infrastructure, including most of the backbone roadway and utility improvements required to serve development of the Stone Point properties, has been completed by the Developer. All but approximately $675,000 of the costs of the initial backbone improvements has been funded by existing Stone Point CFD No. 1. See "THE IMPROVEMENTS" below. The authorized facilities to be financed from Bond proceeds consist primarily of additional roadway and utility improvements required to accommodate the 2005 rezone from office/retail to residential, as well as park site acquisition, bridge resurfacing, and reimbursement for authorized facilities already constructed by the Developer as part of the initial phase of infrastructure.

Affordable Units. As required by the City's Affordable Housing Policy as well as the Development Agreement, the residential parcels must provide 10% affordable housing as follows: 4% affordable to Very Low Income Households (21 units); 4% affordable to Low Income Households (21 units); 2% affordable to Moderate Income Households (10 units). The Developer currently plans to satisfy a portion of the requirement with an in-lieu fee paid to the City and the remainder by providing 31 units (within large parcels 8 & 9) designated as affordable. The Special Tax Formula provides that if these 31 units are built and sold as planned there will be no Special Tax on such units (the debt service on the Bonds is calculated to reflect the assumption that these units are tax exempt from the Special Tax).

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

Development Agreement

General. The Developer is a party to a development agreement amendment and amendment thereto recorded May 25, 2005 (the **"Development Agreement"**) with the City in accordance with applicable state and local codes. The Development Agreement vests development rights and specifies performance obligations as related to the vested development rights. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City's Zoning Ordinance No. 802. The Development Agreement, together with the Major Project Permit (including the Stone Point Master Plan) and the Tentative Subdivision Map conditions of approval, are and will be the primary implementation tools for the property. The Development Agreement is intended to create a binding contract between the City and the Developer and their assigned successors in interest, which sets forth the specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements. Included in the entitlements are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with City land use requirements. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the

District may occur upon City approval of subdivision maps, satisfaction of certain Master Plan design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

Environmental Matters

Flood Hazard Map Information. The District is located in Flood Zone X, areas determined to be outside the 500-year flood plain, shown on Federal Emergency Management Agency (FEMA) map Community Panel Number 06061C-0477G and -0479G, dated November 21, 2001. The Miner's Ravine Creek area, in the "AE" flood zone, is north of the open space parcel and does not negatively affect the development.

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

THE IMPROVEMENTS

Eligible Facilities

The Bonds will provide a funding source to the Developer for moneys expended for a portion of the cost of the Improvements. The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the **"CFD Hearing Report"**) dated September 10, 2006 by Goodwin Consulting Group, Inc., Sacramento, California, in connection with the formation of the District.

The eligible Improvements authorized are described in the CFD Hearing Report consist generally of roadway improvements, including roadway design, project management, grading, and construction of roadways, including curbs, gutters, sidewalks, pavement, street lighting, dry utilities, landscaping, soundwalls, and other miscellaneous improvements. Authorized Improvements also include water and wastewater system improvements, parkland acquisition, as well as incidental expenses as authorized by the Act.

Estimated Cost of the Improvements

The total estimated construction cost of the Improvements and other project related public expenditures, as provided by the Developer, is approximately $4.24 million, most of which is projected to be financed by the Bonds.

Stone Point Community Facilities District No. 5 (Public Facilities)
Summary of Authorized Facilities and Estimated Cost

DESCRIPTION	Estimated Cost
Erosion Control	$12,000
Clearing & Mobilization	8,400
Signage and Striping (Stone Point Drive, N. Sunrise, Eureka)	25,000
Traffic Control	50,000
Bulb-outs (Stone Point Drive)	90,000
Left in - Right out (N. Sunrise Blvd including existing median reconstruction)	25,000
Bus Turnouts (N. Sunrise Blvd)	180,000
Park Site Acquisition (Lot 10)	2,331,150
Joint Trench (Next to substation)	66,000
Roseville Parkway Bridge Resurfacing (AC Overlay)	30,000
Landscaping	350,000
Short Fall - CFD No. 1	675,000
Design	161,280
Contingency/Management	239,985
TOTAL	$4,243,815

Source: The Developer.

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds and through annual Special Tax collections in excess of the amount needed to pay the debt service. By agreement between the City and the Developer, this component of the Special Tax is expected to be limited to 5 years and the Developer expects to utilize it for that time. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Construction and Acquisition of the Improvements

Construction of the improvements by the Developer is expected to commence in 2007 and construction of all the Improvements to be funded from proceeds of the Bonds is expected to be substantially completed by the end of the 2007 construction season.

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

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

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

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

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

The Landowner and the Developer

The following information describing the Landowner, Richland Ventures, Inc. and the Developer, Richland Roseville, Ltd. has been primarily provided by the Developer. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. It is only provided as a convenience to enable investors to more easily commence their own independent investigations if they so chose.

All of the property within the District is currently owned by the Landowner, Richland Roseville, Ltd., a Florida limited partnership doing business in California as Richland Roseville, L.P., which entity intends to sell the property to an affiliate, Richland Ventures, Inc., a Florida corporation, herein referred to as the Developer. The Developer is active in California real estate development and is part of Richland Investments, LLC, a real estate development group owned by John H. Bray, an individual. Mr. Bray has been active in real estate investment and development in California, Texas, Florida and Canada for almost 30 years through a number of different related entities in addition to the Developer including, in particular, Richland Properties, Inc. and Richland Planned Communities, Inc. (collectively, the "Related Entities"). Richland Investments, LLC's principal focus is on the development of residential master planned communities.

The Developer intends to sell properties in the District to merchant residential builders for ultimate development. The Developer will install or cause to be installed the backbone public facilities required for development within the District including the improvements to be financed with proceeds of the Bonds. The Developer has mass graded the large lot parcels to be sold and, subject to some possible exceptions, will be responsible for obtaining approval of the required tentative small lot subdivision maps.

The merchant residential builders will be responsible for finished grading and installing "in tract" public improvements and obtaining approval of and recording final small lot subdivision maps. They will be responsible also for the payment of all development, impact and building permit fees related to their respective subdivisions.

The Developer is a not a homebuilder and anticipates beginning formal marketing of the properties within the District in Fall 2006 to merchant builders for development consistent with the current approved land uses, which primarily consist of medium-density residential ("MDR") and high-density residential ("HDR") neighborhoods, however the Developer is considering applying to rezone the HDR property (11.8 acres planned for 225 units) to office/commercial uses. No application has been submitted to the City and plans for the HDR property are uncertain at this time. See "THE DISTRICT – Anticipated Development in the District - Projected Marketing Efforts" above.

The Developer has financed planning, design and construction of Improvements to date from various existing sources pending acquisition of Improvements by the City and payment to the Developer from proceeds of the Bonds and, under limited circumstances, Special Taxes. The Developer has utilized their access to funds from cash and existing operating lines of credit to commence the development of infrastructure.

Richland Investments, LLC's subsidiaries and affiliates including Richland Roseville, Ltd. have undertaken numerous master planned property development projects, including development of the portion of the Stone Point Master Planned Community area outside of the District, which primarily includes approximately 1,100,000 square feet of office space. Development efforts began in 1999, and five of seven office parcels have been sold. Other developments involving Richland Investments, LLC and/or Related Parties include the following:

(i) Arrowood in Oceanside, California (1998 to present), a 540 acre community, which includes 1,001 single family lots and an 18 hole golf course, elementary school site and parks. Eight hundred of the lots have been sold to builders.

(ii) Crown Valley in Murrieta, California (1994 to present) which includes 419 single family lots plus multi-family and commercial sites. Two hundred and eighty lots have been sold to date.

(iii) Avanti in Lancaster, California (2003 to present) which includes 1,550 single family lots. This project has completed the entitlement process and is undergoing development.

(iv) Highland Reserve in Roseville, California (1994 to present), a 2,330 acre master planned community, which includes 5,970 residential units, 3.5 million square feet of retail/commercial space and 2.5 million square feet of office and research and development space. This project is in the late stages of sell out.

(v) Diamond Woods in Roseville, California (1999-2002) which includes 350 single family lots, all of which have been sold.

(vi) Land Park (also known as the Central Lathrop Specific Plan) in Lathrop, California (2004 to present) a 1,500 acre master planned community, which includes 6,800 residential units and 5,000,000 million square feet of retail/office land uses. This project has completed the entitlement process and is undergoing development.

Six development projects of subsidiaries of Richland Investments, LLC or Related Parties have been included in six community facilities districts which issued bonds to finance public infrastructure improvements serving those projects. The six community facilities districts are Community Facilities District No. 2002-05 (Crown Valley Village) of the Eastern Municipal Water District, Community Facilities District No. 2001-1 of the City of Oceanside, City of Roseville NCRSP Community Facilities District No. 1, City of Roseville Woodcreek East Community Facility District No. 1, City of Roseville HRN Community Facilities District No. 1 and City of Roseville Stone Point Community Facilities District No. 1. In addition, a Richland affiliated entity recently caused the formation of the Community Facilities District No. 2006-1 (Central Lathrop Specific Plan) in the City of Lathrop, for which the first series of bonds are expected to be issued in September 2006 to finance initial development activities of the Land Park project described above.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Bender Rosenthal, Inc., Sacramento, California (the "**Appraiser**") prepared an appraisal report with a date of value of July 6, 2006 (the "**Appraisal**"). The Appraisal was prepared at the request of the City.

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

Value Estimates. The Appraisal valued the fee simple estate of the taxable property in the District to estimate the hypothetical (in light of the fact that the improvements financed by the Bonds were not in place as of the date of valuation) market value of the property (in bulk), assuming completion of the improvements to be financed by the Bonds. The valuation accounts for the impact of the lien of the Special Tax. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the July 6, 2006 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is $39,300,000.

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

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

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

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

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

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated the single-family lots could transfer within 27 months of exposure on the market. Thus, the discounted cash flow analysis reflected sales of residential lots over this period. The estimate takes into account the time and process associated with delivering developable parcels. See Appendix B.

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

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

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

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

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be $39,300,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The property in the District is also subject to an annual bonded special tax of CFD No. 1, as below under the caption "Overlapping Liens and Priority of Liens." The principal amount of the Bonds is $5,310,000 and the principal amount of the CFD No. 1 Bonds attributable to property in the District subject to the Special Tax (based on pro-ration of the maximum special tax of CFD No. 1) is approximately $4,700,000. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 3.92 times the principal amount of the Bonds and the CFD No. 1 Bonds.

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

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

Overlapping Liens and Priority of Lien

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

The property in the District is also subject to an annual bonded special tax of the City's Stone Point Community Facilities District No. 1 ("CFD No. 1") which comprises approximately 130 gross acres (approximately 98 net developable/taxable acres at the time of formation), including the approximate 42 acres in the District. Bonds for CFD No. 1 were issued in 2003. At the time of formation of CFD No. 1, the land therein was planned for an office park development of approximately 1.65 million square feet of gross building area, along with a limited amount of associated retail uses. Subsequent to formation of CFD No. 1, the property in the District was rezoned to the residential uses as described herein. See THE DISTRICT – Anticipated Development in the District – Entitlements and Subdivision Maps" above. For parcels in the District, the per residential unit combined special tax of the District and CFD No. 1 is as follows:

Combined Special Tax- CFD No. 1 and CFD No. 5

Lot No.	Zoning	No. of Units	Combined Annual Max. Special Tax	Combined Ann. Max. Spec. Tax/Unit
8 & 9	HDR	225*	$222,412	$1,056.70
11	MDR	95	189,400	1,993.68
12 & 13	MDR	125	249,210	1,993.68
14	MDR	77	153,513	1,993.68
		522*	$814,536	

* If Lot Nos. 8 and 9 are developed as currently planned, 31 of the units will sold as affordable units and will not be subject to the Special Tax of CFD No. 5.

In addition, property in the District is also subject to the non-bonded annual special tax of (i) the City's Community Facilities District No. 2 (Public Services) in the annual amount of approximately $49 per single family residential unit, (ii) the City's Community Facilities District No. 3 (Municipal Services) in the annual amount of $293 per low- or medium-density residential unit and $196 per high-density unit, (iii) the City's Community Facilities District No. 4 (Public Services) in the annual amount of $165 per low- or medium-density residential unit and $140 per high-density unit, (iv) the Placer County Mosquito Abatement District in the annual amount of $3 per single family ; (v) the City's Olympus Point landscape and Lighting District assessment in the annual amount of $44 per low- or medium-density residential unit and $24 per high-density unit; and (vi) bonded indebtedness for schools in the combined amount of $237 per low- or medium-density residential unit and $174 per high-density unit. The amounts shown are for fiscal year 2006-07; some of the amounts are subject to annual escalation.

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

CITY OF ROSEVILLE STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5

2005-06 Local Secured Assessed Valuation: $5,879,039

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/06	
Roseville Joint Union High School District	0.031%	$ 25,163	
Roseville City School District	0.061	23,130	
City of Roseville Stone Point Community Facilities District No. 1	41.520	4,700,806	
City of Roseville Stone Point Community Facilities District No. 5	**100.**	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$4,749,099	
OVERLAPPING GENERAL FUND DEBT:			
Placer County Certificates of Participation	0.013%	$ 2,920	
Placer County Office of Education Certificates of Participation	0.013	375	
Sierra Joint Community College District Certificates of Participation	0.010	1,070	
Roseville Joint Union High School District Certificates of Participation	0.032	1,778	
Roseville City School District Certificates of Participation	0.065	12,236	
City of Roseville Certificates of Participation	0.044	10,472	
TOTAL OVERLAPPING GENERAL FUND DEBT		$28,851	
COMBINED TOTAL DEBT		$4,777,950	(2)

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

Ratios to 2005-06 Assessed Valuation:

Direct Debt	**- %**
Total Direct and Overlapping Tax and Assessment Debt	80.78%
Combined Total Debt	81.27%

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

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

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

SPECIAL RISK FACTORS

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

Limited Obligation of the City to Pay Debt Service

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

Concentration of Ownership

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

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

Appraised Values

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

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

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

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

Property Values and Property Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bankruptcy and Foreclosure Delays

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

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

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

Parity Taxes and Special Assessments; Private Debt

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

Property in the District is currently subject to certain overlapping tax and assessment liens, as described above under the caption "APPRAISAL OF PROPERTY IN THE DISTRICT – Overlapping Liens and Priority of Lien."

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

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

Tax Delinquencies

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

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

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

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

No Acceleration Provisions

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

Ballot Initiatives

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

Proposition 218

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

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

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

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

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

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

UNDERWRITING

The Bonds were purchased through negotiation by Piper Jaffray & Co., Inc. (the "**Underwriter**"). The Underwriter agreed to purchase the Bonds at a price of $5,201,725.60 (which is equal to the par amount of the Bonds, less an original issue discount of $37,916.90 and less the Underwriter's discount of $70,357.50). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

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

LEGAL OPINION

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

TAX MATTERS

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

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

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

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

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

RATINGS

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

NO LITIGATION

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

EXECUTION

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

CITY OF ROSEVILLE

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

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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CITY OF ROSEVILLE
STONE POINT
COMMUNITY FACILITIES DISTRICT NO. 5

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF 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 Stone Point Community Facilities District No. 5 (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.

"**Adjusted Maximum Special Tax**" means the revised Maximum Special Tax for a Parcel after a Partial Prepayment Factor is applied to the Parcel's prior Maximum Special Tax.

"**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.

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

"Affordable Unit" means a Unit built on a Parcel for which an Affordable Purchase Development Agreement or similar agreement has been recorded on title of the property designating the Unit as affordable (as determined by the City) and resulting in a deed of trust on the Parcel in favor of the City. The City's Affordable Housing Director shall determine which Units are designated as Affordable Units and maintain an Affordable Unit Listing which shall contain all designated buildable parcels by tract and lot number.

"Amendment Date" means the date on which this Amended and Restated Rate and Method of Apportionment of Special Tax was adopted by the City Council.

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

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

"**Anticipated Construction Proceeds**" means $4,100,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

"**Base Year**" means Fiscal Year 2006-07.

"**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.

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

"**CFD**" means the Stone Point Community Facilities District No. 5 of the City of Roseville.

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

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

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

"**County Assessor's Parcel Number**" 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 the Bond Year commencing in such Fiscal Year.

"**Expected Affordable Units**" means the following:

- For Parcel 8, a total of 18 Affordable Units, and
- For Parcel 9, a total of 15 Affordable Units

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

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

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

"**Master Plan Parcel**" means the planned Parcels by land use in Stone Point. The Original Parcels shown in **Attachment 1** and **Map 1** were all Master Plan Parcels as of the Amendment Date.

"**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 for each Original Parcel as of the Amendment Date is shown in **Attachment 1**.

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

"**Original Parcel**" means a Master Plan Parcel shown in the Final Large-Lot Subdivision Map as it existed as of the Amendment Date, 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.

"**Parcel 8**" means the Original Parcel identified as Lot 8 on the boundary map for the CFD.

"**Parcel 9**" means the Original Parcel identified as Lot 9 on the boundary map for the CFD.

"**Pay-As-You-Go**" means funding for authorized facilities from accumulated special tax revenues in excess of revenues required to fund Debt Service; Administrative Expenses and County fees; and 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 Fiscal Year.

"**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 the Maximum Special Tax prior to the termination of the Special Tax 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 the California law, including public streets; schools; parks; and public drainage ways, public landscaping, greenbelts, and public open space. These Public Parcels—so identified as of the Amendment Date–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 that 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.

"**Single Family Attached Lot**" means, in any Fiscal Year, a Successor Parcel for which a building permit was issued or may be issued for construction of a residential structure consisting of two or more residential units that share common walls and are offered as for-sale units, including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

"**Single Family Detached Lot**" means, in any Fiscal Year, a Successor Parcel for which a building permit was issued or may be issued for construction of a residential unit that does not share a common wall with another unit.

"**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.

"**Stone Point**" means the Stone Point master planned development located in the Northeast Roseville Specific Plan Area.

"**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 any Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified as of the Amendment Date or created by Subdivision of an Original or Successor Parcel (where all of the taxes from the previous Original or Successor Parcel have been assigned to a Taxable Parcel(s)), (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof, and (3) Parcels on which Affordable Units have been or will be constructed, as determined by the Affordable Housing Director. Notwithstanding the foregoing, if more than the Expected Affordable Units are built on either Parcel 8 or Parcel 9, the total number of Parcels designated as Tax-Exempt Parcels shall not exceed the number of Expected Affordable Units on the Original Parcel. If Affordable Units are designated on Parcels other than

Parcel 8 or Parcel 9, such Affordable Units shall be Taxable Parcels. In the event of an excess number of Affordable Units, the Affordable Housing Director shall make a determination as to which Parcels shall be Tax-Exempt Parcels and which shall be Taxable Parcels. In addition, a Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

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

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

1) Exclude all Tax-Exempt Parcels.

2) The remaining Parcels are subject to the Special Tax according to the formula detailed below.

It shall be the burden of the taxpayer to correct in a timely manner 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 2046-2047. 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 District 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 Taxes from **Attachment 1,** the Finance Director shall assign the Maximum Special Taxes to Parcels as follows:

5.1. Each Parcel to be classified as a Tax Exempt Parcel or a Taxable Parcel;

5.2. 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:

5.2.a. Original Parcel – The Maximum Special Tax for each Original Parcel is as shown in **Attachment 1**.

5.2.b. Successor Parcel – The Maximum Special Tax for each Successor Parcel is determined as follows:

5.2.b.(i) *None of the Successor Parcels are Buildable Lots*

If, upon Subdivision of an Original Parcel or Successor Parcel, it is determined that none of the Successor Parcels are Buildable Lots, the following steps shall apply:

- Identify the Maximum Special Tax for the Original Parcel or Successor Parcel that was subdivided; then

- Calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of the Original or Successor Parcel by dividing its square footage by the total square footage;

$$\left[\frac{\text{Square footage of Successor Parcel}}{\text{Square footage of all Successor Parcels from Original Parcel}}\right]$$

  then,

- Multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.

5.2.b.(ii) *All of the Successor Parcels are Single Family Detached Lots*

If, upon Subdivision of an Original Parcel or Successor Parcel, it is determined that all of the Successor Parcels are Single Family Detached Lots, the following steps shall apply:

- Identify the Maximum Special Tax for the Original Parcel or Successor Parcel that was subdivided; then

- Divide the Maximum Special Tax by the number of Single Family Detached Lots created by the Subdivision to determine the Maximum Special Tax for each Single Family Detached Lot.

5.2.b.(iii) *All of the Successor Parcels are Single Family Attached Lots*

If, upon Subdivision of an Original Parcel or Successor Parcel, it is determined that all of the Successor Parcels are Single Family Attached Lots, the following steps shall apply:

- Identify the Maximum Special Tax for the Original Parcel or Successor Parcel that was subdivided; then

- Divide the Maximum Special Tax by the number of residential units expected to be built upon the Original Parcel or Successor Parcel that was subdivided to determine the Maximum Special Tax for each residential unit; then

- If more than one residential unit is expected on any of the Successor Parcels, multiply the Maximum Special Tax per residential unit by the number of residential units that will be built on the Successor Parcel to determine the Maximum Special Tax for the Successor Parcel. For example, if two units share a common County Assessor's Parcel Number (i.e., a "duplex"), multiply the Maximum Special Tax per residential unit by two and assign the product as the Maximum Special Tax for the Successor Parcel.

5.2.b.(iv) *Some Successor Parcels are Buildable Lots, Others are Not*

If a Final Map records creating Buildable Lots within only a <u>portion</u> of an Original or Successor Parcel, the following steps shall apply:

- Identify the Maximum Special Tax for the Original Parcel or Successor Parcel that was subdivided; then

- Calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of the Original or Successor Parcel by dividing its square footage by the total square footage;

$$\left[\frac{\text{Square footage of Successor Parcel}}{\text{Square footage of all Successor Parcels from Original Parcel}}\right]$$

then,

- Multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel to assign a portion of the Maximum Special Tax to each Successor Parcel; then

- Combine the Maximum Special Tax for all Successor Parcels that are Single Family Detached Lots; then divide by the number of Single Family Detached Lots created by the Subdivision to determine an equal Maximum Special Tax for each Single Family Detached Lot; then

- Combine the Maximum Special Tax for all Successor Parcels that are Single Family Attached Lots; then divide by the expected number of residential units that will be built on all of the Single Family Attached Lots combined to determine an equal Maximum Special Tax for each residential unit that will be built on the Single Family Attached Lots; then

- If more than one residential unit is expected on any of the Successor Parcels, multiply the Maximum Special Tax per residential unit by the number of residential units that will be built on the Successor Parcel to determine the Maximum Special Tax for the Successor Parcel. For example, if two units share a common County Assessor's Parcel Number (i.e., a "duplex"), multiply the Maximum Special Tax per residential unit by two and assign the product as the Maximum Special Tax for the Successor Parcel.

5.2.c <u>Partial Prepayment Parcels</u> – 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.

5.2.d. <u>Conversion of a Tax-Exempt Parcel to a Taxable Parcel</u> – 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 acre for Parcels with similar land use designations, as determined by the Finance Director.

5.2.e. <u>Taxable Parcels Acquired by a Public Agency</u> – 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 not a net loss in Maximum CFD Revenue.

5.2.f. Rezoning a Residential Parcel to a Commercial Use – If a Parcel that is expected to be developed as residential is rezoned to a commercial land use, the Maximum Special Tax that will apply to the Parcel after the Parcel is rezoned shall be equal to the Maximum Special Tax that applied to the Parcel prior to the rezoning.

5.2.g. Transfer of the Maximum Special Tax from One Parcel to Another – The Maximum Special Taxes in Attachment 1 were determined based on the number of planned residential units on each Original Parcel. If the number of planned residential units is transferred from one Parcel to another prior to recordation of a Final Map affecting such Parcels, the City may, in its sole discretion, allow for a transfer of the Maximum Special Tax from one Parcel to the other. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the Finance Director, and (ii) there is no reduction in the Maximum CFD Tax Revenues as a result of the transfer. Should a transfer result in an amendment to Attachment No. 1 of the Notice of Special Tax Lien, the requesting property owner shall bear the costs to effect the transfer in the District records and prepare the required amendments to the Notice of Special Tax Lien and Attachment No. 1. Prior to the transfer, the City may require a deposit from the requesting property owner for such costs. If such a transfer is requested, the Administrator shall apply the following steps to redistribute the Maximum Special Tax among the Parcels:

Step 1: Determine the Maximum Special Tax associated with the residential units or non-residential acres being transferred.

Step 2: Subtract the amount determined in Step 1 from the Maximum Special Tax for the Parcel from which the units will be transferred to determine the new Maximum Special Tax for the Parcel.

Step 3: Add the amount determined in Step 1 to the Maximum Special Tax for the Parcel to which the units are being transferred to determine the new Maximum Special Tax for the Parcel.

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 the Maximum CFD Revenue.

   Step 2: Compare the Annual Costs with the Maximum CFD Revenue calculated in the previous step.

   Step: 3: If the Annual Costs are less than the Maximum CFD Revenue, decrease the Special Tax levy proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Costs.

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. The Tax Collection Schedule shall not be sent later than the date required by the Auditor.

The City shall make every effort to correctly assign 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 Stone Point takes place, the Finance Director will maintain a file, available for public inspection, for each current County Assessor's Parcel Number within the CFD and the authorized Maximum Special Tax on all such Parcels. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Payments must be made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax levy. Prepayment is permitted only under the following conditions:

- 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 on the 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 full 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 25 percent (25%) of the Full Prepayment amount.

The Full Prepayment amount shall be established by following the steps in parts A and B below. The Partial Prepayment is calculated by determining the Adjusted Maximum Special Tax in Part C below and then applying this instead of the Maximum Special Tax in Part A and Part B below to determine the Partial Prepayment. Transfers from the Reserve Fund for a Full or Partial Prepayment are described in Part D below.

Part A: Prepayment of Outstanding Bond Share

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

Step A.2: Determine the Benefit Share by dividing the Maximum Special Tax determined in Step A.1 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 by the total amount of Outstanding Bonds issued by the CFD, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 above and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all Outstanding Bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the prepaying landowner at the time that bonds are called.

Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 above any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B: Remaining Facility Cost Share

Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.

Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Building 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 Total 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, as identified in the City resolutions that establish the CFD, shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.22.

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 Parcel subject to prepayment (or group of 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 25 percent (25%) of the Full Prepayment amount. The City shall then determine the Partial Prepayment Factor and the Partial Prepayment by the following procedure:

Step C.1: Subtract the bond call amount, in a whole number multiple of $5,000, from the sum of Steps A.3 and B.4 above.

Step C.2: Divide the result of Step C.1 by the sum of Steps A.3 and B.4 to determine the Partial Prepayment Factor.

Step C.3: Multiply the Partial Payment Factor by the Maximum Special Tax for the Parcel to determine the Adjusted Maximum Special Tax for the Parcel.

Step C.4: Apply the Adjusted Maximum Special Tax instead of the Maximum Special Tax in Parts A and B above to determine the Partial Payment.

Part D: Transfers

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

Step D.1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

Step D.2: For a Partial Prepayment, transfer an amount equal to the Reserve Fund Share multiplied by 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
Stone Point CFD No. 5 (Public Facilities)
Maximum Special Tax by Original Parcel

Original Parcel [1]	Expected Land Use	Planned Residential Units	Estimated Acreage	Maximum Special Tax [2]
Taxable Parcels:				
8	HDR	108	6.63	$50,220
9	HDR	84	5.17	$39,060
11	MDR	95	9.21	$79,800
12	MDR	66	7.00	$55,440
13	MDR	59	6.88	$49,560
14	MDR	77	7.28	$64,680
Total Taxable Parcels		489	42.17	$338,760
Tax Exempt Parcels:				
10	Park	N/A	1.95	N/A

1. *Master Plan Parcels as of the Adoption Date*

2. *The Maximum Special Tax assigned to each Original Parcel (calculated by multiplying the number of planned HDR units allocated to Parcels 8 and 9 that are not Expected Affordable Units by an assumed per unit maximum special tax of $465/unit and the number of planned MDR units allocated to Parcels 11, 12, 13 and 14 by an assumed per unit annual maximum special tax of $840/unit) will remain the same regardless of the actual acreage or number of units within an Original Parcel or Successor Parcel. Beginning July 1, 2007 and each July 1 thereafter, the Maximum Special Taxes shown above shall be adjusted by applying the 2% Annual Tax Escalation Factor.*

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APPENDIX B

THE APPRAISAL

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SUMMARY REPORT OF
A COMPLETE APPRAISAL
STONE POINT CFD NO. 5
ROSEVILLE, CALIFORNIA

FOR

CITY OF ROSEVILLE
311 VERNON STREET
ROSEVILLE, CALIFORNIA 95678

BY

BENDER ROSENTHAL, INC.
3650-C AUBURN BOULEVARD, SUITE 206
SACRAMENTO, CALIFORNIA 95821

AS OF

JULY 6, 2006

BRI 05111

BENDER ROSENTHAL, INC.
COMMERCIAL VALUATION AND RIGHT OF WAY SERVICES

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

August 23, 2006

Re: Appraisal of Property for Bond Underwriting Purposes
Stone Point CFD No. 5
Roseville, California

Dear Mr. Branson:

As agreed in our engagement letter and contract, we have appraised the above referenced property, consisting of 42.17 acres with an expected land use of approximately 225 planned high-density residential units and 297 medium density residential units. 31 of the planned high-density units are designated as affordable housing units that will be tax-exempt under the Rate and Method of Apportionment of Special Tax, and no value has been applied to these units. Moreover, with respect to the estimated bulk value of the entire project, a negative residual value has been attributed to the affordable units due to the excess expenses that will be incurred by the developer or homebuilder in fulfilling the affordable housing obligation. There is also a 1.95 acre park planned, this area will be tax-exempt and is not a part of the CFD, therefore it has not been appraised. Street improvements for Stone Point Drive were completed in 2004 along with initial mass rough grading of the sites. Currently the properties are undeveloped.

As requested, we have formed opinions of the retail values of the large lot and tentative mapped components, as if they were ready for sale, and also we have developed an opinion of the bulk value of the entire project, taking into account remaining development costs, future sales projections, etc.

These value opinions are subject to all of the extraordinary and hypothetical, limiting conditions as specified in the first section of the report. Our opinion of the bulk value, as of July 6, 2006 is

\$39,300,000
\$931,942 per acre
\$21.39 per square foot

This is the cash value, subject to bonds, existing and expected, that will levy special taxes on the properties.

Our analyses and valuation opinion development are contained in the attached report. We have made every effort to prepare this appraisal in conformance with 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 (the "USPAP") of the Appraisal Foundation[1]. We also have attempted to adhere to CDIAC[2] guidelines. We consider this to be a complete appraisal, presented in a summary form of report, as those terms are defined in the USPAP.

Please refer to the Extraordinary and General Assumptions and Limiting Conditions contained in this report. **In particular, we ask the reader to note that the value opinion is predicated on the assumption that all infrastructure necessary for the development is in place.**

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

BENDER ROSENTHAL, INC.

Cydney G. Bender Reents, MAI

[1] The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the signatories 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.

[2] California Debt and Investment Advisory Commission, Appraisal Standards for Land-Secured Financings, CDAIC 04-07.

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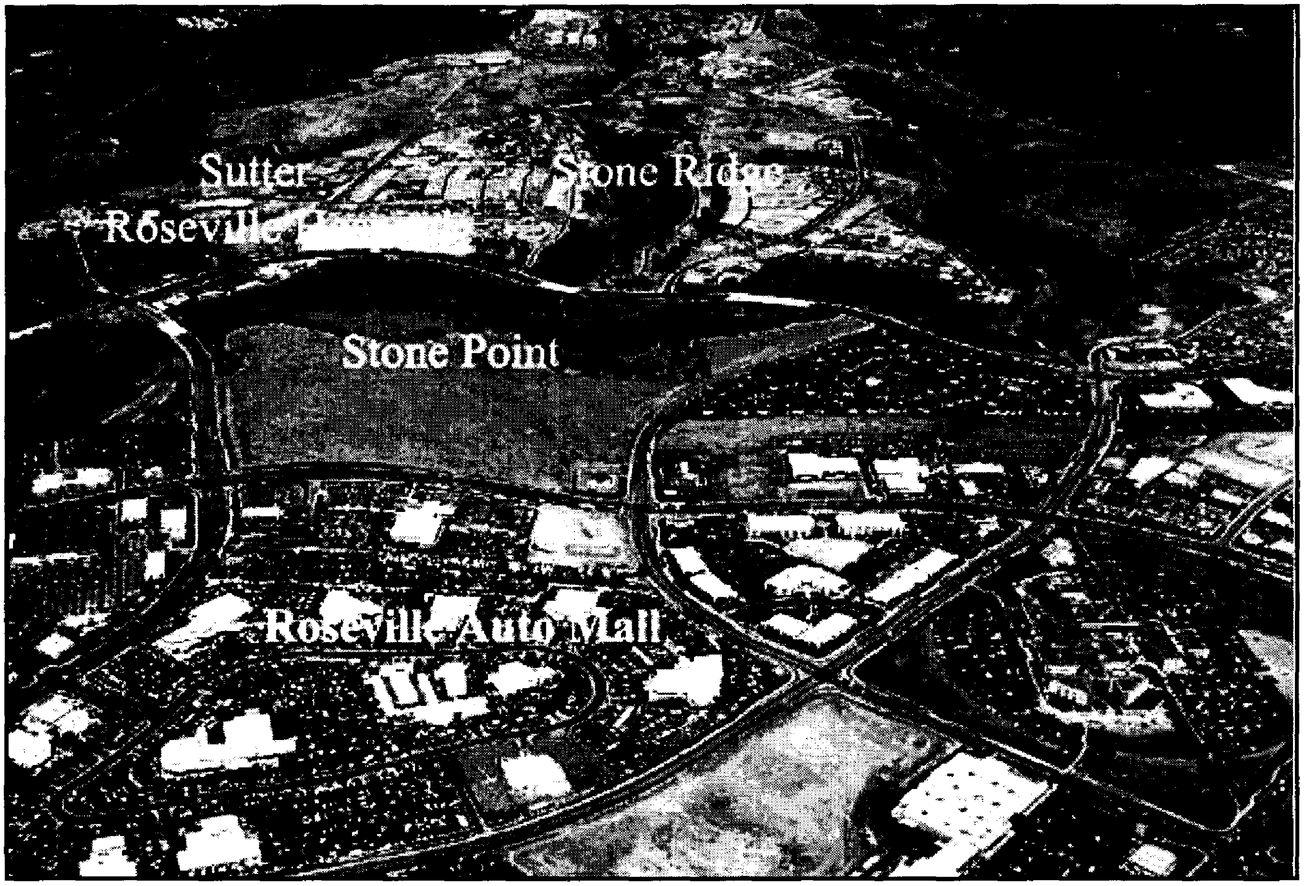
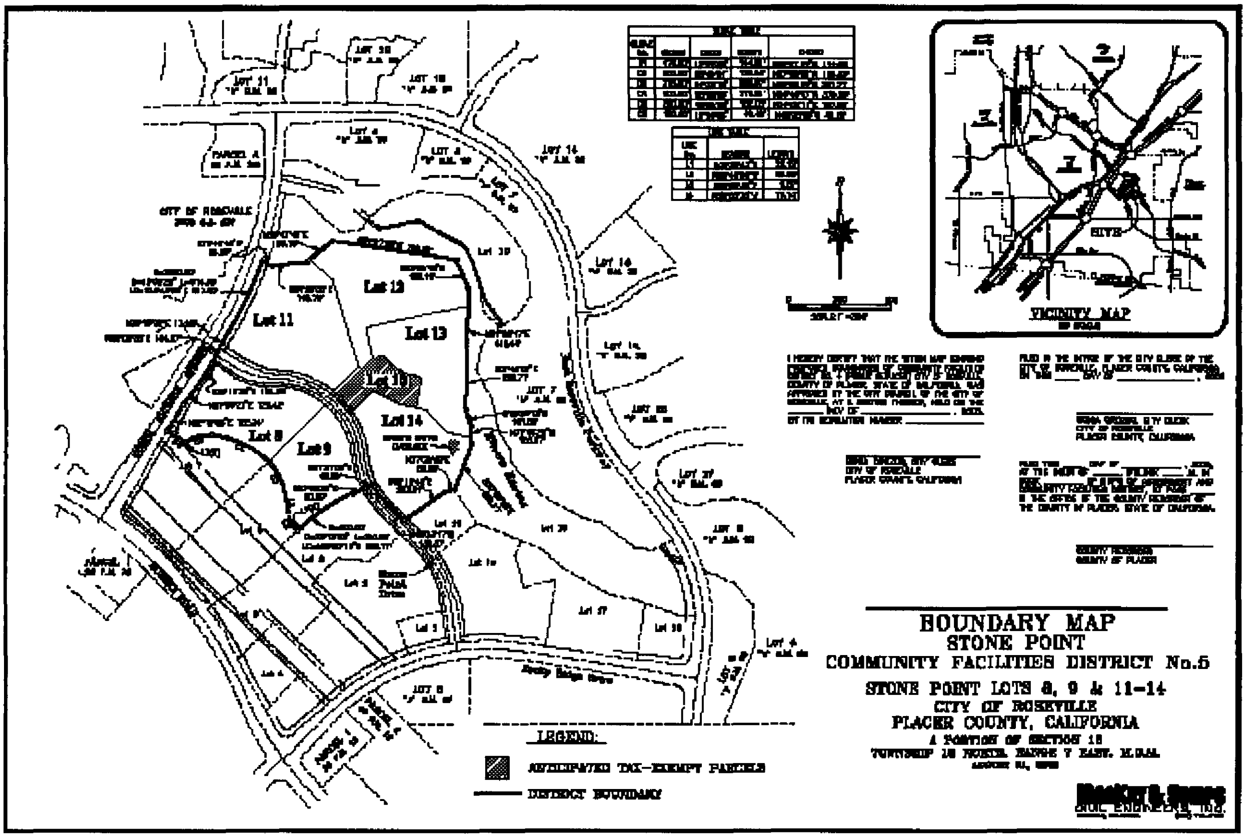
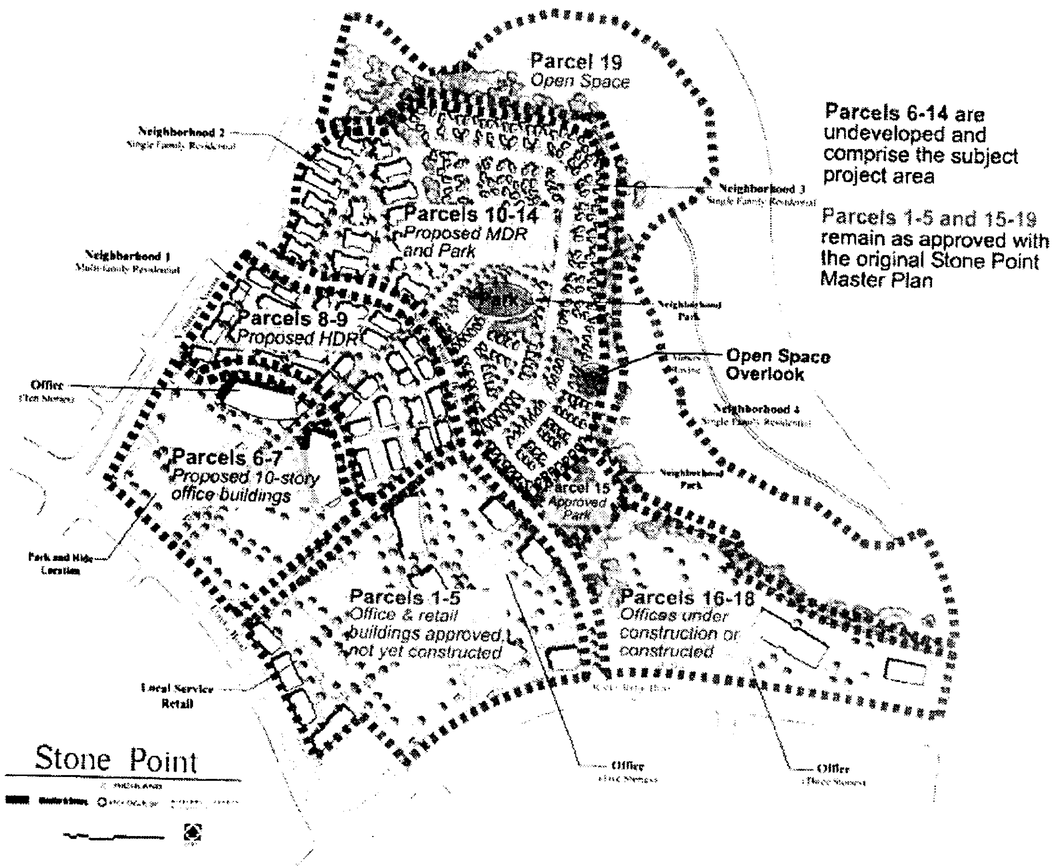
AERIAL PHOTO



STONE POINT CFD NO. 5 BOUNDARY MAP



STONE POINT SITE PLAN



This site plan includes all of the planned development for Stone Point including the subject areas for this report. There has been subsequent tentative small lot maps filed for the medium density parcels within the project.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Appraisal Assignment:	To estimate the bulk values of the fee simple interests in the subject properties, subject to special tax and assessment liens, and to provide appraisal results in a Summary Appraisal Report.
Project Location:	The subject sites are located approximately a half-mile east of I-80, northeast of Eureka Road between North Sunrise Avenue and Rocky Ridge Road, Roseville, California. The subject sites are bounded by North Sunrise Avenue at the westerly side, and surrounding parcels at the north, south and east sides that are located within the Stone Point Master Plan area. The surrounding master plan area is bounded by Eureka Road to the southwest, and Miners Ravine open space and East Roseville Parkway to the north and east. Stone Point Drive bisects the project, approximately in the middle, from the northwest to the southeast.
Description:	The proposed subject development consists of infill sites with some existing frontage improvements, located within the Stone Point Master Planned Community, which is part of the North East Roseville Specific Plan Area. 297 medium density residential units are planned within the project with an overall density of approximately 9.8 dwelling units per acre. 225 high-density residential units are also planned, with a density of approximately 19.1 dwelling units per acre. In addition, a neighborhood park consisting of 1.95 acres is also proposed. The residential parcels of the project are zoned R3, which accommodates both medium and high-density residential uses. The development agreement for the subject property provides Richland with a vested right to develop a total of 575 units, with 225 high density residential units and 350 medium-density units originally planned for the site. The Stone Point Master Planned Community, otherwise known as the Stone Point Campus had a Major Project Permit approved in May 2003 for Stone Point allowing 1.65 million square feet of office and retail space to be constructed upon the campus. Street improvements for Stone Point Drive were completed in 2004 connecting North Sunrise Avenue to Rocky Ridge Road. Continued strong growth in pricing for new and existing residential units in the local and regional economy has

influenced a rezone of portions of Stone Point to accommodate residential development. As currently planned, when fully developed, Stone Point will have up to 522 attached and detached residential units as well as approximately 1,150,000 square feet of office and retail space. This appraisal report will only consist of the residential components of this development, a more detailed discussion of the subject is provided in the *Site and Project Analysis* section of the report.

Proposed CFD Improvements/ Funding:

The subject bonds are anticipated to be issued in the third quarter of 2006, to finance the acquisition and construction of certain public facilities in and for the **Stone Point Community Facilities District No. 5 (Public Facilities).** The maximum amount of the proposed debt is **$9,500,000.** Authorized facilities include transportation-related improvements, water system improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, park improvements, open space improvements, parkland and open space acquisition, Stone Point CFD No. 1 Authorized Facilities, and other expenses. The bonds will be repaid through the collection of the special tax to be authorized by the formation of the subject CFD (referred to as "Stone Point CFD No. 5"). This tax will be collected in the same manner as ordinary ad valorem property taxes, or in such other manner as the City Council or its designees determine. Anticipated construction proceeds are estimated to be $4.1 million.

Adjacent Land Uses:

The subject properties are surrounded by a wide variety of commercial, office, and retail uses. Located to the south is the Stone Point Business Park, which is under development and will consist of professional offices, and local service and retail outlets.

To the southeast of the subject properties are the OPUS office buildings and a small park under development. Bordering from the north and east are Miners Ravine open space and park areas, with East Roseville Parkway along the other side.

To the northeast across North Sunrise Avenue are Black Angus, United Artists Theatres, Miners Ravine and what appears to be a new 3-story hotel under construction.

Flood Information:	The properties are located in flood zone X, areas determined to be outside the 500-year flood plain, shown on Federal Emergency Management Agency (FEMA) map Community Panel Number 06061C-0477G and -0479G, dated November 21, 2001. Miner's Ravine Creek area, in the AE flood zone, is north of the open space parcel and does not negatively affect the subject's developable parcels.
Seismic Information:	Earthquake risk is low; the property is not located in an Alquist-Priolo Special Studies earthquake zone.
Toxic Hazards Information:	There are no known toxic or environmental hazards or nuisances affecting the properties. Please refer to Item 14 of the Standard Assumptions and Limiting Conditions.
Highest and Best Use:	Development of medium and high-density residential units.
Date of Inspection:	June 28, 2006
Date of Value:	July 6, 2006
Date of Report:	August 23, 2006
Concluded Bulk Value:	$39,300,000

I. INTRODUCTION

Brief Description of the Subject Property

The subject property consists of multiple undeveloped parcels with some existing frontage improvements along Stone Point Drive. The proposed subject development consists of infill sites, located within the Stone Point Master Planned Community, which is part of the North East Roseville Specific Plan Area. 297 medium density residential units are planned within the project with a density of approximately 9.8 dwelling units per acre. 225 high-density residential units are also planned, with a density of approximately 19.1 dwelling units per acre. In addition, a neighborhood park consisting of 1.95 acres is also proposed and located within the boundaries of the CFD. See the Property Description section for complete property data.

Purpose of the Appraisal; Property Rights Appraised

The purpose of this appraisal is to estimate the current retail values of the marketable large lot and tentative mapped components, and to estimate the current fee simple bulk value of the entire property as if owned by one entity. The fee simple valuation takes into account the effects of special taxes that will encumber the properties. In other words, it is meant to be an opinion of the cash value of the property. The date of value for the bulk value is: July 6, 2006.

The extraordinary assumptions and limiting conditions include the assumption, for purposes of valuing the large lot parcels and tentative mapped parcels, that the planned infrastructure improvements necessary to support each parcel have been completed. Similarly, we have assumed that other infrastructure improvements 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 parcels as envisioned in the absorption projection.

Our retail valuations and discounted cash flow analysis anticipate that the tax amounts will be levied within the Community Facilities Districts that affect the property. If it becomes apparent that more or less tax will be levied, property values could be modestly affected accordingly.

Function or Use of the Appraisal

The function of the appraisal is to assist the City of Roseville and its underwriters with the bond financing described in more detail later in the report. The maximum amount of the proposed bond is $9,500,000. Authorized facilities include transportation-related improvements, water system improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, open space improvements, parkland and open space acquisition, Stone Point CFD No. 1 Authorized Facilities, and other expenses. The bonds will be repaid through the collection of the special tax to be authorized by the formation of the subject CFD (referred to as "Stone Point CFD No. 5"). This tax will be collected in the same manner as ordinary ad valorem property taxes, or in such other manner as the City Council or its designees determine.

Date of Valuation and Date of the Report

The date to which the bulk value estimate applies is on or about June 30, 2006. The date of value for retail property values is July 6, 2006. The date of the report is the date of the letter of transmittal, August 23, 2006.

Scope of the Appraisal

The scope of the appraisal involved: a) investigating data on the existing parcels that comprise the entire property; b) inspection of the subject and comparable sale properties; c) study of the area, community, and neighborhood; d) review of various public records; e) reviews of applicable infrastructure financing plans; f) review of absorption analyses and pricing models produced by others; g) interviews with owners, brokers, city officials and other interested parties; h) analyses of all appropriate data to arrive at value conclusions; and i) 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 subject parcels in order to make a projection of absorption. The resulting product is a *Complete Appraisal*, presented in a *Summary Report* format.

Community Facilities Districts Bonds – Some Appraisal Considerations

Special tax bonds, also known as Mello-Roos bonds, can be issued by a municipality under authority provided by the California Mello-Roos Community Facilities Act of 1982. Proceeds from such bonds usually pay for major development infrastructure such as roads, sewer lines, etc. The benefiting properties are obliged to pay a special tax until the bonds are finally retired. A property described as "subject" to these bonds is really subject to the special tax and not the bonds directly. Therefore, a property subject to a special tax should really be described, in the appraiser's opinion, as a property owned in fee simple, as taxation is one of the four powers reserved from private property ownership (see definition of "fee simple estate"). Often, however, the description terminology is extended to "fee simple subject to special tax", or "fee simple subject to bonds."

Definitions Used in the Report

Fee Simple Estate[1] 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.

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.[2]

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[1] THE DICTIONARY OF REAL ESTATE APPRAISAL (Third Edition), Appraisal Institute, Chicago, Illinois, 1998, p. 140.

[2] *Appraisal Standards for Land-Secured Financings*, California Debt Advisory Commission, 04-07, page 10.

Fee Simple Value Subject To Special Tax. The cash price that would be paid in the market for a property or group of properties, assuming that annual special tax payments are required.

This is the value that is being appraised in this CFD. Properties of equal quality and utility, but not subject to special taxes, might sell at higher cash prices.

Reasonable Exposure Time[3] 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] For the purposes of the subject valuation, the retail value presumes that the property is in a state where it could be purchased, entitled to a paper lot status within 90 days, and then developed shortly thereafter. This implies that all infrastructure would be in place to the property, shortly after entitlement to a paper lot status, allowing a builder/buyer to construct houses on these lots within a short period following the sale.

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]

Assumptions and Limiting Conditions

In order to properly value the proposed subject property within the CFD so that the security interest for the bonds can be appropriately considered, certain special assumptions and limiting conditions have to be made that pertain specifically to this appraisal. These must be described, according to USPAP, as "hypothetical" or "extraordinary" and, hence, the letter coding employed below.

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[3] UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE, 2002 Edition, Statement 6.

[4] *Appraisal Standards for Land-Secured Financings,* California Debt Advisory Commission, 04-07, page 10.

[5] Ibid.

Extraordinary/Hypothetical Limiting Conditions

1. **(H)** We assume, in the discounted cash flow approach to value analyses that the appraised property would be sold on a "bulk" basis. This assumption is appropriate for this bond security appraisal.[6]

2. **(E)** 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.

3. **(E)** We assume, for purposes of absorption analysis, that when market *demand* for lots is obviously strong, the *supply* of lots at the subject property is never artificially or unduly restrained by regulatory or managerial factors.

4. **(E)** We assume there will be no substantial changes to the tentative maps that have been submitted for the medium density parcels, and that approvals for entitlements will be received in a timely manner as not to affect the anticipated absorption of the subject lots.

Standard 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. We assume that property lines as depicted in material provided to the appraiser by the client (directly or indirectly), or as they appear on the ground, are correct. We have not commissioned any surveys of the property.

2. We assume that data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.

3. We do not assume any responsibility for matters of law or legal interpretation. The appraisers are not lawyers and cannot give legal advice.

4. We assume that any conditions that might exist that would affect the use and value of the property are discoverable through normal, diligent investigation.

5. The valuation is based on information from sources believed reliable, and we assume that such information is correct and accurately reported.

[6] "The credit risks of land-secured financings are greatest during the initial stages of development, when property ownership is highly concentrated, and the delinquency of a major property owner could deplete the reserve fund and threaten the timely payment of debt service. Conceivably, *all* properties in a CFD or an assessment district may need to be sold at once, if ownership is concentrated in the hands of a single delinquent owner or, alternatively, in the hands of a few owners, each of whom is delinquent. The *bulk sale value*, therefore, assumes the sale of *all* properties in the CFD or assessment district... It really is a hypothetical definition of value, as a forced sale of the entire property most likely will never occur. Nonetheless, the assumptions embedded in *bulk sale value* can and should be market-driven." CDIAC 64-7, p. 10.

6. The value estimate(s) are subject to the purpose, date, and definition of value stated in the report.

7. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.

8. The appraisal is made based on the premise that there are no encumbrances prohibiting utilization of the property under the appraisers' estimate of highest and best use.

9. The report is subject to review by duly authorized representatives of the Appraisal Institute for the purpose of upholding ethics and standards. This means that the appraisers must supply a copy of the report to the Appraisal Institute, if requested.

10. It is not the intention of the appraiser or the appraisal firm to assume any liability with regard to this appraisal from any user other than the client. Any person or entity who obtains or reads this report, other than the client, 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. Neither the appraisers nor the firm of Bender Rosenthal, Inc., shall have any liability to any such person or entity.

11. Neither the appraisers nor the appraisal firm shall be in any way responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.

12. The appraisers 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 are made.

13. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.

14. Unless otherwise stated in this report, hazardous material was not observed by the appraisers at the property. The appraisers, however, are not qualified to detect such substances. The appraisers have no knowledge of the existence of such materials on or in the property, except as discussed in the report. 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. The client should secure proper professional investigation of such matters.

15. With referenced to improved properties: The property appraised may or may not 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, the appraisers have not undertaken any detailed compliance review, nor are the appraisers experts in ADA matters.

16. We assume that the property would be competently managed.

17. We assume that the property would have been competently marketed during the exposure period.

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 appraiser uses the pronoun "he", even if the unnamed party could be a "she".

II. NATIONAL AND REGIONAL OVERVIEW

National Conditions. The U. S. economy has been moving along on a positive recovery path since the last recession ended in late 2001.

Between 1991 and 2001, just prior to that downturn, the U.S. economy experienced its longest expansion of the post-World War II era. That period was followed, however, by the brief 2001 recessionary period, a seriously depressed stock market, and falling rates of employment. Immediate post-recession job formation was almost non-existent, but it has been increasing again in more recent periods. As the Federal Reserve forced interest rates lower during the recessionary period, sales of automobiles and homes remained relatively strong, since these items are purchased largely with borrowed money. As a result real household spending continued to expand, the loss of jobs notwithstanding.

New jobs now are being created and added to the economy, and the overall employment rate is increasing. Possible national angst and the for-certain grievous personal losses suffered by members of military families aside, the country as a whole and its economy seem to be taking the uncertainties that were introduced by the war engagement in Iraq in stride. Obviously, those industries that provide war materials are thriving. Economic indicator trends over the last four years are shown in the following table. Most comparisons show positive trends.

NATIONAL COMPARISONS

Comparison Item USA	EOY 2002	EOY 2003	EOY 2004	EOY 2005
Population (As of July 1, each year) (census.gov)	287.9M	290.8M	293.7M	295.3M
Unemployment Rate (dol.gov)	5.8%	6.0%	5.4%	4.9%
Total Employed (dol.gov)	130.3M	129.9M	140.2M	142.8M
Gross Domestic Product (bea.gov)	$10,083B	$10,398B	$11,728B	$12,760B
DJIA Close (cnnmoney.com)	8,342	10,454	10,783	10,718
NASDAQ Close (yahoo finance)	1,335	2,003	2,175	2,205
Annual Inflation Rate (CPI) (census.gov)	2.38%	1.88%	3.3%	3.4%
10-year Bond Rate ← (census.gov)↓	3.83%	4.27%	4.23%	4.39%
New Home Sales (Seasonal Adjusted Annual Rate)	973,000	1,085,000	1,183,000	1,283,000
Housing Starts (Annualized Rate) (census.gov)	1,705,000	1,848,000	2,004,000	2,064,700
30-Year Mortgage Rate (Annual Average) (freddiemac.com)	6.54%	5.83%	5.84%	5.87%
Cost of a Gallon of Gas (Regular) (doe.gov)	$1.441	$1.478	$1.791	$2.188

In recent years, low mortgage rates have continued to keep the housing market strong and low- or zero-percent financing programs that were introduced by auto manufactures have helped fuel the recovery. In a report written about the direct impact of housing on the economy, the National Association of Home Builders reported that the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction-related industries. Additionally, $79.4 million in wages and $42.5 million in combined federal, state and local revenues and fees are generated by this construction activity.

According to the National Association of Home Builders, recent market data have been suggesting that the housing market may be plateauing in terms of the volume of sales and starts. Furthermore, surveys of builders and mortgage lenders suggest that there is a flattening process going on out there. Going forward, their forecast recognizes emerging affordability issues that have been created, first, by the succession of rapid house price gains in many parts of the country, which effectively decreases the affordability factor of home buying. Affordability is expected to be further complicated as we go ahead, as the interest rate structure gravitates up further.

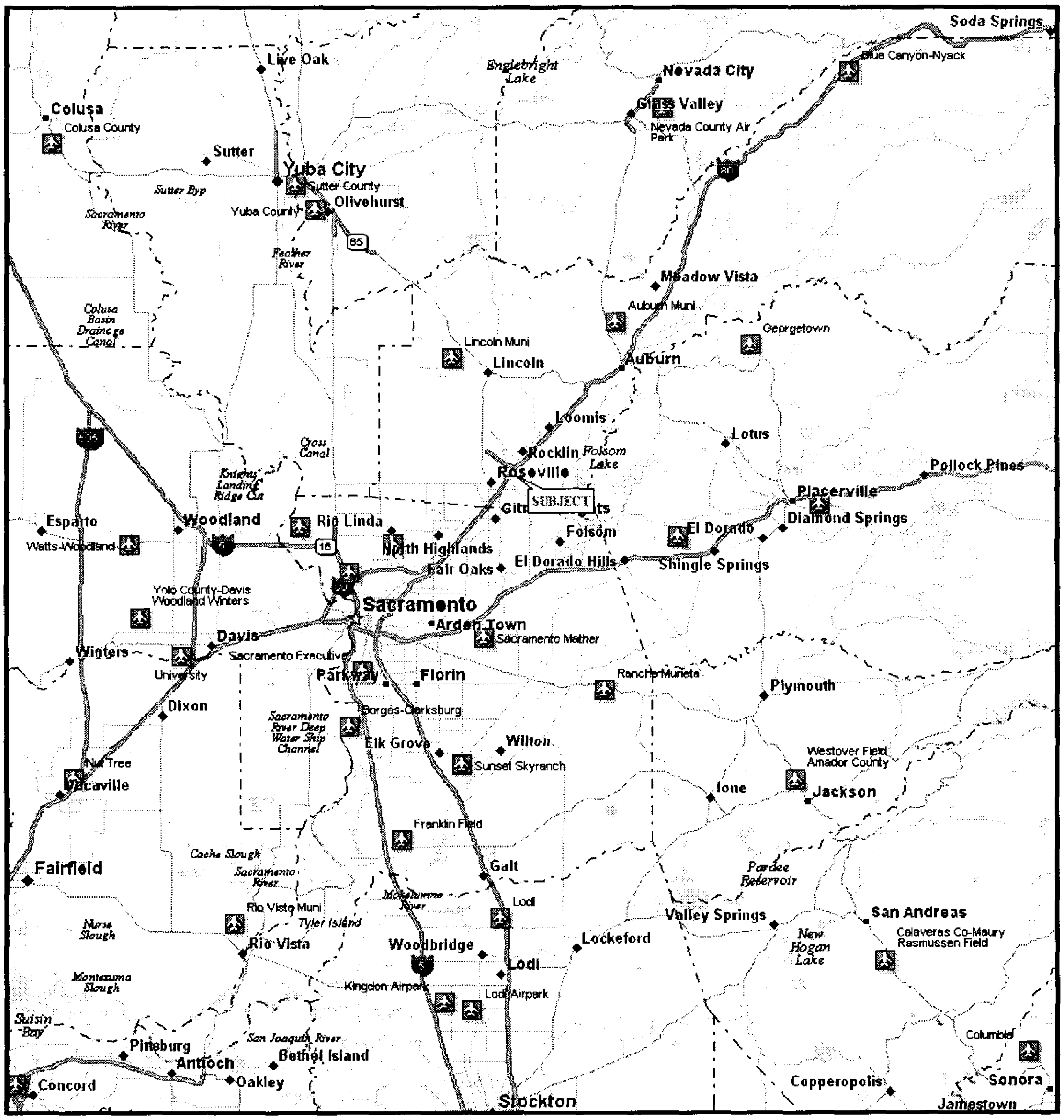
California Factor. Within California, there is one notable negative statistic: the gap between the state's median household income and the median price of a single family home continues to increase. This means that fewer potential homeowners can qualify for a loan to buy that median-priced home. Statewide, households with a median income of $54,140 are $73,810 short of the $127,950 qualifying income needed to purchase a median-priced home at $545,910[7]. It appears that an increasing number of homebuyers will have to find equity sources (from parents, sales of their existing homes, etc.) rather than full financing if they desire to purchase a home.

The California Forecast, authored by Senior Economist Ryan Ratcliff, warns of problems in the housing market, with some job loss in related sectors. The Forecast calls for a plateau in home prices, a moderate decrease in sales and new building and two years of weak growth. The Forecast also calls for a slowdown in construction activity through 2007. Ratcliff states that, "Overall, this leads to two years of anemic growth in all of the major indicators – but no recession."

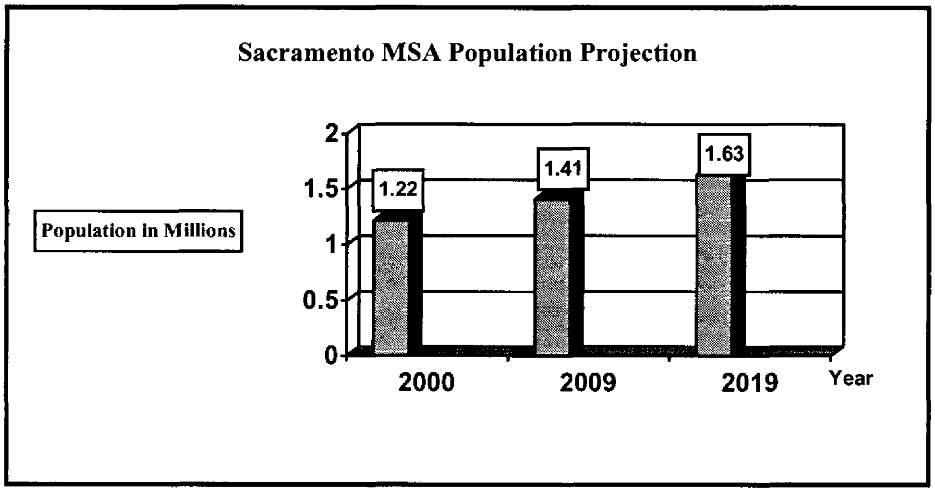
Placer County. The subject property is located in the City of Roseville, Placer County, California. Placer County is considered to be a part of the the Greater Sacramento region. The Sacramento Consolidated Metropolitan Statistical Area (CMSA), consisting of El Dorado, Placer, Sacramento, and Yolo counties, 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 Mountain ranges 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 is not far from the metropolitan San Francisco Bay Area located 85 miles to the southwest. 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.

7 California Association of Realtors, Silicon Valley/San Jose Business Journal - November 1, 2005

REGIONAL MAP



The metropolitan area benefits from being the capital and center of government for the State of California, which currently has a population exceeding 35 million and a gross domestic product that, if compared to other nations, would be among the top ten in the world. According to the Sacramento Area Council of Governments (SACOG), the most recent actual area population (2000 census) is estimated at 1.2+ million; this is just under 6 percent of California's total population.



The Sacramento region is a definite growth area. A primary contributing factor to past population growth has been in-migration from urbanized coastal regions. The relatively lower costs of living in the Sacramento area and the perceived good quality of life have contributed to this growth, and experts expect this growth to continue. The State Department of Finance (DOF) predicts a virtual population "boom" for the area within the next decade. Contributing to this increase will be an expected influx of "baby-boomer" retirees. Specifically, the region is expected to grow by almost three-quarters of a million people during the next two decades. The pace of growth will be different in each county, affected by factors ranging from the encouragement of high-tech complexes in Placer County to the protection of orchards in soil-rich Yolo County.

Sacramento County, the population center of the MSA, is expected to grow to 1.63 million by 2019. The population graph, above, shows the 2000 population based on the recent census and the growth projected by the DOF. SACOG projects a 34% increase in population over the next 19 years, or an average of nearly 2% per year.

The demographic detail for Placer County is shown on the following page, and Placer County has also experienced significant population growth over the last several years. The county has a current population of 319,591 (based on 2005 data) and has grown by nearly 85% since the 1990 census. The population is expected to continue strong growth estimated at over 21% over the next five years (annual growth rate of approximately 4%). The majority of the population growth has been in the Roseville/Rocklin and Lincoln markets, comprising over 50% of the population in the county.

Demographic Detail Summary Report

Population Demographics

	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
Total Population	172,794		248,399		319,591		387,856		43.8%	21.4%
Population Density (Pop/Sq Mi)	115.1		165.4		212.8		258.3		43.8%	21.4%
Total Households	64,098		93,382		124,603		154,493		45.7%	24.0%
Population by Gender:										
Male	85,579	49.5%	121,892	49.1%	158,057	49.5%	192,767	49.7%	42.4%	22.0%
Female	87,215	50.5%	126,507	50.9%	161,534	50.5%	195,089	50.3%	45.1%	20.8%

	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
0 to 4	12,557	7.3%	15,924	6.4%	18,044	5.7%	22,730	5.9%	26.8%	26.0%
5 to 14	25,918	15.0%	38,485	15.5%	41,420	13.0%	44,462	11.5%	48.5%	7.3%
15 to 19	10,996	6.4%	17,394	7.0%	22,463	7.0%	26,516	6.8%	58.2%	18.0%
20 to 24	9,130	5.3%	11,141	4.5%	21,473	6.7%	26,813	6.9%	22.0%	24.9%
25 to 34	27,367	15.8%	29,255	11.8%	40,955	12.8%	49,514	12.8%	6.9%	20.9%
35 to 44	31,459	18.2%	42,888	17.3%	47,714	14.9%	52,045	13.4%	36.3%	9.1%
45 to 54	20,138	11.7%	37,705	15.2%	48,831	15.3%	59,841	15.4%	87.2%	22.5%
55 to 64	14,586	8.4%	23,047	9.3%	34,891	10.9%	49,944	12.9%	58.0%	43.1%
65 to 74	12,376	7.2%	17,313	7.0%	22,198	6.9%	29,935	7.7%	39.9%	34.9%
75 to 84	6,285	3.6%	11,557	4.7%	15,404	4.8%	18,375	4.7%	83.9%	19.3%
85+	1,967	1.1%	3,690	1.5%	6,103	1.9%	7,475	1.9%	87.6%	22.5%
Total Age 18 to 49	83,789		109,463		144,750		168,922			
Median Age	35.1		37.9		38.5		39.8			

	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
$0 - $15,000	10,836	16.9%	8,221	8.8%	10,124	8.1%	11,669	7.6%	-24.1%	15.3%
$15,000 - $24,999	8,951	14.0%	8,040	8.6%	9,814	7.9%	10,823	7.0%	-10.2%	10.3%
$25,000 - $34,999	9,523	14.9%	9,395	10.1%	10,533	8.5%	11,943	7.7%	-1.3%	13.4%
$35,000 - $49,999	12,796	20.0%	14,108	15.1%	17,653	14.2%	18,315	11.9%	10.3%	3.8%
$50,000 - $74,999	12,871	20.1%	20,546	22.0%	25,148	20.2%	28,392	18.4%	229.0%	12.9%
$75,000 - $99,999	5,078	7.9%	13,888	14.9%	19,389	15.6%	22,081	14.3%	173.5%	13.9%
$100,000 - $149,999	2,741	4.3%	12,048	12.9%	19,873	15.9%	30,454	19.7%	339.5%	53.2%
$150,000 +	1,295	2.0%	7,136	7.6%	12,069	9.7%	20,816	13.5%	451.0%	72.5%
Average Hhld Income	$46,076		$73,333		$85,423		$95,766		59.2%	12.1%
Median Hhld Income	$37,747		$57,684		$63,416		$71,325		52.8%	12.5%
Per Capita Income	$17,186		$27,569		$33,768		$38,538		60.4%	14.1%

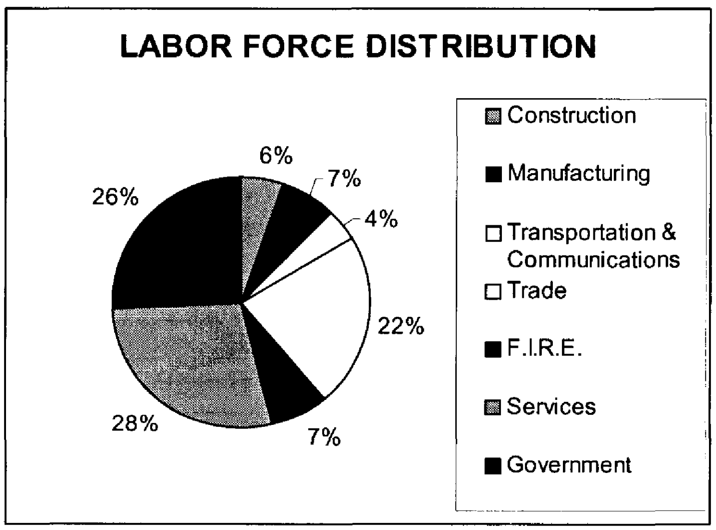
	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
Age 16 + Population	132,026		190,050		255,975		315,734		43.9%	23.3%
In Labor Force	87,372	66.2%	123,749	65.1%	166,792	65.2%	206,194	65.3%	41.6%	23.6%
Employed	82,819	94.8%	118,527	95.8%	158,806	95.2%	196,364	95.2%	43.1%	23.7%
Unemployed	4,133	4.7%	4,966	4.0%	7,634	4.6%	9,396	4.6%	20.2%	23.1%
In Armed Forces	394	0.3%	256	0.2%	352	0.1%	434	0.1%	-35.0%	23.3%
Not In Labor Force	44,654	33.8%	66,301	34.9%	88,831	34.7%	109,106	34.6%	48.5%	22.8%
Number of Employees (Daytime Pop)					130,105					
Number of Establishments					12,221					
Emp in Blue Collar Occupations			38,360	32.4%						
Emp in White Collar Occupations			80,167	67.6%						

	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
Total Housing Units	77,881		107,302		140,904		174,683		37.8%	24.0%
Owner Occupied	45,317	58.2%	68,372	63.7%	90,452	64.2%	111,444	63.8%	50.9%	23.2%
Renter Occupied	18,782	24.1%	25,010	23.3%	34,151	24.2%	43,049	24.6%	33.2%	26.1%
Vacant	13,774	17.7%	13,920	13.0%	16,301	11.6%	20,190	11.6%	1.1%	23.9%

	1990 Census		2000 Census		2005 Estimate		2010 Projection		Percent Change 1990 to 2000	Percent Change 2005 to 2010
Age 25+ Population	114,178		165,455		216,096		267,129		44.9%	2.7%
Grade K - 8	4,830	4.2%	4,019	2.4%	2,721	1.3%	1,237	0.5%	-16.8%	-54.5%
Grade 9 - 12	12,167	10.7%	10,627	6.4%	7,447	3.5%	5,047	1.9%	-12.7%	-32.2%
High School Graduate	29,646	26.0%	35,221	21.3%	42,760	19.8%	49,759	18.6%	18.8%	16.4%
Some College, No Degree	30,865	27.0%	48,450	29.3%	56,017	25.9%	62,841	23.5%	57.0%	12.2%
Associates Degree	10,855	9.5%	15,878	9.6%	21,710	10.1%	27,429	10.3%	46.3%	26.3%
Bachelor's Degree	18,300	16.0%	34,313	20.7%	64,146	29.7%	94,126	35.2%	87.5%	46.7%
Graduate Degree	7,514	6.6%	15,799	9.6%	21,295	9.8%	26,690	10.0%	110.3%	25.3%
No Schooling Completed			1,148	0.7%						

Housing Growth. The housing growth has expanded significantly in the county since the 1990 census, nearly doubling since the 1990 census. Housing has grown from approximately 78,000 housing units as of the 1990 census, to an estimated 141,000 housing units today. The majority of the housing growth has been in the high growth areas of Roseville, Rocklin, and Lincoln, with significant commercial development on-going in these areas to accommodate this growth. Owner occupied units dominate the area and has grown from 58% in 1990 to 64% currently due to low interest rates that has increased purchasing power over the last several years. Median income levels have increased in the area from $37,747 as of the 1990 census to an estimated $63,416 as of 2005.

Employment. 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 and the economic slow down since the market peak in the year 2000, 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. Historically, the dependence on government employment in the Sacramento region has moderated economic growth during high growth eras, but it also has dampened the effects locally of national and regional economic downturns.



In addition to government, the services and trade sectors are the major employment components of the local labor force. Manufacturing jobs constitute only 7% of the workforce and the urbanized portions of the region function primarily as a service economy.

Local Economy. Placer County employment is also well balanced with construction, F.I.R.E. (Finance, Insurance, and Real Estate), health services, manufacturing, other professional services, and retail trade comprising nearly 60% of the local employment as of the 2000 census. There have been notable increases in most employment areas (30%+) due to the extensive growth of the area since the 1990 census. Major employers in the county are shown below.

Major Employers Report – Placer County

Business Name	Address	City	State	Zip	Employee Size*	Sales Volume**
HEWLETT-PACKARD CO	8000 FOOTHILLS BLVD # R4	ROSEVILLE	CA	95747	J	K
CLUB CRUISE INC	1509 GRASS VALLEY HWY	AUBURN	CA	95603	J	I
SUTTER ROSEVILLE MEDICAL CTR	1 MEDICAL PLAZA DR	ROSEVILLE	CA	95661	I	I
SIERRA COMMUNITY COLLEGE DIST	5000 ROCKLIN RD	ROCKLIN	CA	95677	I	
THUNDER VALLEY CASINO	1200 ATHENS AVE	LINCOLN	CA	95648	I	I
NORTHSTAR-AT-TAHOE	HIGHWAY 267 & NORTHSTAR DR	TRUCKEE	CA	96161	I	H
PUBLIC WORKS	11444 B AVE	AUBURN	CA	95603	I	I
SUTTER AUBURN FAITH HOSPICE	11815 EDUCATION ST	AUBURN	CA	95602	H	G
COHERENT INC	12840 BILL CLARK WAY	AUBURN	CA	95602	H	I
AUBURN AREA ANSWERING SVC	1013 LINCOLN WAY	AUBURN	CA	95603	H	G
RESORT AT SQUAW CREEK	400 SQUAW CREEK RD	OLYMPIC VALLEY	CA	96146	H	G
UNDERGROUND CONSTRUCTION CO	8150 INDUSTRIAL AVE # B	ROSEVILLE	CA	95678	H	I
NEC ELECTRONICS USA INC	7501 FOOTHILLS BLVD	ROSEVILLE	CA	95747	H	I
UNITED NATURAL FOODS	12745 EARHART AVE	AUBURN	CA	95602	H	I
SPA ST SQUAW CREEK	400 SQUAW CREEK RD	OLYMPIC VALLEY	CA	96146	H	F
SUGAR BOWL SKI RESORT & LODGE	629 SUGAR BOWL RD	NORDEN	CA	95724	H	H
SUGAR BOWL SKI AREA	629 SUGAR BOWL RD	NORDEN	CA	95724	H	G
NORTHSTAR-AT-TAHOE	50 TRIMONT LN	TRUCKEE	CA	96161	H	I
ALPINE MEADOWS SKI RESORT	2600 ALPINE MEADOWS RD	ALPINE MEADOWS	CA	96146	H	H

Legend

Code	* Employee Size	** Annual Sales Volume (in Thousands)
A	1 to 4	1 to 499
B	5 to 9	500 to 999
C	10 to 19	1,000 to 2,499
D	20 to 49	2,500 to 4,999
E	50 to 99	5,000 to 9,999
F	100 to 249	10,000 to 19,999
G	250 to 499	20,000 to 49,999
H	500 to 999	50,000 to 99,999
I	1,000 to 4,999	100,000 to 499,999
J	5,000 to 9,999	500,000 to 999,999
K	10,000 +	1,000,000 +

Current year data is for the year **2005**, 5 year projected data is for the year **2010**.
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The daytime employment in the county excedes 130,000 (over 12,000 establishments), and the current unemployment rate is 4.0% (April 2006).

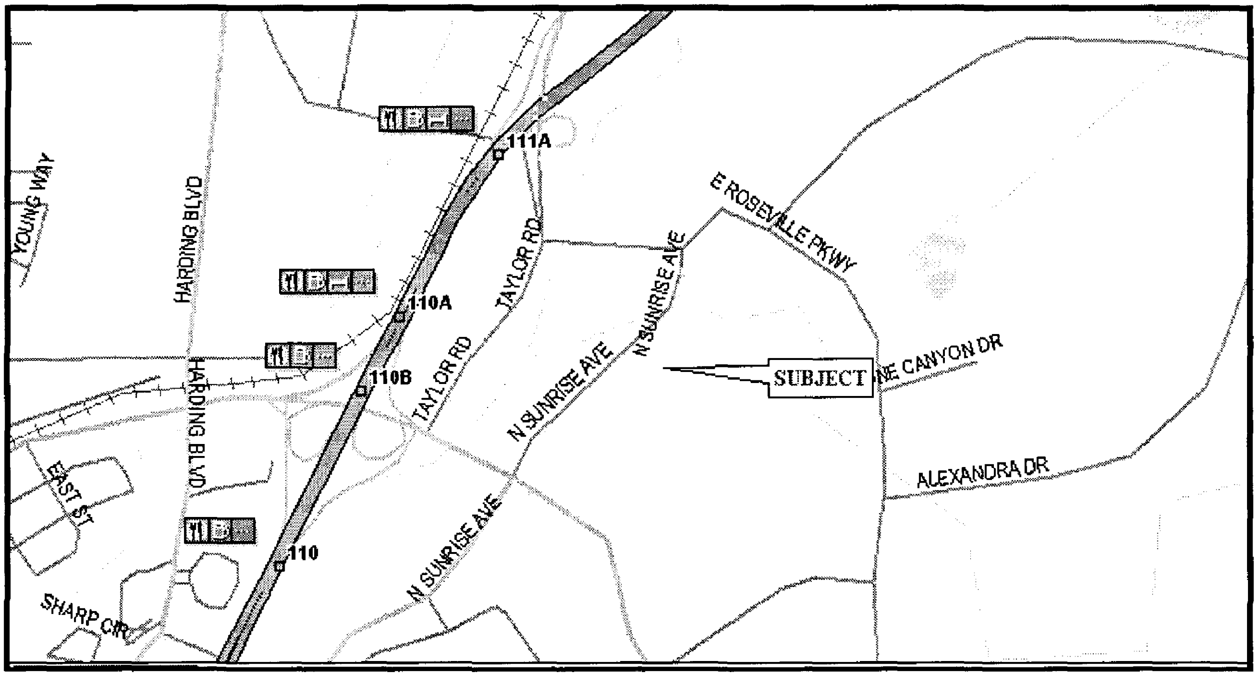
Airports. The Sacramento region is served by three airports: Sacramento International, Mather and Executive. Mather Airport, located on a former Airforce base south of Highway 50, supports freight service. Executive Airport serves private air operations. Sacramento International Airport, utilizing two terminals, serves more than nine million passengers a year and is the dominant airport in the northern portion of the California Central Valley area (over 150 scheduled departures per day). It provides passenger service to most American cities. Southwest Airlines operates 70 daily flights out of Sacramento International. Hawaiian, Aloha and Mexicana airlines operate successfully from this location. Once located away from all urban development and surrounded by farmland (the airport's one major negative, as the area is prone to fog in the winter), development is now planned or occurring nearby, including especially Metro Air Park, adjacent to the east. Development at this 1,892-acre, $2 billion project began in 2004 after years of delay. There have been some very recent reports that a "World Trade Center Complex" will be constructed at this location.

Regional Analysis Conclusion. The Sacramento Metropolitan Area is strategically located with respect to transportation corridors and agricultural production within California's great Central Valley. The metropolitan area benefits from being the capital and center of government for the State of California. Housing and the overall quality of life have been conducive to growth. The economic future for the area appears to be good over the long term, as the area continues to be somewhat insulated from state and nation-wide trends. The Sacramento region has shown it can remain resilient against short-term market downturns. The area's forecast growth is anticipated to result in stable to increasing property values over the long run.

III. DESCRIPTION OF THE SOUTH PLACER METRO AREA AND THE SUBJECT NEIGHBORHOOD

General Description. Three cities (Roseville, Rocklin and Lincoln) are located in the south Placer County area of the Sacramento metropolitan region, and are primarily connected to one another via Highway 65. The subject is located in the City of Roseville, situated approximately 25 miles northeast of downtown Sacramento, and is one of three cities in south Placer County. A city map is shown below.

NEIGHBORHOOD MAP



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 "sphere 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.

Roseville has an estimated population of 106,338 (as of EOY 2005), and the population has more than doubled since the 1990 census (45,126). In recent years Roseville/Rocklin have become major business and residential centers within the Sacramento region. Major employers such as Hewlett-Packard Company and NEC Electronics Inc. have locations in these areas. Interstate 80 traverses the city and provides easy access to Sacramento, the San Francisco Bay Area, and the Pacific Coast on the west, and east to the Sierra Nevada Mountains and Lake Tahoe. In addition to Rocklin, Roseville, and Lincoln, the south Placer County area includes the cities of 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.

Population and Growth Trends. The following tables summarize historical and projected demographic data for the higher growth areas in the South Placer region.

Demographic Snapshot Comparison Report

	Granite Bay CDP	Lincoln city	Rocklin city	Roseville city
Population:				
Total Population	23,712	14,611	48,553	106,338
Male Population	50.5%	49.5%	49.3%	48.3%
Female Population	49.5%	50.5%	50.7%	51.7%
Median Age	40.7	31.3	35.0	37.6
Population Density (per sq. mi.)	1,094.8	797.9	2,998.8	3,487.4
Employees	4,187	4,134	9,739	53,254
Establishments	500	423	1,110	4,257
Income:				
Median HH Income	$108,819	$52,217	$72,189	$62,841
Per Capita Income	$59,695	$23,783	$31,847	$31,738
Average HH Income	$172,532	$69,837	$84,100	$77,526
Households:				
Total Households	8,148	5,221	18,197	43,061
Average Household Size	2.91	2.78	2.66	2.45
Household Growth 1990 - 2000	51.1%	45.5%	87.5%	83.6%
Housing:				
Owner Occupied Housing Units	88.9%	64.0%	67.3%	68.0%
Renter Occupied Housing Units	9.8%	32.9%	25.2%	29.5%
Vacant Housing Units	1.4%	3.0%	7.5%	2.5%

Household Information Report

	Granite Bay CDP	Lincoln city	Rocklin city	Roseville city
Population Density				
1990 Population Density	598.5	422.2	1,188.6	1,479.9
2000 Population Density	895.1	611.9	2,252.2	2,620.9
Current Year Population Density	1,094.8	797.9	2,998.8	3,487.4
5Y Projected Population Density	1,273.6	979.3	3,738.3	4,339.4
CY Household Density	376.2	285.1	1,123.9	1,412.2
Median Household Income				
1990 Median HH Income	$56,758	$30,134	$40,934	$39,611
2000 Median HH Income	$97,278	$47,818	$64,587	$57,408
Current Year Median HH Income	$108,819	$52,217	$72,189	$62,841
5Y Projected Median HH Income	$125,026	$58,145	$82,876	$70,426
Change 1990 to 2000	71.4%	58.7%	57.8%	44.9%
Change 2000 to CY	11.9%	9.2%	11.8%	9.5%
Change CY to 5Y Projection	14.9%	11.4%	14.8%	12.1%
Per Capita Income				
1990 Per Capita Income	$25,193	$11,800	$17,651	$17,275
2000 Per Capita Income	$44,289	$19,215	$27,234	$26,915
Current Year Per Capita Income	$59,695	$23,783	$31,847	$31,738
5Y Projected Per Capita Income	$66,739	$26,936	$37,042	$36,830
Change 1990 to 2000	75.8%	62.8%	54.3%	55.8%
Change 2000 to CY	34.8%	23.8%	16.9%	17.9%
Change CY to 5Y Projection	11.8%	13.3%	16.3%	16.0%
Average Household Income				
1990 Average HH Income	$74,940	$33,994	$48,292	$46,270
2000 Average HH Income	$132,625	$55,580	$74,520	$69,882
Current Year Average HH Income	$172,532	$69,837	$84,100	$77,526
5Y Projected Average HH Income	$189,885	$78,207	$96,547	$87,607
Change 1990 to 2000	77.0%	63.5%	54.3%	51.0%
Change 2000 to CY	30.1%	25.7%	12.9%	10.9%
Change CY to 5Y Projection	10.1%	12.0%	14.8%	13.0%

Household Information Report				
2005 Household Income				
Income $ 0 - $9,999	2.3%	7.6%	3.9%	4.3%
Income $ 10,000 - $19,999	4.2%	10.7%	6.1%	7.0%
Income $ 20,000 - $29,999	3.8%	10.9%	6.8%	7.2%
Income $ 30,000 - $39,999	4.1%	9.9%	7.7%	9.4%
Income $ 40,000 - $49,999	4.6%	9.1%	8.0%	10.4%
Income $ 50,000 - $59,999	4.4%	8.5%	7.5%	9.2%
Income $ 60,000 - $74,999	8.1%	12.7%	12.4%	12.4%
Income $ 75,000 - $99,999	13.7%	14.3%	17.0%	16.8%
Income $100,000 - $124,999	13.8%	8.9%	13.2%	10.3%
Income $125,000 - $149,999	9.9%	3.3%	7.5%	5.3%
Income $150,000 +	31.2%	4.2%	9.9%	7.7%
2010 Household Income				
Income $ 0 - $9,999	2.3%	7.6%	3.9%	4.3%
Income $ 10,000 - $19,999	4.2%	10.7%	6.1%	7.0%
Income $ 20,000 - $29,999	3.8%	10.9%	6.8%	7.2%
Income $ 30,000 - $39,999	4.1%	9.9%	7.7%	9.4%
Income $ 40,000 - $49,999	4.6%	9.1%	8.0%	10.4%
Income $ 50,000 - $59,999	4.4%	8.5%	7.5%	9.2%
Income $ 60,000 - $74,999	8.1%	12.7%	12.4%	12.4%
Income $ 75,000 - $99,999	13.7%	14.3%	17.0%	16.8%
Income $100,000 - $124,999	13.8%	8.9%	13.2%	10.3%
Income $125,000 - $149,999	9.9%	3.3%	7.5%	5.3%
Income $150,000 +	31.2%	4.2%	9.9%	7.7%
Housing Units - Trend				
1990 Census Total Housing Units				
Owner-Occupied	86.9%	61.6%	64.0%	61.9%
Renter-Occupied	9.9%	34.9%	29.9%	31.6%
Vacant	3.1%	3.5%	6.1%	6.6%
2000 Total Housing Units				
Owner-Occupied	88.8%	63.9%	66.7%	67.4%
Renter-Occupied	8.7%	31.9%	24.5%	29.1%
Vacant	2.5%	4.2%	8.7%	3.5%
2005 Total Housing Units				
Owner-Occupied	88.9%	64.1%	67.3%	68.1%
Renter-Occupied	9.7%	32.9%	25.2%	29.5%
Vacant	1.3%	3.0%	7.5%	2.5%
2010 Total Housing Units				
Owner-Occupied	88.1%	63.5%	67.0%	67.7%
Renter-Occupied	10.4%	33.2%	25.3%	29.5%
Vacant	1.5%	3.4%	7.7%	2.8%
2000 Owner Occupied Home Value:				
$ 0 - $24,999	2.3%	2.9%	2.1%	0.3%
$ 25,000 - $34,999	0.2%	0.0%	0.8%	0.3%
$ 35,000 - $49,999	0.0%	0.9%	0.5%	0.9%
$ 50,000 - $79,999	0.5%	1.3%	0.6%	2.5%
$ 80,000 - $99,999	0.4%	6.4%	0.8%	2.5%
$100,000 - $149,999	3.6%	46.4%	12.5%	18.6%
$150,000 - $199,999	5.2%	25.6%	27.5%	29.9%
$200,000 - $299,999	18.4%	11.7%	42.0%	32.3%
$300,000 - $399,999	23.5%	2.7%	8.7%	8.1%
$400,000 - $499,999	19.0%	1.2%	2.9%	2.9%
$500,000 - $749,999	17.8%	0.6%	1.2%	1.2%
$750,000 - $999,999	6.5%	0.2%	0.3%	0.3%
$1,000,000 or more	2.6%	0.0%	0.0%	0.3%
2000 Median Home Value	$391,813	$139,466	$213,811	$194,402
2000 Year Moved In:				
1969 or Earlier	3.1%	9.0%	1.5%	3.5%
1970-1979	12.4%	5.5%	4.5%	4.4%
1980-1989	17.8%	13.3%	10.2%	12.2%
1990-1994	16.0%	15.2%	19.4%	15.4%
1995-1998	34.7%	32.5%	34.0%	38.4%
1999-March 2000	16.0%	24.5%	30.5%	26.1%
2000 Year Structure Built:				
Before 1939	0.8%	8.3%	1.3%	3.6%
1940 to 1949	1.2%	5.1%	0.5%	3.3%
1950 to 1959	2.7%	5.0%	0.9%	5.7%
1960 to 1969	9.5%	6.5%	4.5%	7.2%
1970 to 1979	28.1%	16.3%	16.2%	11.1%
1980 to 1989	21.0%	22.5%	21.6%	21.4%
1990 to 1994	13.9%	14.2%	19.9%	17.6%
1995 to 1998	17.8%	15.3%	16.0%	22.8%
1999 to March 2000	5.0%	6.8%	19.0%	7.4%

** Source: Site To Do Business*

According to the Sacramento Regional Research Institute, Lincoln has been the fastest-growing city in the area over the last five years, when measured on a percentage basis. However Rocklin also has experienced enormous growth. In spite of spectacular population growth throughout the area, Auburn and Loomis have not experienced similar growth. Some modest growth is expected in Loomis in the future, however. Granite Bay is included in the tables given this consists of a suburb of the Roseville market.

The population has increased significantly in these cities, with from 45% to 90% increases in the decade between the 1990 and 2000 census data. The most notable increases were in the rapidly growing cities of Roseville and Rocklin with 77% to 90% increases in population. The population has over doubled since the 1990 census when considering the estimated 2005 population figures. Residential and commercial construction continues at a fast pace in these cities in response to the extensive population growth.

Employment and Development Activity. The most actively developing industrial/high-tech and residential growth area in Placer County is the Highway 65 corridor, which extends northwesterly from Interstate 80. The south Placer area has emerged as one of the leading industrial/ manufacturing/high-tech areas in the Sacramento region. The principal reasons for this activity are:

- Abundance of large tracts of industrial/business park zoned land;
- Availability of water, sewer, and other infrastructure improvements;
- Low cost of operation; and
- High quality of life.

Roseville is the dominant community for commercial activity, including especially financial businesses along Douglas Boulevard, and new retail facilities along Highway 65 to service significant residential growth.

Transportation and Accessibility. Roseville is conveniently located near Interstate 80 freeway access, shopping, services, schools, and recreational areas. The principal means of transportation is the private automobile.

Utilities and Public Services. Public services available in Roseville, Rocklin, Loomis, and Lincoln include water, sewer, storm water drainage, garbage removal, natural gas, electricity, telephone, cable television, police and fire protection, street maintenance, and lighting. All services are considered adequate, with no reported or known deficiencies.

Housing. Placer County remains one of the major new home sub-markets in the Sacramento region, and if it had sufficient product to offer, could very well be the dominant market. Major factors that contribute toward this high demand market include quality of life, schools, and a variety of appealing master planned communities. The strong housing market leads to commercial growth that is occurring in the area. Housing prices are still appreciating in the area, but inventory continues to rise with longer marketing times and reduced number of offers based on conversations with local real estate professionals. This is partially attributed to the seasonal aspects of the local residential market, but continued upward pressures on interest rates may slow the residential market in the future.

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. The area includes roughly 8,050 employees, representing approximately 30% of the total employed by the 25 largest Sacramento area manufacturers. Large manufacturing/high tech firms in the area include Hewlett Packard, PRIDE Industries, NEC Electronics, Agilent Technologies, Sierra Pacific Industries, Formica Corporation, and Coherent.

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

- The North Roseville and Sunset Industrial areas
- The Northwest Plan area of Roseville
- The North Central Plan area of Roseville
- Stanford Ranch in Rocklin
- The Northwest Rocklin Plan area
- The Lincoln Airpark in Lincoln
- Lincoln Sphere of Influence (Southeast and Southern) (Eastlake, Eastridge, Lincoln Crossing, and Eastpark)

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);
- Placer/Sunset Boulevard (scheduled for 2006); and
- Whitney Interchange (scheduled for 2006 or later).

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

Major Development in the Roseville/Rocklin Area. The paragraphs below describe the major developments that provide some of the services and employment opportunities for the Roseville environs.

Thunder Valley Casino – This $215 million casino sits on 49 acres of unincorporated land in Placer County which is located just off Highway 65 near the intersection of Industrial Avenue and Athens Avenue. The 75,000 square foot casino opened on June 8, 2003 on United Auburn Indian Community tribal land. Station Casinos, Inc. spent about $15 million to buy the land for the tribe and provide funds to help the tribe through the development process. Ultimately, the casino employs 1,800 people and the casino is expected to generate more than $200 million in annual revenues, most of which will go to the 247-member tribe. The casino houses nearly 2,000 slot and video poker machines, 100 table games, buffet, fast food outlets, restaurants and seven bars. The crowds at this facility have been overwhelming since the casino opened.

Galleria at Roseville – This 94.18 acre site 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). 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.

The Roseville City Council recently approved a new lease agreement with the Westfield Group, which owns the Galleria at Roseville, and the Roseville Planning Commission gave the mall developer a unanimous go-ahead to expand the shopping mall. Construction on the 487,806- square-foot expansion of the Galleria is scheduled to begin early next year, with most of the new stores opening in 2008. The expansion will include about 335,000 square feet of leasable space for about 100 new shops and restaurants to be located between the existing Sears and Nordstrom buildings. Anchor stores Macy's, Sears and JCPenney plan to expand by 40,000 square feet each.

The Fountains – This center will be located directly across from the Galleria, with approximately 550,000 square feet of commercial space planned at the intersection of East Roseville Parkway and Reserve Drive. This center will consist of an "open air" mall that is to include a Whole Foods market, Z-Gallerie, and Chico's clothing. Several restaurant establishments are also planned for the center. The approvals are moving forward after some opposition by Westfield (owner of the Galleria) due to traffic concerns. The developer recently downsized the office plans from approximately 220,000 to 190,000 square feet (+/-). This development is anticipated to commence construction in the near future, with completion by April of 2007.

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 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.

Hewlett Packard has recently laid off several hundred employees at the Roseville facility and has left a three-story office building vacant. H-P sold off 276 acres and the vacant three-story building to developer John Mourier. The developer intends to build single family homes and some mixed commercial projects including a possible satellite site that California State University at Sacramento (CSUS) is considering to develop.

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 500-acre portion of Hewlett-Packard's Roseville campus, which includes seven buildings, and over 1.5 million square feet of permanent space. The Master Plan was expected to accommodate this development of approximately 4.25 million square feet of light industrial and commercial buildings resulting in employment for approximately 13,800 on-site workers at build out.

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. Accommodations include clustered or attached residences, apartment residences, assisted-living apartments, a nursing facility and an adult day-care center. The buildings are in single and multi-story configurations and connected by interior roads and walking paths. A community center includes 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.

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.

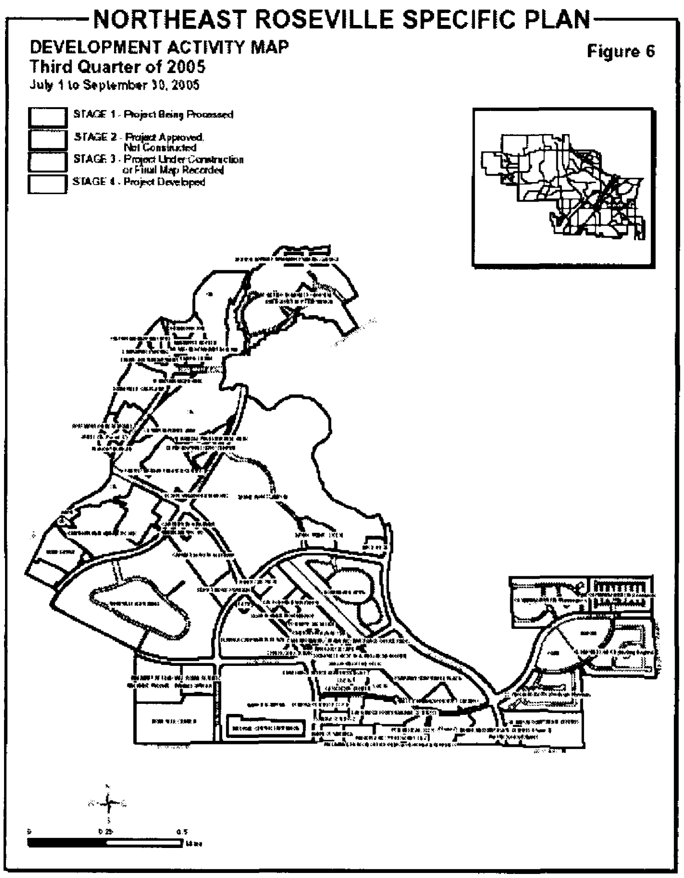
Del Webb Lincoln Hills - In 1996 Del Webb Corp. purchased 1,900 acres from Placer Holdings Inc. which was zoned for 5,000 homes. The Twelve Bridges Community lies upon the longtime ranch of J. Parker Whitney who owned a large portion of the area that the community was built on. The area of rolling landscape is covered with over 30,000 mature oak trees. This community is balanced by single and multi-family homes as well as retail and commercial buildings. There are four planned schools for the area as well as a community college, and Del Webb Lincoln Hills is located north of Rocklin in the Lincoln area.

Immediate Neighborhood Property Uses and Trends

The subject properties are surrounded by a wide variety of commercial, office, and retail uses. Located to the south is the Stone Point Business Park, which is under development and will consist of professional offices, and local service and retail outlets.

To the southeast of the subject properties are the OPUS office buildings and a small park under development. Bordering from the north and east are Miners Ravine open space and park areas, with East Roseville Parkway along the other side. To the northeast across North Sunrise Avenue are Black Angus, United Artists Theatres, Miners Ravine and a new 3-story hotel under construction.

The subject parcels are included in the Northeast Roseville Specific Plan Area. The adjacent plan areas include a portion of the Southeast Roseville Specific Plan Area, Stoneridge to the north and east, and the Infill Area. Essentially, these areas represent most of the city located on the east side of Interstate 80. The Northeast Roseville Specific Plan area is north of Douglas Boulevard and east of Interstate 80.



Note: Stage 2 activity is a cumulative total of all approved projects within the plan area and may not be reflected as Stage 2 on the map.

The Northeast Roseville Specific Plan Area consists of 906 acres, with 1,655 dwelling units proposed and a planned population of approximately 3,835+. The plan was adopted in 1987 and consists primarily of nonresidential uses including 382.9 acres of office uses, a 90.2-acre auto mall, neighborhood and community shopping centers, the first phase of Kaiser Hospital's 700,000-square-foot medical park, and the new 315,000-square-foot Sutter Roseville Medical Center acute care hospital which opened in June 1997. Most of the Northeast Plan Area consists of a master-planned development known as Olympus Point. The neighborhood has two movie theater complexes and a "power" center with Sam's Club and Home Depot as anchor tenants. Currently there are 936 existing dwelling units and 575 more proposed dwelling units have been approved.

Of the 384.6 acres approved for business/professional and research/development uses in this plan area, 258.2 acres have been developed with 3,748,292 square feet of space as of Q-1, 2006. Of the 197.97 acres of commercially zoned land, 169.07 acres have been developed with 1,510,774 square feet of space. This plan area's designated retail and office areas are nearly built out, with 85 percent of the designated acreage completed.

NORTHEAST ROSEVILLE SPECIFIC PLAN INFORMATION AND ACTIVITY

Residential Land Use Summary - Dwelling Units and Acres - Through March 31, 2006

Residential Land Use Allocation* (Dwelling Units and Acres)			STAGE 1 Being Processed		STAGE 2** Approved		STAGE 2** Vacant		STAGE 3 Under Construction		STAGE 4 Completed	
Land Use Category	Units	Acres	Units	Acres	Units	Acres	Units	Acres	Units	Acres	Units	Acres
Low Density Residential (5.5 du/ac)	357	40.30	0	0.00	216	40.30	0	0.00	0	0.00	216	40.30
Low Density Residential (6.7 du/ac)	258	38.28	0	0.00	255	38.30	0	0.00	0	0.00	255	38.30
Medium Density Residential (10.0 du/ac)	815	70.39	0	0.00	815	52.94	350	22.00	0	0.00	465	30.94
High Density Residential	225	11.79	0	0.00	225	22.00	225	22.00	0	0.00	0	0.00
TOTAL	1,655	[illegible]	0	0.00	1,511	153.54	575	44.00	0	0.00	936	109.54

Non-Residential Land Use Summary - Building Square Footage and Acres - Through March 31, 2006

Non-Residential Land Use Allocation* (Acres)		STAGE 1 Being Processed		STAGE 2** Approved		STAGE 2** Vacant		STAGE 3 Under Construction		STAGE 4 Completed	
Land Use Category	Acres	Square Ft.	Acres	Square Ft.	Acres	Square Ft.	Acres	Square Ft.	Acres	Square Ft.	Acres
Commercial (CC, RC & HC)	197.97	0	0.00	1,558,267	188.09	27,192	16.54	20,301	2.48	1,510,774	169.07
Automall	90.20	0	0.00	538,081	87.26	22,432	2.50	0	0.00	515,649	84.76
Business Professional	204.81	0	0.00	1,842,834	153.15	10,742	9.49	6,853	0.60	1,825,239	143.06
BP (MEDICAL CAMPUS)	54.64	106,515	0.00	1,980,573	103.82	11,418	0.00	272,065	4.80	1,697,090	99.02
BP (R&D)	85.60	0	0.00	1,167,580	127.63	857,637	102.51	83,900	9.00	225,963	16.12
Parks & Recreation***	10.55	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Open Space***	67.10	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Public/Quasi-Public	12.70	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
TOTAL	[illegible]	106,515	0.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	512.03

Notes:
*Allocated units and acreage are current as of Resolution #05-120 adopted on March 16, 2006
**Stage 2 activity is a cumulative total of all approved projects within the plan area and may not be reflected as Stage 2 on the map.
***Associated map does not reflect development activity for parks or open space

Note: Charts and information obtained from the Quarterly Development Activity Report, First Quarter of 2006 (Through March 31, 2006). The table and associated map do not reflect development activity for schools, parks, open space and right of way.

The Southeast Specific Plan Area is in the eastern portion of the general neighborhood, adjacent and south of Douglas Boulevard. It includes 802.51 acres, 3,163 existing and proposed dwelling units, and a planned population of 9,643. It includes 160 acres of office and commercial uses and is currently improved with numerous quality office buildings, apartments, and residential subdivisions. This area includes the Johnson Ranch Racquet Club and the Maidu Park facilities. The majority of this plan area is residential, with 3,036 dwelling units developed as of March 31, 2006, and is part of the master planned community of Johnson Ranch, developed by the Coker Ewing Company in the 1980s.

Stoneridge is on the northeastern portion of the neighborhood, easily accessed by East Roseville Parkway. This area is primarily residential and new home developers have completed 1,790 single-family units out of the 2,855 units planned for the area. Much of the new developments in this area are custom-tract for the most part. An upscale shopping center, Palisades Plaza, with 44,497 square feet on North Sunrise Boulevard and East Roseville Parkway has been completed and is fully occupied. The 1,088-acre Stoneridge Specific Plan adopted March 18, 1998, is zoned for 35.6 acres of Community Commercial, 5.2 acres of Business Park, 24 acres of public and quasi-public development and the remainder is residential, park, or open space.

The Infill Area comprises the remainder of the general neighborhood. It includes the more established, improved portions of Roseville on the east side of Interstate 80. Typical improvements are residential, commercial, office, apartments, mobile home parks, mini-storage facilities, churches, restaurants, service stations, as well as other commercial uses.

Housing Market Conditions. The Placer County housing market story has been one of steadily increasing housing prices. Median prices have been increasing at a remarkable pace in all communities in the county, as well as throughout the Sacramento region, since at least 2003, as shown in the following table.

AREA	MEDIAN PRICE, RESALES			TOTAL % INCREASE	ANNUAL % INCREASE
	2003	2004	2005		
Granite Bay	$550,000	$700,000	$790,000	43.6%	19.9%
Lincoln	$313,000	$369,000	$442,000	41.2%	18.8%
Rocklin	$339,000	$410,811	$482,000	42.2%	19.2%
Roseville	$318,000	$389,950	$452,000	42.1%	19.2%
Sacramento County	$247,000	$309,000	$372,000	50.6%	22.7%

Source: Multiple Listing Service (MLS)

Prices in Sacramento County as a whole were accelerating off of lower base values, relative to Placer County base values, which at least partly explains that county's higher rate of median price increase. During the last four months, however, median prices in the subject area (Roseville, Rocklin and Lincoln) have shown decreases on a month over month basis, but remain higher on an annual basis. Prices may be stabilizing, as the rate of decrease appears to be slowing. Several factors will affect price trends in the future, including changes to mortgage rates.

Absorption/Demand. We have considered absorption rates for detached single family homes as reported by the Meyers Group[8] (First Quarter 2006 regional sales trends and project summary data through April 2006; reports included in the Addendum). Based on a 1st quarter-2006 sales trend analysis of the Sacramento region, net home sales during the first quarter of 2006 have shown a 52.7% decrease in sales in comparison to the same period one year ago. The monthly sales rate for a detached project in the Sacramento region decreased 57% in the last year, from 6.8 to 2.9 homes per month. According to the Meyers Group, there were 283 active projects in the Sacramento market at the end of the first quarter, which is up 22 projects from the start of the quarter and 35 projects more than a year ago. At the end of the first quarter, the detached standing inventory in the Sacramento market was 155 units, a noticeable increase from 23 units a year ago.

Placer County experienced a smaller decrease relative to the region as a whole. Its net sales decreased 40.2% from 1,181 during the first quarter of 2005 to 706 during the first quarter of 2006. Overall absorption (monthly sales per project) has also seen a decrease of 51.2% within the first quarter of 2006 from 6.8 to 3.3 homes per month, as compared to the same period last year.

Although Sacramento market and Placer County submarket total sales and absorption rates have shown a downward trend within recent quarters, the Placer County submarket has shown relatively strong condominium and townhouse sales and absorption trends, as well as strong trends in more affordable small-lot detached products. According to Meyers Group, Roseville, Rocklin and Lincoln have 22 competing detached single-family projects with typical lot sizes under 6,000 square feet. Smaller lots, less than 3,000 square feet for typical lots, comprised 8 projects in Roseville, Rocklin and Lincoln. These projects averaged over 6 sales per month, and ranged up to 11 units per month. The annual sales rate for these projects is 576 which indicates a monthly sales rate of 48 homes, and approximately seventeen months of inventory remaining.

Projected Absorption. Absorption of single family homes (and, therefore, lots) with a typical lot size under 4,000 square feet in Roseville, Rocklin and Lincoln, at least in recent years, has been very rapid. Within the 8 existing projects that the Meyers Group currently reports on in the Roseville, Rocklin and Lincoln area, there are only 65 planned units remaining that are in projects that opened prior to 2005. Over 300 new homes sold with typical lot sizes under 4,000 square feet in the tracked projects during the 12 months ending April 2006. (The majority of the projects have been open for less than twelve months; therefore, the annualized rate of absorption is actually higher than the total number of units that absorbed during last twelve months within these projects.)

The Meyers Summary Project Reports for Roseville, Rocklin and Lincoln for lot sizes under 4,000 square feet, and for attached residential projects, as well as the New Home Executive Summary for Sacramento are contained in the Addenda. We use sales of homes as a proxy for sales of lots, as lots must come out of a holding inventory and become a factor of production six to nine months prior to a home sale.

[8] The Meyers Group is a local research company that tracks home sales and compiles statistics pertaining thereto. The company was recently acquired by Hanley Wood Market Intelligence, a company that compiles similar statistics in at least 75 different markets.

We have composed a table, presented on the next page, that digests the Meyers data and summarizes it within two general small to medium lot size categories and one attached product category.

SUMMARY OF ABSORPTION-RELATED STATISTICS
ROSEVILLE, ROCKLIN, LINCOLN
5/2005 to 4/2006

Small Lots (<4,000 SF)	
Annual Sales Rate, All Projects	576
Highest Individual Project Monthly Sales Rate	11
Average Monthly Sales Rate each Project	6
Remaining Inventory	807
Months of Inventory Remaining	16.8
Projects with Inventory Remaining (More than 10 units)	8
Medium Lots (4,000 SF to <6,000 SF)	
Annual Sales Rate, All Projects	670
Highest Individual Project Monthly Sales Rate	6
Average Monthly Sales Rate each Project	4
Remaining Inventory	1178
Months of Inventory	21.1
Projects with Inventory Remaining (More than 10 units)	12
Single Family Attached (Condos and Townhouses)	
Annual Sales Rate, All Projects	444
Highest Individual Project Monthly Sales Rate	10
Average Monthly Sales Rate each Project	4
Remaining Inventory	913
Months of Inventory	24.7
Projects with Inventory Remaining (More than 10 units)	7

Note: The above table is based on Meyers Group Project Summary Report, 5/2005 to 4/2006. Some calculations have been rounded. Annual Sales Rates overstate the number of homes actually sold during the 12-month period because a number of projects opened after 4/2005 or sold out before the 12-month period ended. For those projects, monthly sales rates were utilized. The above calculations do not include sales from the Del Webb community since the subject property is not proposed for similar age-restricted uses.

Based on 2005-2006 absorption as developed from the Meyers data, we note that if all of the subject lots[9] could be converted to houses or attached condominium units today and be made available in the market, they would increase months of inventory to the following quite manageable amounts:

Small Lots	23 +/- months
Single-Family Attached Units	31 +/- months

[9] 297± lots in the small category, and 225± lots in the single-family attached category, depending on final configurations of the unmapped neighborhoods.

Other factors, such as the provision of affordable housing units, will decrease the months of inventory due to the increased pace of absorption for such units.

Future Absorption and Capture Rates. Although recent trends indicate a slowing in absorption and home price appreciation, underlying demand is still strong in population and job growth. However, the dramatic rise in home prices over the last few years, increases in mortgage rates and the decline in the resale market that cuts the flow of equity for new home purchases has had a continuing negative impact on demand and absorption. In relation to the very high absorption rates seen in the last few years, future projections may appear to be low, but in relation to historical rates in a stabilized environment, future projections are still above normal.

Greater Sacramento's new-home sales decreased significantly during the fourth quarter of 2005. Builders sold 14,094 homes in 2005, down 17.8 percent from 17,155 in 2004. According to the Gregory Group, a local company that tracks the new-home market, builders have begun offering incentives in order to preserve high asking prices while hoping for a rebound in the residential market. The average price did drop in the second half of the year, but it was considered to have been caused in large part to an increased number of relatively low-priced, high-density subdivisions that came on the market. The Gregory Group projects that sales will remain fairly steady in 2006, with a slight decrease to approximately 14,000 homes.

Roseville has experienced tremendous growth in all segments of real estate. Residential development in Roseville has been among the strongest in the greater Sacramento region. The communities of Woodcreek Oaks and Highland Reserve have been developed in west Roseville, and Crocker Ranch, Diamond Creek, and Stoneridge communities are still being developed. In 2004, the city of Roseville annexed over 3,100 acres west of the city limits, which is expected to have capacity of over 8,400 single family and multi family units. The Morgan Creek master planned community, located to the southwest of the Roseville city limits will be comprised of over 400 single family residential units. According to the Roseville Quarterly Development Activity Report for the First Quarter of 2006, the residential land use inventory indicates that there are a total of 44,375 allocated single family residential units, of which 33,982 units are developed (Stage 4 Completed), and 10,393 units are undeveloped. The report also indicates that there are a total of 13,250 allocated multi family residential units, of which 9,623 units are developed, and 3,627 units are undeveloped. In 2005, a total of 826 single family units were developed and 387 multi family units were developed. During the first quarter of 2006, a total of 179 single family units and 37 multi family units were developed. Due to seasonal weather conditions, the first quarter is a typically slower period for construction. Subsequent quarters are likely to show increases over this rate of development.

The cities of Rocklin and Lincoln have also experienced significant growth. The city of Rocklin recently annexed over 1,800 acres for proposed development that is anticipated to include approximately 4,000 single family and multi family residential units. The city of Lincoln, which started with a very small base population, is the fastest growing area in Placer County. The city is growing at a rate of about 4,500 citizens per year. Much of its growth has occurred in the master planned communities of Sun City Lincoln Hills, Twelve Bridges master planned community and the Lincoln Crossing master planned community. Lincoln officials have estimated that build-out to 2025 will house 55,000 residents.

By extrapolating from the Meyers historical data on home sales, we have estimated what sort of impact the subject medium density and high density residential units would have on the Roseville, Rocklin and Lincoln Market. Explanatory tables are contained in Addendum, but the pertinent conclusions can be summarized as follows:

PROJECTION OF SALES PER QUARTER AND MARKET CAPTURE RATE				
Lot Size	**Average Project Lots Sales per Month (2005)**	**Number of Subject Neighborhoods**	**Projected Possible Subject Unit Sales per Quarter**	**Necessary Capture Rate Based on Annual Market**
Small Lots	4 to 6	3	36 to 54	12% to 18%
Single Family Attached	4 to 5	2	24 to 30	22% to 27%

Since these market capture rates appear to be consistent with historical sales data, we have projected quarterly sales for the subject lots at the indicated above sales rates, or less. This results in total absorption of lots in about a 24 to 27 month total absorption period.

Conclusions. Pace of absorption of a residential project can be affected by national, regional and local conditions, as well as the quality and desirability of the project itself. As previously discussed, national economic conditions are good. Similarly, the regional economy is growing. Local projections (for the extended Sacramento region) show a shortage of housing over the next 15 to 20 years. This factor, coupled with the modulating effect that the high rate of local government employment has on the national cyclical employment / unemployment picture, bodes well for residential development.

We conclude that, assuming the proven builders who purchase the subject proposed neighborhoods build desirable product and price it competitively, the absorption thereof will be good. For use in the discounted cash flow analysis that we discuss in the following portions of this report, we have simulated absorption based on this expectation. That is, we have projected essentially complete absorption of single family lots to occur over a 27-month period, beginning as of the date of value. Since high density development is poised for immediate absorption in this predominantly developed area, we have projected absorption of these parcels to occur at almost the same general rate of absorption as the medium density product. These absorption patterns are shown on the top half of the discounted cash flow analyses pages in the Addendum.

IV. SITE & PROJECT ANALYSIS

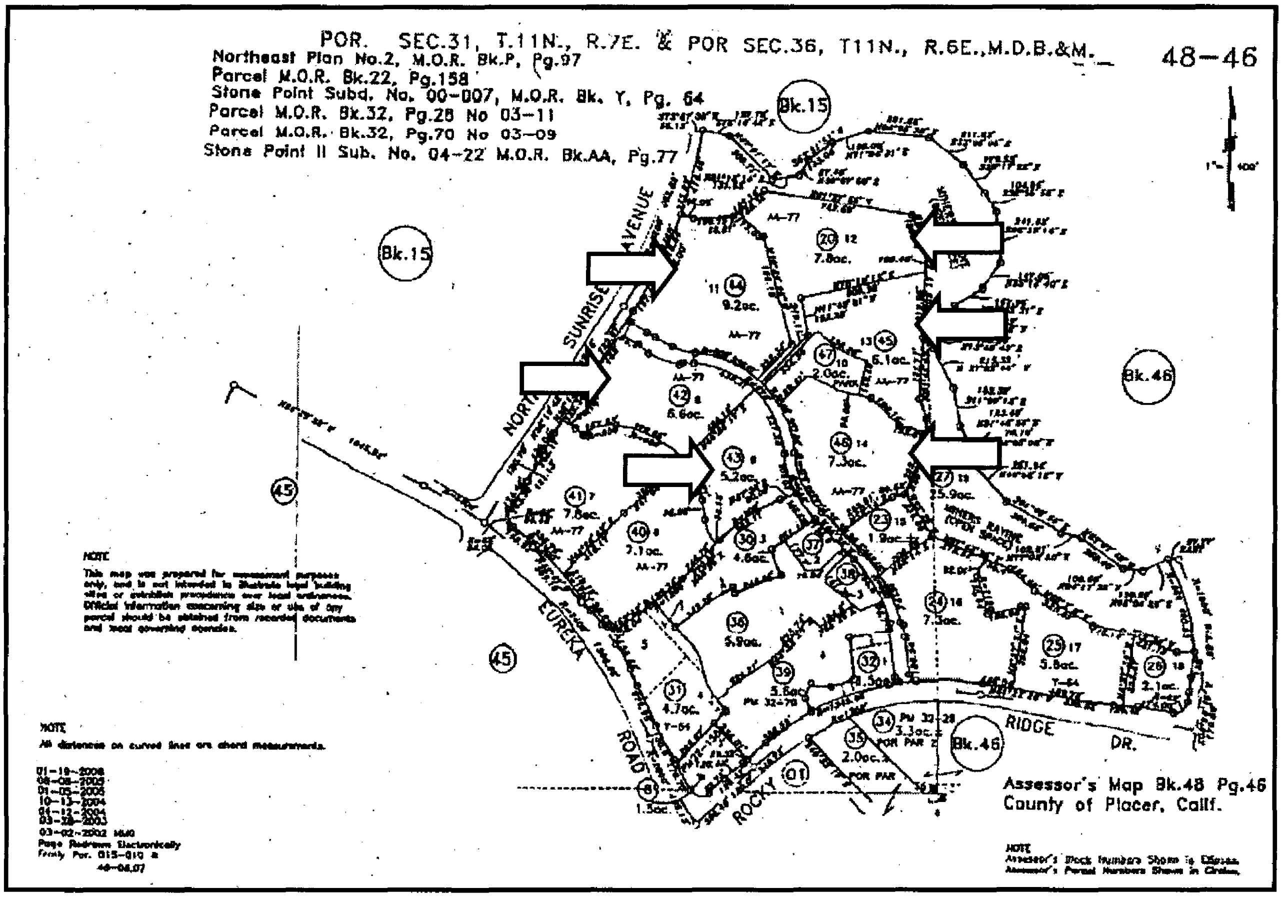
General. The subject sites are within the Stone Point project and consist of approximately 42.17 acres of residential land and 1.95 acres for a park site. The parcels have a number of unique and desirable features including the proximate park sites and open space areas along Miner's Ravine. The project's location near Interstate 80 and easy access to Roseville's retail and entertainment amenities are highly desirable.

The subject sites have good access and visibility. The area has good vehicle circulation and good access to Interstate Freeway and access to the north Roseville area via the overcrossing at Roseville Parkway to the north. Overall, the property sites are well located with no adverse conditions that would prevent development of the sites to their highest and best use.

Property Characteristics. The property, as presently configured on the final large lot map for Stone Point II, consists of 7 large lot parcels. There have been subsequent small lot tentative maps submitted for the medium density parcels. Other characteristics:

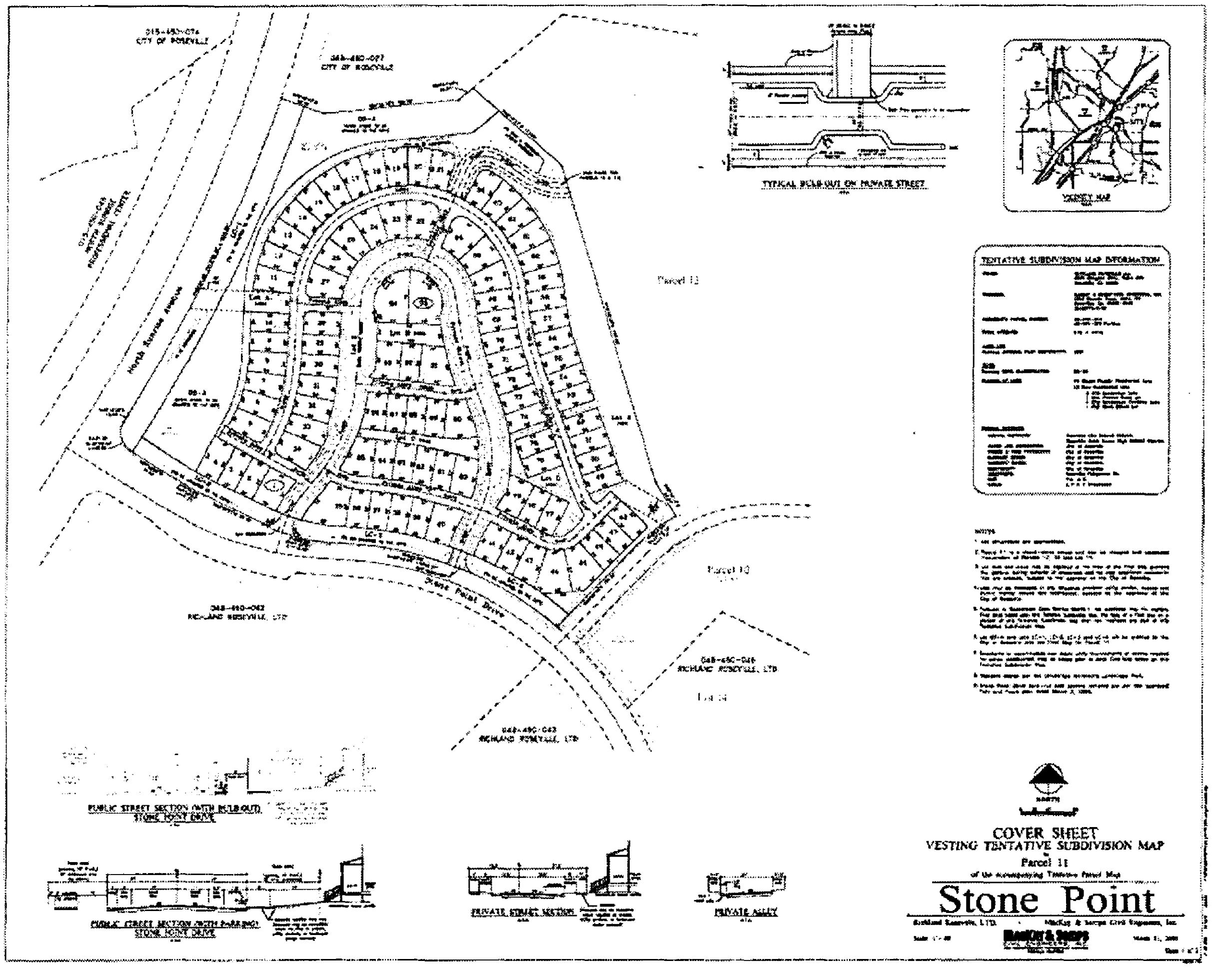
Utilities:	Utilities such as public water, electricity, gas, telephone, and sewer are available along Stone Point Drive. (Water and sewer- City of Roseville/ Electricity- Roseville Electric/ Gas- Pacific Gas & Electric/ Telephone- Roseville Telephone/ Fire- Roseville Fire Department).
Seismic Conditions:	Earthquake risk is low; the property is not located in an Alquist-Priolo Special Studies earthquake zone.
Toxic Hazards Information:	There are no known toxic or environmental hazards or nuisances affecting the properties. Please refer to Item 14 of the Standard Assumptions and Limiting Conditions.
Flood Zone Designation:	The properties are located in flood zone X, areas determined to be outside the 500-year flood plain, shown on Federal Emergency Management Agency (FEMA) map Community Panel Number 06061C-0477G and -0479G, dated November 21, 2001. Miner's Ravine Creek area, in the AE flood zone, is north of the open space parcel and does not negatively affect the subject's developable parcels.
Williamson Act Status:	The properties are not enrolled in the Williamson Act tax program.
Cultural and Historic Status:	None.

ASSESSOR'S PARCEL MAP
(APN'S: 048-460-020, 048-460-042 thru 046)

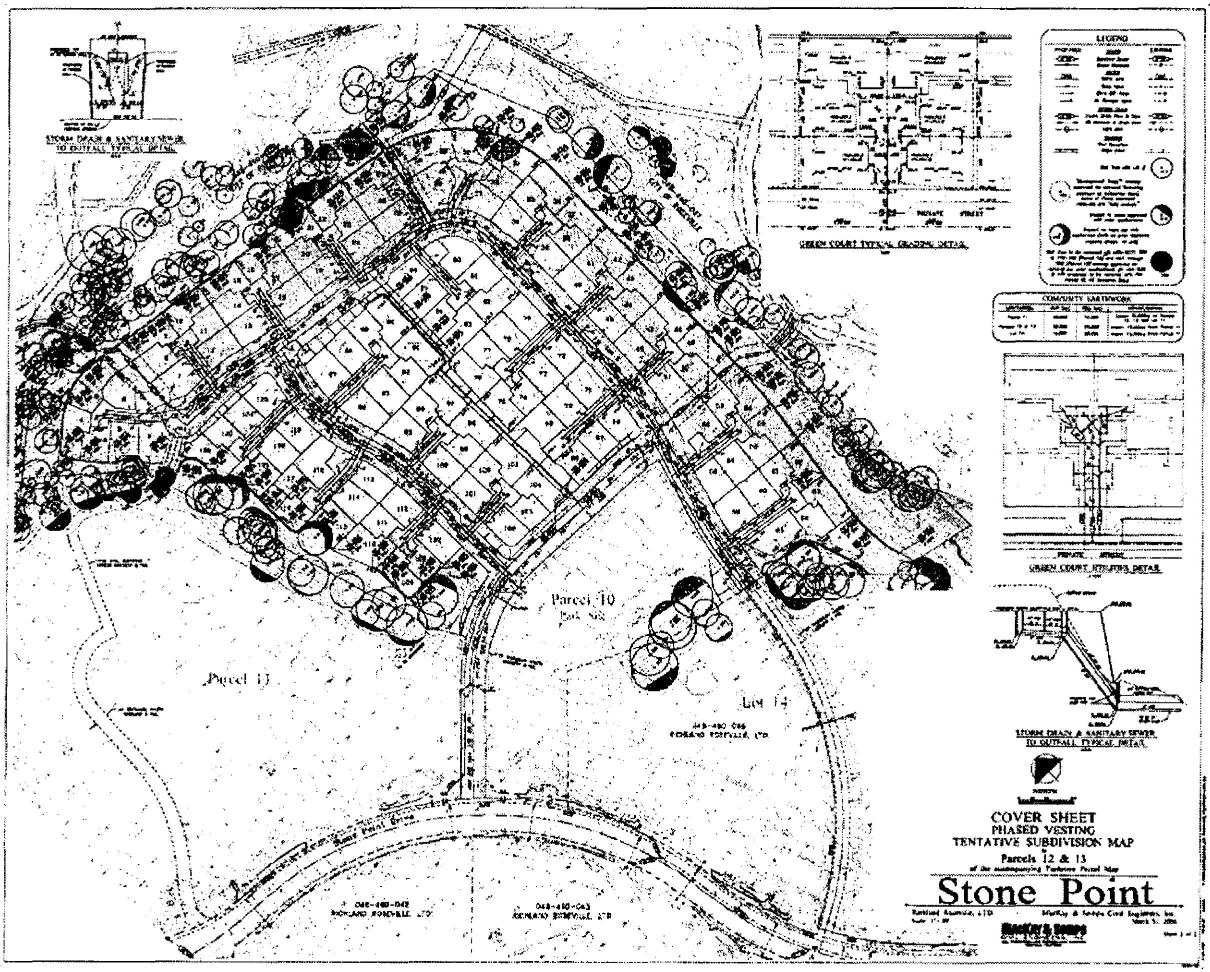


Map reflects new parcel numbers assigned by the Assessor's office.

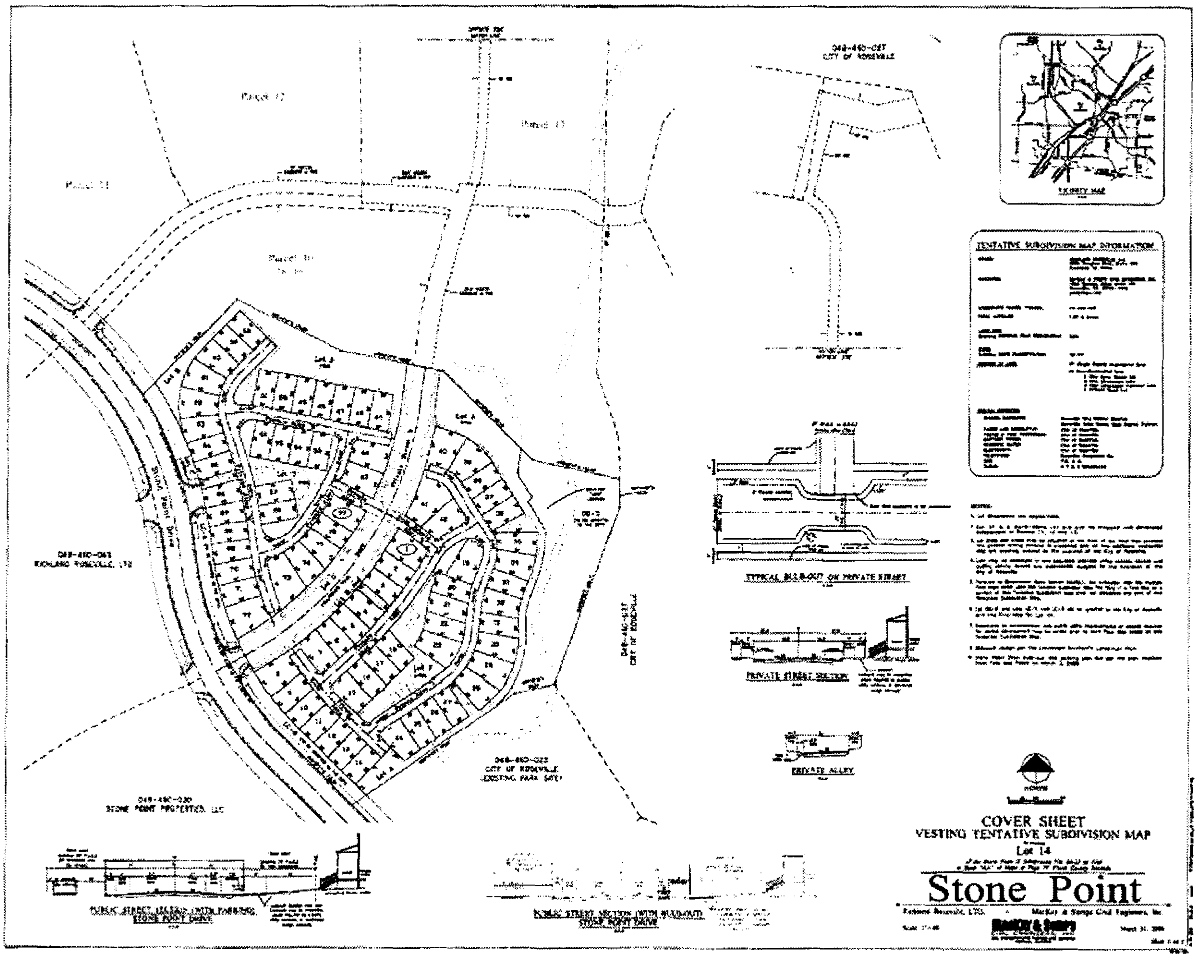
TENTATIVE SUBDIVISION MAPS
(Parcel 11)



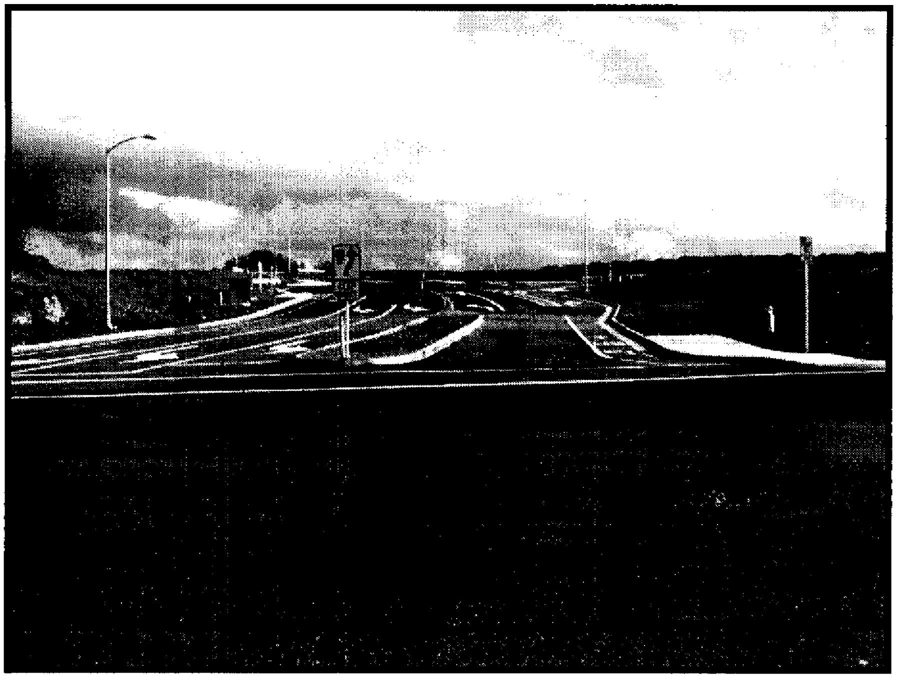
TENTATIVE SUBDIVISION MAPS
(Parcels 12 & 13)



TENTATIVE SUBDIVISION MAPS
(Parcel 14)



SUBJECT PHOTOGRAPHS



Stone Point Drive facing east from North Sunrise Avenue

Lots 11 and 12 facing northeast from Stone Point Drive

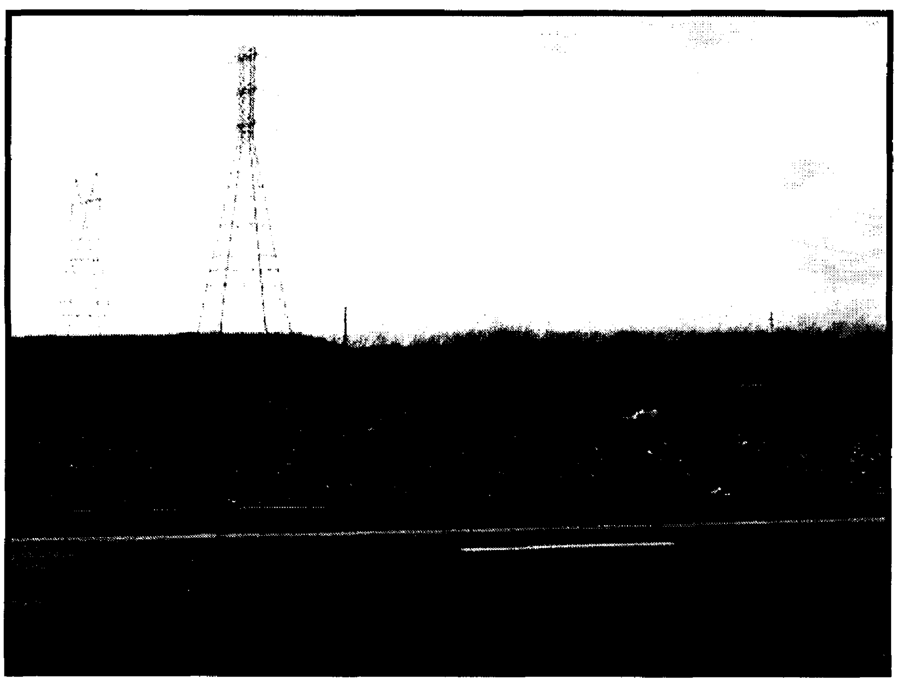
SUBJECT PHOTOGRAPHS, Continued

View overlooks Miners Ravine and Lot 13 facing west from East Roseville Parkway

View of Lot 14 facing northeast from Stone Point Drive

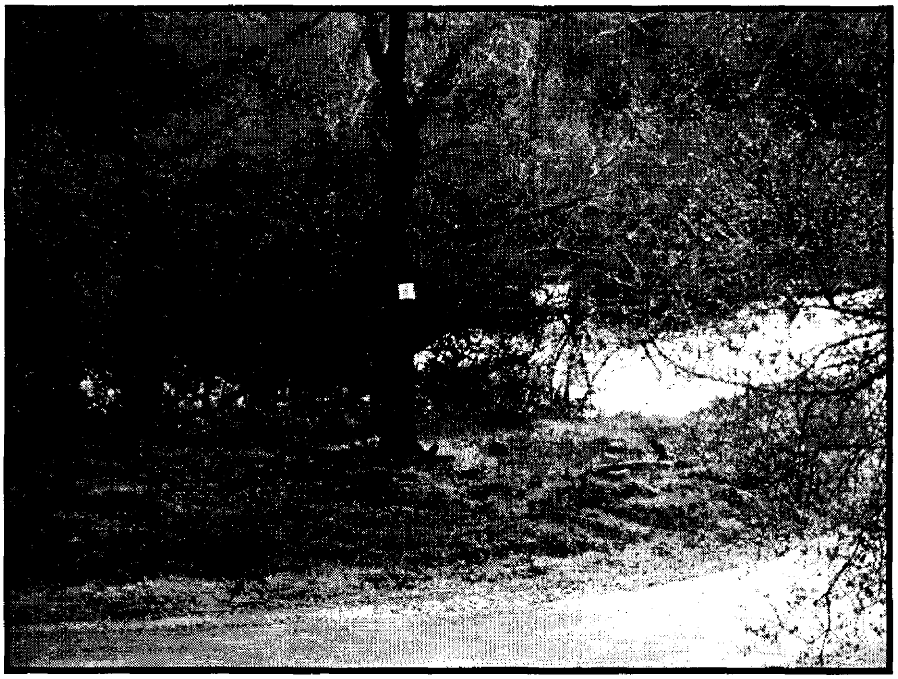
SUBJECT PHOTOGRAPHS, Continued

View of lot 8 facing east from North Sunrise Avenue



View of Lot 9 facing southwest from Stone Point Drive

SUBJECT PHOTOGRAPHS, Continued



View of Miners Ravine and Bike Trail

Real Estate 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 existing tax data for all existing parcels is not particularly germane to this report. However, we have checked for taxes, assessments and bonds on the subject parcels, and the information is displayed below.

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

TAX CODE AREA	RATE (%)
05001	1.0743

A taxes and direct levies rate of 1.10% is used in the subsequent appraisal analysis. In addition, the anticipated annual special taxes to service the existing and planned Community Services Districts and Community Facilities Districts bonds are applied in the subsequent analysis. Assessment and tax information is currently unavailable for the newly assigned parcel numbers. The table below lists the current assessed values for the old assessor's parcel numbers for the 2005/2006-tax year, and the existing tax amounts. Taxes have been paid for the current tax year.

2005-2006 TAX DATA					
APN	**048-460-014**	**048-460-015**	**048-460-016**	**048-460-017**	**048-460-018**
Assessed Land Value	$1,515,581	$1,660,550	$184,504	$158,146	$250,399
Assessed Structural Value	$0	$0	$0	$0	$0
Personal Property	$0	$0	$0	$0	$0
Total Assessed Value	$1,515,581	$1,660,550	$184,504	$158,146	$250,399
2005-2006 Taxes and Assessments	$16,282.28	$17,839.76	$1,982.18	$1,699	$2,690.10

2005-2006 TAX DATA					
APN	**048-460-014**	**048-460-015**	**048-460-016**	**048-460-017**	**048-460-018**
Placer Mosquito Abatement	$2.70	$2.70	$2.70	$2.70	$2.70
City of Rsvl Olympus LLD	$4,510.90	$4,936.96	$531.62	$453.42	$723.14
City of Rsvl Stone Point CFD#1 MR	$129,430.56	$141,810.88	$15,756.76	$13,505.80	$21,347.12
City of Rsvl Stone Point CFD#2 MR	$2,863.14	$3,137.74	$349.46	$299.54	$471.78
Total Taxes	**$153,089.58**	**$167,728.04**	**$18,622.72**	**$15,960.46**	**$25,234.84**

2005-2006 TAX DATA					
APN	**048-460-019**	**048-460-020**	**048-460-021**	**048-460-022**	
Assessed Land Value	$962,064	$1,027,959	$1,001,602	$1,027,959	
Assessed Structural Value	$0	$0	$0	$0	
Personal Property	$0	$0	$0	$0	
Total Assessed Value	$962,064	$1,027,959	$1,001,602	$1,027,959	Intentionally
2005-2006 Taxes and Assessments	$10,335.72	$11,043.66	$10,760.48	$11,043.66	Left
Placer Mosquito Abatement	$2.70	$2.70	$2.70	$2.70	Blank
City of Rsvl Olympus LLD	$2,857.42	$3,048.96	$2,970.76	$3,029.40	
City of Rsvl Stone Point CFD#1 MR	$82,017.88	$88,019	$69,061	$82,151	
City of Rsvl Stone Point CFD#2 MR	$1,814.74	$1,947.04	$1,527.68	$1,817.24	
Total Taxes	**$97,028.46**	**$104,061.36**	**$84,322.62**	**$98,044**	

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 Community Facilities Districts ("Mello-Roos") bond issues. 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.

Community Facilities Districts (Mello-Roos) Special Taxes. 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.

Special Assessments and Bonds Affecting the Subject Property. There are nine special assessments and bonds currently affecting the subject property. Brief summaries of each follow.

Roseville City Elementary B&I 1992 Series A. This was a general obligation bond that was passed in 1992 and funded construction of Buljan Middle School, completion of Spanger Elementary, expansion of Sargeant and Cirby Elementary Schools and the replacement of old portable classrooms. The bond equated to $19,900,000 and is expected to be paid in 25 years (2017).

Roseville City Elementary B&I 2002 Series A. This was a general obligation bond that was passed in 2002 and funded improvements for district elementary schools. The bond was approved for $29,117,071, with $13,998,924 issued to date. This bond is to be paid within 25 years (2027).

Roseville City Elementary B&I 2002 Series B. This was a general obligation bond that was passed in 2002 and funded improvements for district elementary schools. The bond was approved for $29,117,071, with $13,998,924 issued to date. This bond is to be paid within 25 years (2028).

Roseville High B&I 1992. This is also a general obligation bond that was approved in 1991 for a total of $51 million. The bond proceeds were to be used to purchase a site for a new high school and reimburse the district for a portion of the costs of constructing a previously completed high school. This bond is to be paid within 35 years (2026).

Roseville High B&I 2004 Series A. This was a general obligation bond that was passed in 2004 and funded modernizations and additions to area high schools, the construction of a new high school, and also to fund technology improvements. The bond was approved for $79 million, with $26 million issued to date. This bond is to be paid within 25 years (2029).

Placer County Mosquito Abatement. This assessment is a direct charge which will provide mosquito abatement services to the general area infinitely. The assessment will increase based on increases in CPI, not to exceed 3%.

City of Roseville Olympus LLD. This assessment was formed in 1996 and is a direct charge for the lighting and landscape district to the general area infinitely. The assessment has recently been approved for an increase starting 2005/2006 from \$183.46/acre to \$296.65/acre for non-residential and multi family properties, and from \$58.92 to \$99.76 per unit for single family properties. This assessment is ongoing, with no maturity date.

City of Roseville Stone Point CFD#1 MR. This bond was passed in 2003 and at the time of formation, the district consisted of approximately 130 gross acres and funded the construction and improvement of roadways, wastewater system, water system, drainage system and facilities upon park and open space system. The bond was issued in the amount of \$11,285,000, and is to be paid within 25 years (2028).

City of Roseville Stone Point CFD#2 MR. This service district was passed in 2003 and will run with the property into perpetuity. The maximum annual increase is 4%. This service CFD funds the maintenance of local parks.

City of Roseville CSD #3 (Municipal Services). This was passed in 2004 for municipal services, and is not yet being assessed on the properties. This assessment will run with the property into perpetuity with a maximum annual increase of 4%. The municipal services include police and fire protection, and other services.

City of Roseville Stone Point CSD#4 (Public Services District). Adopted as of June, 2005 and is not yet being assessed on the properties. This assessment will run with the property into perpetuity with a maximum annual increase of 4%. Public services financed include: autumn leaf cleanup for collector and local streets within the CSD; maintenance of Neighborhood Park Parcel 10, the Miner's Ravine Overlook located within Stone Point Parcel 14, and the public pedestrian or bicycle pathways (and appurtenances) which provide access to Park Parcel 10 and the Overlook; maintenance of public rights-of-ways and landscape corridors; maintenance of bus shelters, bus stops and bus signs, annual assessment for storm water management, maintenance of the fire access road between Stone Point Parcels 11 and 12, and some additional general administrative costs as charged by city and county. CFD No. 4, was formed to finance the services that are being funded with CFD No. 5 bond proceeds.

Status of Current Approvals: General plan amendment was approved March 16, 2005. A rezone was approved changing the zoning from PD178 (Research and Development) to a combination of R3 and PR (Parks and Recreation). A specific plan amendment was approved, and an amendment to the development agreement was recorded May 23, 2005. A tentative map (large lot) to merge and re-subdivide existing parcels 6 through 14 was approved by the Planning Commission on February 24, 2005, the final large lot map was approved and recorded on December 7, 2005. Small lot tentative maps were recently submitted for the medium density parcels.

THE PROPERTY DEVELOPMENT PLAN

The subject parcels are part of the existing Stone Point Master Planned Community, which consists of 130 acres of infill featuring office, retail and residential land uses with over 30 acres of parks and open space.

The subject parcels are planned for 297 medium density residential units with a density of approximately 9.8 dwelling units per acre, and 225 high-density multi-family residential units, with a density of approximately 19.1 dwelling units per acre. In addition, a neighborhood park consisting of 1.95 acres is also proposed. The park site is not a taxable parcel within CFD No. 5.

The current owner, Richland Planned Communities, Inc, does not plan to develop the residential aspect of the subject property. They have re-subdivided and merged parcels so as to create newly defined parcels to be sold to prospective buyers. Three small lot tentative maps have been submitted for the medium density parcels. Two product types are proposed for the 297 units to be constructed on the four parcels: 172 alley-loaded units, and 125 "green court" units. Up to three stories in height, all of the medium density units in Stone Point will be rear loaded, with entries fronting either paseos or green court areas, with garages located to the rear of the units.

The property was previously being marketed for a total price of $59,375,000 with the high density parcels offered at $85,000 per unit and the medium density parcels offered at $115,000 per unit. These offering prices are higher than the estimated retail values that have been concluded in the valuation section of the report.

The parcels currently have been separated into neighborhoods 1 through 4 with the following lot numbers and planned units presented in the table below.

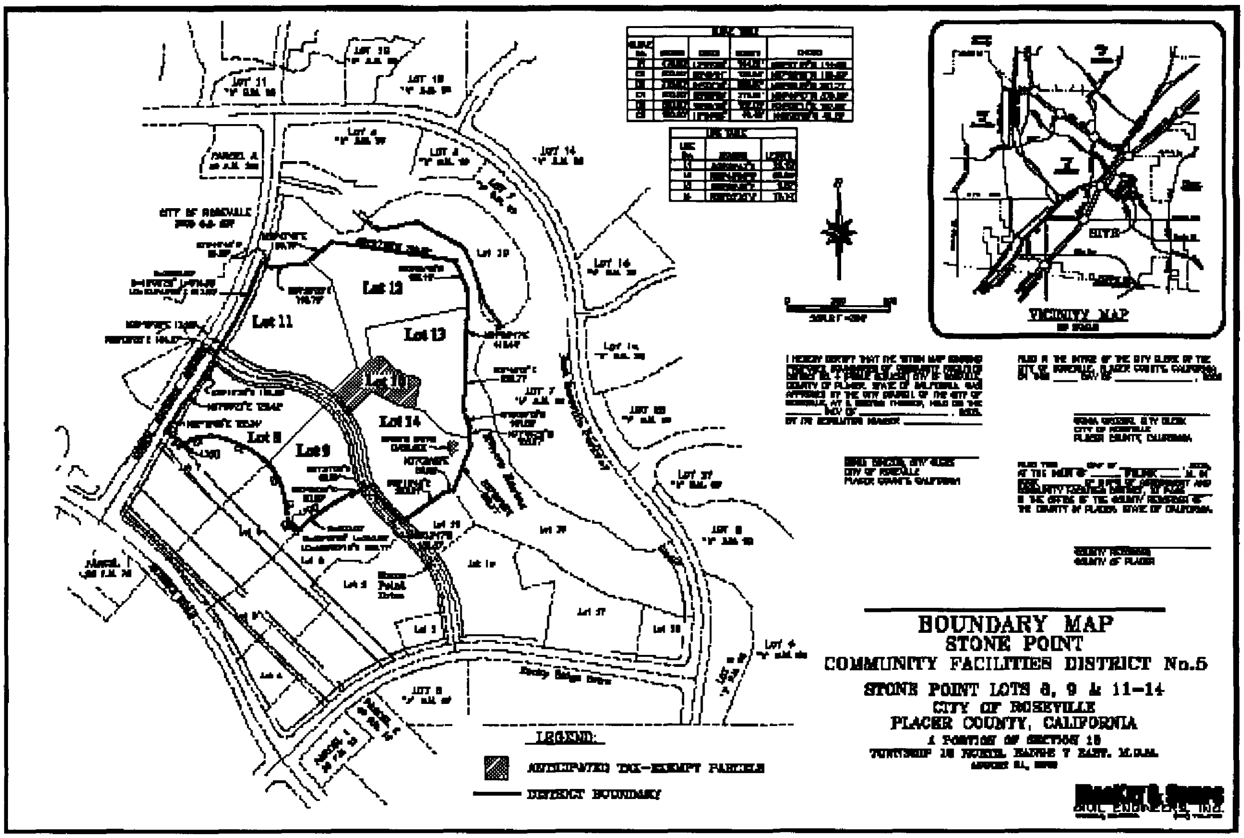
NEIGHBORHOOD	LOT NO.	SIZE	PROPOSED ZONING	UNITS
1	8 & 9	11.80 Acres	HDR	225
2	11	9.16 Acres	MDR	95
3	12 & 13	13.93 Acres	MDR	125
4	14	7.28 Acres	MDR	77
PARK	10	1.95 Acres	PR	-

As required by the City of Roseville's Affordable Housing Policy as well as the project's Development Agreement Amendment, the Stone Point residential parcels must provide 10% affordable housing as follows:

4% affordable to Very Low Income Households (21 units)
4% affordable to Low Income Households (21 units)
2% affordable to Moderate Income Households (10 units)

Richland is required by the Project Development Agreement to construct the 21 low income affordable units and the 10 moderate income affordable units as a component of the high density residential development located on Parcels 8 and 9 (Neighborhood 1). In addition, the Project Development Agreement provides that the 21 unit very low income affordable requirement shall be satisfied through payment of an in lieu fee of $55,000 per very low income affordable unit or a total of $1,155,000 for all 21 very low income affordable units. This total in lieu fee in the amount of $1,155,000 is to be spread over all 522 Stone Point residential units, resulting in a fee of approximately $2,200 per dwelling unit ($1,155,000 ÷ 522 = $2,212).

STONEPOINT BOUNDARY MAP



PROPOSED COMMUNITY FACILITIES DISTRICT (STONE POINT CFD NO. 5)

The function of the appraisal is to assist the City of Roseville and its underwriters with bond financing to finance the acquisition and construction of certain public facilities in and for the Stone Point Community Facilities District No. 5 (Public Facilities). The maximum amount of the proposed debt is **$9,500,000**. Authorized facilities include transportation-related improvements, water system improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, open space improvements, parkland and open space acquisition, Stone Point CFD No. 1 Authorized Facilities, and other expenses. The bonds will be repaid through the collection of the special tax to be authorized by the formation of the subject CFD (referred to as "Stone Point CFD No. 5"). This tax will be collected in the same manner as ordinary ad valorem property taxes, or in such other manner as the City Council or its designees determine. Anticipated construction proceeds are estimated to be $4.1 million.

Infrastructure Costs Funded By The Bond.

The table below indicates the CFD improvements and a preliminary estimate of the authorized facilities and estimated improvement costs to be funded by the bond.

MACKAY & SOMPS'
PRELIMINARY OPINION OF QUANTITIES FOR
STONE POINT - COMMUNITY FACILITIES DISTRICT No. 5
LIST OF AUTHORIZED FACILITIES AND ESTIMATED COST

Based on Conceptual Layout
of grading, underground and surface improvements

ITEM	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	CFD No. 5
I.	**CFD IMPROVEMENTS**				
1.	1	LS	Erosion Control	$12,000.00	$12,000
2.	7	AC	Clearing & Mobilization	$1,200.00	$8,400
3.	1	LS	Signage and Striping (Stone Point Drive, N. Sunrise, Eureka)	$25,000.00	$25,000
4.	1	LS	Traffic Control	$50,000.00	$50,000
5.	1,000	LF	Bulb-outs (Stone Point Drive)	$90.00	$90,000
6.	1	EA	Left in - Right out (N. Sunrise Blvd including existing median reconstruction)	$25,000.00	$25,000
7.	2	EA	Bus Turnouts (N. Sunrise Blvd)	$90,000.00	$180,000
8.	300	LF	Joint Trench (Next to substation)	$220.00	$66,000
9.	146,000	SF	Landscaping (Portions of landscape corridors abutting Stone Pt. Dr., N. Sunrise Blvd, Eureka as determined by developer)	$2.40	$350,000
10.	1	LS	Design, Civil Engineering, Permits & Fees (20%)	$161,280.00	$161,280
			SUBTOTAL ESTIMATED IMPROVEMENT COSTS		**$967,680**
11.	1	LS	Contingency (20%)	$193,536.00	$193,536
12.	1	LS	Management Fee (4%)	$46,449.00	$46,449
13.	1	LS	Roseville Parkway Bridge Resurfacing (AC Overlay)	$30,000.00	$30,000
14.	1	LS	Park Land Acquisition (includes Park site, bike trail, and overlook)	$2,331,150.00	$2,331,150
15.	1	LS	Short Fall - CFD No. 1	$675,000.00	$675,000
			TOTAL ESTIMATED IMPROVEMENT COSTS		**$4,243,815**

Description of Proposed Facilities.

Authorized facilities that may be funded through Stone Point CFD No. 5 include the following public improvements:

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Stone Point Drive construction;
- Improvements to North Sunrise Avenue, Eureka Road, Rocky Ridge Road, and Roseville Parkway; and
- Other public roadway improvements designed to meet the needs of development within Stone Point CFD No. 5.

Eligible roadway improvements include, but may not be limited to: 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; medians; street lights (including reimbursements to the City) and signalization; bus turnouts; signs and striping; erosion control; median and parkway landscaping; entry features and 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 Stone Point CFD No. 5. These facilities include, but may not be limited to: water distribution facilities including waterlines and appurtenances, gate valves, pressure reducing stations, flow meters, fire hydrants, and other improvements related thereto.

Recycled Water System Improvements

Authorized facilities include any and all recycled water system facilities designed to meet the needs of development within Stone Point CFD No. 5. These facilities include, but may not be limited to: recycled water distribution facilities including pipelines and appurtenances, gate valves, flow meters, booster pump pressuration system, and other improvements related thereto.

Drainage System Improvements

Authorized facilities include any and all drainage and storm drain improvements designed to meet the needs of development within Stone Point CFD No. 5. These facilities include, but may not be limited to: pipelines and appurtenances, temporary drainage facilities, detention/retention basins, drainage pretreatment facilities, and other improvements related thereto.

Wastewater System Improvements

Authorized facilities include any and all wastewater facilities designed to meet the needs of development within Stone Point CFD No. 5. These facilities include, but may not be limited to: pipeline and appurtenances, manholes, tie-ins to existing main line, and other improvements related thereto.

Open Space Improvements

Authorized facilities include any and all improvements to open space located within Stone Point CFD No. 5. These facilities include, but may not be limited to: bike trails, bike/pedestrian bridges, storm drain crossings, wetland mitigation, and related open space improvements.

Parkland and Open Space

Authorized facilities include acquisition of any and all parkland as well as open space/bike trail/public access easements located within Stone Point CFD No. 5.

Stone Point CFD No. 1 Authorized Facilities

Authorized facilities include any and all improvements that are included on the List of Authorized Improvements for Stone Point CFD No. 1 and that are eligible for funding under the Stone Point CFD No. 1 Pay-As-You-Go program.

Other Expenses

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); engineering and surveying; construction staking; utility relocation and demolition costs incidental to the construction of the public facilities; costs of project/construction management; costs (including the costs of legal services) associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving the Stone Point Project; and any other expenses incidental to the formation and implementation of the District and to the construction, completion, inspection and acquisition of the facilities.

Assignment of Maximum Special Taxes

The Maximum Special Tax assigned to each Original Parcel (the planned parcels shown in the Final Large-Lot Subdivision Map) is calculated by multiplying the number of high density market rate residential units (the low income and moderate income affordable units are not subject to the Stone Point CFD No. 5 special tax) by $465 per taxable unit and by multiplying the number of medium density residential units by $840 per unit, as provided for in the Rate and Method of Apportionment of Special Tax. The total Maximum Special Tax assigned to each Original Parcel will remain the same regardless of the actual acreage or number of units within an Original Parcel or Successor Parcel (a parcel created by subdivision, lot line adjustment, or parcel map from an Original Parcel). The following table indicates the Maximum Special Tax by Original Parcel and the planned residential units.

Stone Point CFD No. 5 (Public Facilities)
Maximum Special Tax by Original Parcel

Original Parcel	Expected Land Use	Planned Residential Units	Estimated Acreage	Maximum Special Tax
Taxable Parcels:				
8	HDR	108	6.63	$50,220
9	HDR	84	5.17	$39,060
11	MDR	95	9.21	$79,800
12	MDR	66	7.00	$55,440
13	MDR	59	6.88	$49,560
14	MDR	77	7.28	$64,680
Total Taxable Parcels		489	42.17	$338,760
Tax Exempt Parcels:				
10	Park	N/A	1.95	N/A

Please refer to the Rate and Method of Apportionment of Special Tax for more detailed information.

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?

As a practical matter, development of the appraised properties will be constrained by the applicable development plan. Although some minor use changes could occur, the previously described overall plan for the project determines individual property uses.

[8] THE APPRAISAL OF REAL ESTATE (Twelfth Edition), Appraisal Institute, Chicago, Illinois, 1996, p. 305.

V. RETAIL VALUATIONS

Methodology Discussion. The Stone Point parcels consist of raw, rough graded large and small lots that can facilitate residential subdivision development by an end user such as a smaller merchant builder. The values (the "retail" values we refer to) of the graded lots become the necessary initial point of valuation when appraising the bulk value of the entire property. The sum of these retail values, modulated by the application of a time and risk factor to account for the protracted time period over which absorption of the lots/units is projected to occur, yields the indication of bulk value for the entire project. This bulk value determination process will be illustrated in a discounted cash flow analysis provided in a later section of this report. First, however, retail values must be appraised using a sales comparison approach.

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.[10] The Sales Comparison Approach, however, can be applied to both improved and 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 dissimilar physical or other characteristics. This is the only standard approach that can be used to determine these retail values.

We have utilized sales comparison approach techniques in two different ways, which we call the **Direct Sales Comparison Approach (Approach A)**, and the **Developmental, or Discounted Cash Flow to Sales Approach (Approach B).**[11]

Approach A: Direct Sales Comparison Approach. First, we have estimated the retail value of the entire subject property. This approach is more straightforward than is the discounted cash flow analysis approach that follows (Approach B). It only indirectly reflects the effects of absorption of lots over the time required for actual home construction. However, it does simulate what is happening in the market; i.e., strong national or regional developers are buying hundreds of finished or partly finished lots at a time – if they can – because of the overall shortage of residential lot product in the greater Sacramento area. All matters considered, we have placed greater reliance on the value indication derived through this analysis for the subject bulk sale value opinion.

Sales of large lot parcels with medium density and high density residential uses planned, have been sought, and are displayed later in this section.

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[10] However, the discounted cash flow analysis, used later in the report, is an "income" approach.
[11] Also called the Developer Approach, the Sell-out Approach, a form of the Income Approach, etc.

The various comparable sales within each density category are adjusted relative to a typical, albeit hypothetical, subject parcel in each of these use categories. In this manner, retail values are derived and then used in the discounted cash flow analysis to help determine bulk value.

The comparable sales of groups of paper lots are adjusted to indicate a value for a typical subject parcel within each use category (e.g., high density, medium density). Those adjustments are illustrated in the adjustment charts that follow later in this section. The resultant general value indications are the retail values – the cash prices that the lots might sell for today, with backbone infrastructure sufficiently installed to allow further development and home construction. These cash prices also recognize the pricing effects of present and future bonded indebtedness (usually in the form of special tax load) that will encumber the properties. The appropriate retail values are used in the direct sales comparison approach as well as the discounted cash flow analysis.

RESIDENTIAL LAND RETAIL VALUES

The Residential Land Sales. The table below summarizes the comparable sales compiled for this analysis. The eight sales occurred during a period from late 2004 to pending sales in 2006. A map, adjustment comments, and an adjustment chart follow this summary table. Data sheets for each sale are contained in the Addenda.

Initial Adjustment Categories. The sale properties are "compared" to the subject properties, and "adjusted", in order to develop indications of subject values. The initial comparison elements include:

- **differing property rights purchased,**
- **unusual (not at market) financing terms,**
- **any special sale conditions,** and
- **market conditions (time)** (primarily, whether the market has changed over time).

Lot prices have been increasing steadily in most local areas over the last three years with some stabilization in prices over the last year. We have adjusted mid- to late-2004 sales by 5% as a **market conditions** adjustment.

Additional Adjustment Categories. There are additional factors that influence value. Those that we felt were most important include:

- **CFD Special Taxes.** Higher special tax collections negatively impact value. We have adjusted by the estimated differences in special tax amounts, or estimated present values of annual CFD special tax payments. The appraisers have differentiated between the estimated maximum tax provided within the draft Rate and Method of Apportionment to reflect variances in taxes between medium and high density units.

- **Engineering.** The subject properties are currently rough-graded, large lots of unimproved residential zoned land. Many of the comparable sales were sold as paper lots, with an approved tentative subdivision map. These properties typically sell for more, for example, than raw land, all other matters being equal. According to the city of Roseville, a large lot tentative map was approved, and the bulk of engineering and other requirements for further subdivision into small lots has already been completed. The medium density parcels have a submitted small lot tentative map.

  The planning department indicated that the application review and approval process typically takes 12 to 16 weeks. Since the majority of these requirements have already been completed, we have concluded that the process will take approximately 12 weeks for approval to a paper lot stage of entitlement for the high density parcels. We estimated engineering costs at $500 per lot or unit for the high density land sales.

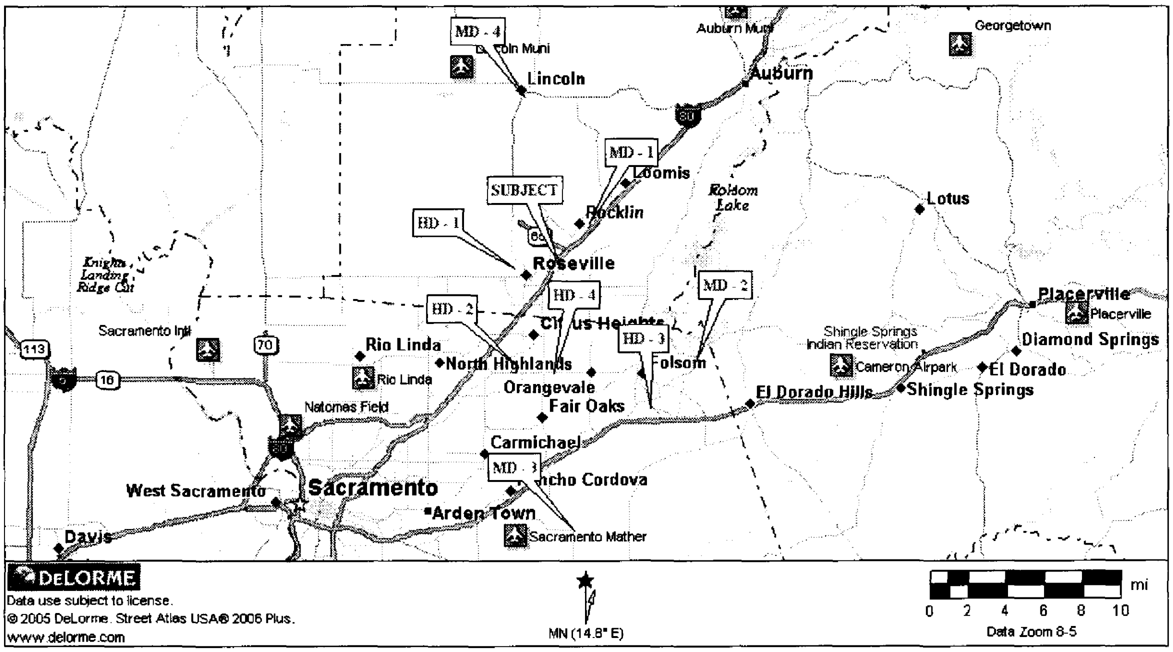
Land Retail Values. The subject property consists of six R-3 zoned parcels and one parcel proposed for a park. The subject's residential parcels consist of 30.37 acres planned for 297 medium density residential units with a density of 9.8 dwelling units per acre, and 11.8 acres planned for 225 high-density multi-family residential units, with a density of 19.1 dwelling units per acre.

The table below, proceeded by a locator map, summarizes the comparable sales compiled for this analysis. These sales range in time from July 2004 to pending transactions in 2006. Data sheets for each sale are contained in the Addenda.

PLACER AND SACRAMENTO COUNTY MEDIUM & HIGH DENSITY COMPARABLE LAND SALES

#	IDENTIFICATION/ LOCATION	SALE DATE DOC. #	ZONING	ACRES DENSITY # OF UNITS	SALE PRICE PRICE/ACRE BONDS	PRICE/ UNIT BONDS
MD-1	East side of Racetrack Road, north of Granite Drive, Rocklin APN:045-101-066	01/06 436	PD-15	7.30 10.96/acre 80	**$6,000,000** $821,918/ac. Bonds: $0 $6,000,000	Per Lot: $75,000 Bonds: $0 **Total Per Lot: $75,000**
MD-2	West & East side of Parkway Drive North, South of East Natoma St., Folsom APN:071-1410-009, 010	01/06 2199	RM 8 & RM 17	18.5 7.4/acre 137	**$22,372,500** $1,209,324/ac. Bonds: $624,720 $1,834,044	Per Lot: $163,303 Bonds: $4,560 **Total Per Lot: $167,863**
MD-3	North side of Herodian Drive, East of Anatolia Drive, Rancho Cordova APN:067-0430-002	06/05 1534	RD-10	13.13 9.2/acre 121	**$11,000,000** $837,776/ac. Bonds: $1,898,732 $12,898,732	Per Lot: $90,909 Bonds: $15,692 **Total per Lot: $106,601**
MD-4	SE crn Gateway Drive & First Street, Lincoln APN:008-280-031	05/05 67446	RD-12.9	4.75 10.75/acre 51	**$3,570,000** $752,212/ac. Bonds: $0 $3,570,000	Per Lot: $70,000 Bonds: $0 **Total per Lot: $70,000**
HD-1	Southeast corner of Junction Boulevard and Barbara Way, Roseville APN:011-250-066, 011-260-084, 085	05/05 67858	R-3	4.79 21.5/acre 103	**$5,700,000** $1,189,979/ac. Bonds: $0 $5,700,000	Per Unit: $55,340 Bonds: $0 **Total per Unit: $55,340**
HD-2	Stock Ranch Road at Fountain Square Drive, Citrus Heights APN:243-0010-027	06/05 Pending	RD	11.20 16.9/acre 189	**$9,200,000** $821,429/ac. Bonds: $106,268 $9,306,268	Per Unit: $48,677 Bonds: $334 **Total per Unit: $49,011**
HD-3	Iron Point Road, Folsom APN:072-0010-085, 104, 105, 106, 072-0020-028 (por)	05/05 Pending	R4 PD	14.36 18.1/acre 260	**$14,380,000** $1,001,393/ac. Bonds: $624,000 $15,004,000	Per Unit: $55,308 Bonds: $2,400 **Total per Unit: $57,708**
HD-4	Southeast quadrant of Fair Oaks Boulevard and Greenback Lane, Fair Oaks APN: 261-0020-006	07/04 1671	LC	2.90 16.2/acre 47	**$2,600,000** $896,552/ac. Bonds: $0 $2,600,000	Per Unit: $55,319 Bonds: $0 **Total per Unit: $55,319**

LAND SALES MAP



COMPARABLE SALES ADJUSTMENTS - MEDIUM DENSITY LOTS				
Comparable Sale	MD-1	MD-2	MD-3	MD-4
Sale price per lot	$ 75,000	$ 167,863	$ 106,601	$ 70,000
Qualitative, Judgmental Adjustments:				
Rights Conveyed				
Financing Terms				
Conditions of Sale				
Market Conditions			5%	5%
Location, Access	30%	-10%	5%	15%
Total Qualitative Adjustments	30.00%	-10.00%	10.00%	20.00%
Resulting Value Estimate	$ 97,500	$ 151,077	$ 117,261	$ 84,000
Bond Adjustment				
Subject's Projected Bonds per Lot	($15,000)	($15,000)	($15,000)	($15,000)
Resulting Value Estimate Adjusted for Bonds	$ 82,500	$ 136,077	$ 102,261	$ 69,000
Blended Value Opinion for Subject:		$105,000/Lot		

Medium Density Land Value Opinion. The medium density land sales range in size from 4.75 to 18.5 acres and range in density from 7.4 to 10.96 units per acre. Lot prices range from approximately $70,000 to $168,000 per lot (inclusive of bonds). All of the land sales have tentative maps, similar to the subject parcels.

Sale MD-1 consists of 7.3 acres with a planned density of approximately 11 units to the acre. This sale requires the greatest amount of adjustments for location and access attributes. MD-1 consists of an irregular shaped, land-locked parcel with no direct access or street frontage that sold for approximately $75,000 per lot. This comparable is located within an older residential area of Rocklin and is considered significantly inferior to the subject parcels.

Sale MD-2 consists of 18.5 acres of residential land (approximately 16 acres net) planned for small lot, cluster style housing, similar to the subject parcels. The buyer mitigated the affordable housing requirement through the payment of fees, similar to the subject parcels. The parcel has all offsite infrastructures in place and fully improved frontages, similar to the subject parcels. The property is located in a newly developing, high quality area of Folsom and requires a slight downward adjustment for location. This land sale brackets the high end of the range, at approximately $168,000 inclusive of bonds.

MD-3 is considered to be the most comparable to the subject, with the least amount of necessary adjustments. This property consists of 13.13 acres with a planned density of 9.2 units to the acre, and sold for approximately $107,000 per lot inclusive of bonds. This comparable sale is situated within the Anatolia master planned community in Rancho Cordova. The parcel has all offsite infrastructures in place, similar to the subject parcels. An upward adjustment was made for market conditions due to a contract date of December 2004 for this sale. Also a slight upward adjustment was made for location due to the inferior market of Rancho Cordova.

Sale MD-4 consists of a 4.75 acre infill parcel with a planned density of 10.75 units to the acre, which sold for approximately $70,000 per lot, with no bonds. This site is located in the downtown area of Lincoln, adjacent to older single-family residential neighborhoods. This comparable sale has fully improved frontage along a newly constructed road that was constructed prior to the sale. Construction costs for the offsite and frontage improvements were included in the price per lot.

After making adjustments to the comparable sales, the price per lot results in a value estimate ranging between approximately $84,000 to $151,000. The subject's estimated present value of bond payments and other CFD levies per unit is approximately $15,000. After making an adjustment for bonds, the adjusted value estimate ranges from approximately $69,000 to $136,000 per lot.

Our opinion of the value, of any of the medium density properties, if they were available for purchase as of the date of value, in a rough-graded, small lot tentative map state, with supporting infrastructure in place, and subject to the anticipated bond debt, **is $105,000 per lot.**

COMPARABLE SALES ADJUSTMENTS - HIGH DENSITY UNITS				
Comparable Sale	HD-1	HD-2	HD-3	HD-4
Sale price per planned unit	$ 55,340	$ 49,011	$ 57,708	$ 55,319
Qualitative, Judgmental Adjustments:				
Size				-5%
Engineering ($500/unit)	-0.90%	-1.02%	-0.87%	-0.90%
Rights Conveyed				
Financing Terms				
Conditions of Sale				
Market Conditions				5%
Location, Access	10%	15%	5%	15%
Total Qualitative Adjustments	9.10%	13.98%	4.13%	14.10%
Resulting Value Estimate	$ 60,374	$ 55,863	$ 60,093	$ 63,117
Bond Adjustment				
Subject's Projected Bonds per Lot	($10,000)	($10,000)	($10,000)	($10,000)
Resulting Value Estimate Adjusted for Bonds	$ 50,374	$ 45,863	$ 50,093	$ 53,117
Value Opinion for Subject:		$50,000/Lot		

High Density Land Value Opinion. The subject consists of two parcels approximately 6.63 and 5.17 acres in size, with a planned density of 19.1 dwelling units to the acre. The high density land sales range in size from 2.90 to 14.36 acres and range in density from 16 to 21.5 units to the acre. The sale prices per unit range from approximately $49,000 to $58,000 per unit (inclusive of bonds). All of the land sales sold with approved tentative maps, and therefore require a downward adjustment to reflect the subject's un-entitled status.

Sales HD-1, HD-2 and HD-4 require an adjustment for their location. The subject properties are located in an area that is superior in comparison to these comparable sales, in an area of newer, appealing master planned communities and high quality retail centers.

HD-1 consists of a 4.79 acre infill site in an older area of Roseville, with a planned density of 21.5 units per acre. This property sold in May of 2005 for approximately $55,000 per unit with no bonds. This property is considered to be the most comparable to the subject, with the least amount of necessary adjustments.

HD-2 consists of an 11.2 acre infill site in Citrus Heights, within an area of newer existing multi-family and single family homes. This property went into contract in June 2005 and is pending sale. Due to the fact that this is a pending sale that has not yet closed as of the date of this appraisal, less reliance is placed on this sale. This site is planned for 16.9 units to the acre and is in contract for approximately $49,000 per lot, inclusive of bonds.

HD-3 consists of an approximately 14 acre site with a planned density of 18.1 units to the acre, which is in contract for approximately $58,000 inclusive of bonds. The site has rolling topography and several trees, which will increase the development costs for the site; whereas the subject sites are level and rough graded. An upward adjustment is warranted for this attribute. Adjacent to the site are newer existing multi-family units and a high school. Due to the fact that this is a pending sale that has not yet closed as of the date of this appraisal, less reliance is placed on this sale.

HD-4 consists of a 2.9 acre infill site on a busy major thoroughfare, adjacent to retail and office buildings. This site has a planned density of 16.2 units per acre. This property sold for approximately $55,000 with no bonds. An upward adjustment is warranted for market conditions due to inferior market conditions that were present in 2004, relative to today's market.

After making adjustments to the comparable sales, the price per unit results in a value estimate ranging between approximately $56,000 to $63,000. The subject's estimated present value of bond payments and other CFD levies per unit is approximately $10,000. After making an adjustment for bonds, the adjusted value estimate ranges from approximately $46,000 to slightly above $53,000 per unit. Our opinion of the value of the high density properties, if they were available for purchase as of the date of value, in a rough-graded state, with supporting infrastructure in place, and subject to the anticipated bond debt, **is $50,000 per lot.**

Affordable Housing Requirement. As previously noted in the report, the subject property includes 10% (52 units) designated for affordable housing. The moderate and low income units are expected to be located within the High Density Residential parcels (Parcels 8 & 9) with 21 low income units and 10 moderate income units. Richland currently plans to satisfy the very low income requirement with an in-lieu fee paid to the City in the amount of $1,155,000. This fee is for 21 units at $55,000 per unit. Spreading the fee across all of the 522 units, the fee equates to $2,200 per dwelling unit to eliminate this portion of the affordability requirement. This can be seen as a line item in the DCF presented later in the report.

The sale prices of the remaining 31 affordable units will be limited to a below-market amount. We have used an extraction method to value the affordable high density lots. This method considers the restricted/likely selling prices of the affordable units to be offered by the developer and deducts the direct costs, indirect costs and developer's profit as is typical for the construction of the dwelling unit. The result is an estimate of the residual value for an improved lot. Due to the subject's raw land status, we then will deduct site development costs to arrive at an estimate for an unimproved lot.

At this time, it is premature to determine the exact size and numbers of bedrooms of which the affordable units will consist, however, the following are estimates of the affordable pricing as provided by the City of Roseville's Housing Authority if the units are 3 bedroom:

Low Income = $150,000 - $195,000
Middle Income = $200,000 - $220,000

The table below illustrates the calculation of the high density lot values that are subject to the affordability requirement. We have considered the higher end of the restricted sales prices for the units as provided above, then deducted permits and fees, construction costs (both direct and indirect), developer's profit and site development costs to arrive at an estimate of the market value of the subjects' high density units subject to the affordability requirement. The residual analysis is presented in the chart below.

	Low Income	Moderate Income
Square Footage- 1,250		
Sale Price	**$195,000**	**$220,000**
Less:		
Permits and fees at construction	<$32,260>	<$32,260>
Direct costs of construction @ $65/SF	<$81,250>	<$81,250>
Indirect costs @ 30% of direct costs	<$24,375>	<$24,375>
Developer's profit @ 25% of sales price	<$48,750>	<$55,000>
Site development costs	<$30,000>	<$30,000>
Unimproved lot value	-$21,635	-$2,885
Rounded	**-$21,500**	**-$3,000**

SUMMARY OF RETAIL VALUES

The preceding analyses cover the subject's medium density and high density residential lots as well as the lots designated for affordable housing, that of which should generate sales revenue over the development and sale phase of this project. These are the retail values that we expect could be realized as of the date of value, with the current infrastructure in place and the larger lot parcels and tentative mapped parcels were being marketed in their current status. Further, these values presume an orderly, phased marketing process, as they are based on comparable sales data from other phased projects. In other words, these retail values represent a transaction with a discount inherent in the price per lot, in anticipation of a projected absorption period.

Also, the concluded values presume that the subject properties are burdened with the CFD bond debt that is anticipated. Our date of value is July 6, 2006. These value opinions are subject to all of the extraordinary and general assumptions and limiting conditions listed earlier in this report. The lot values for each of the subjects' units are as concluded in the following chart:

Summary of Retail Values			
High Density Units	$50,000/unit	194 units	$9,700,000
Medium Density Lots	$105,000/lot	297 lots	$31,185,000
Low Income Units	-$21,500/unit	21 units	-$451,500
Moderate Income Units	-$3,000/unit	10 units	-$30,000
In-lieu Fee (21 Very Low Income Units)	-$55,000/unit		-$1,155,000
TOTAL		**522**	**$39,248,500**

Value per the Direct Sales Comparison Approach. The following is the concluded value indication derived through the direct sales comparison analysis for the subject bulk sale value opinion.

$39,248,500

The following retail values are used in the **discounted cash flow analysis** section and represent values at the high end of the range. A slightly higher retail value is utilized in order to account for the anticipated holding period and corresponding expenses that will be reflected in the discounted cash flow analysis.

High Density Units	**$60,000**
Medium Density Lots	**$130,000**

VI. BULK VALUE ANALYSIS

Approach B: Developmental, or Discounted Cash Flow of Future Sales Approach.

Explanation of the Discounted Value Analysis Concept. After the potential retail values of the various subject properties have been estimated, the bulk sale value of the entire project can be pursued. Basically, the property developer owns an asset, a large tract of undeveloped land plus certain development rights. The property will be partially improved prior to marketing to others. This means that the enterprise will experience future income, partially offset by development expenses. The analysis of these cash flows over the development or sellout period, and the discounting of future income, constitutes the discounted cash flow analysis (DCF) leading to an estimate of current bulk value of the project.

It is difficult to project which particular properties within a phase 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. Also, they are simulated in the DCF contained in the Addenda. At this point, the reader might wish to be referring to the DCF as he reads the following text explanations.

Simple Overview of the Process. The future sales of lots are projected over future time. Similarly, all remaining development expense and carrying costs that will be the responsibility of the bulk property owner are projected over some period of time. These expenses are subtracted from the sales proceeds in each finite time period in order to project the cash flow inuring to the bulk landowner during that period. Finally, these cash flows are discounted in order to derive the indication of current overall bulk value. Here is a simple illustration of the calculation for a particular period:

Sales Proceeds During some Future Period	$100
Development and Carrying Costs During the Period	$60
Net Cash Flow Available for Discounting	$40
Discount Factor for that Period, say 0.8	X 0.8
Present Value of Cash Flow from that Period	$32

Identification of Land to be Absorbed in the Future. We previously described all of the land parcels within the subject property that have market value. We also discussed that these parcels will be absorbed, or brought into development over time, at a pace determined by the absorption study. The absorption patterns are shown in the upper line items of the DCF.

Retail Values. Retail values are shown in the lower middle portion of DCF. These retail value opinions for the various property types were developed in the previous section. The park site has been given no value, as it is not included as a taxable parcel within the boundaries of the proposed CFD. Again, these are the value estimates for the subject lots as if they were available today for relatively immediate development, with all necessary infrastructure in place, and subject to expected CFD (Mello Roos) special taxes. We do not increase these values over time because we are conducting a real rate of return analysis.

Real Rate of Return Analysis. We do not attempt to project land price increases, cost increases or inflation over future time. Therefore we provide a "real rate of return" analysis. This has ramifications with regard to discount rate selection, as discussed later in this section.

Remaining Development, Marketing and Holding Costs. The investment that will be required by the bulk property owner prior to full sell-out of the property include the following individual line items:

- **Marketing and closing costs** are projected to be approximately 3% of gross sales revenues. This includes all typical closing costs, and a modest amount of commission.

- **Real estate taxes** are estimated to approximate 1.1% of property remaining in inventory.

- **Other taxes and assessments per acre.** Existing special taxes are expected to be assessed. This taxation applies to those properties remaining in inventory. This existing special tax amount applies to CFD Nos. 1& 2, and CSD Nos. 3 & 4, and is estimated to be $1,021 per unit.

- **Subject CFD Average Annual Special Taxes.** Based on the financing plan, the properties will be taxed up to $840 per residential unit for the medium density residential properties and $465 per residential unit for the high density properties. There is a planned interest reserve to cover at least the first quarter of bond payments, and so no special taxes are indicated for the first quarter of the projection. The taxation applies to those properties remaining in inventory on an average per-acre basis.

- **Affordable Housing.** Based on the analysis provided in the previous Summary of Retail Values section, the expense related to affordable housing equates to approximately $1,637,000. This amount comprises the negative residual value resulting from the affordable housing requirement, in addition to the in-lieu fee requirement. The resulting negative cash flows are anticipated to be incurred over the course of the absorption period.

- **Administration, insurance, and other miscellaneous holding costs** are projected to be about $500 per acre per year of remaining inventory.

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, the net annual cash flows then can be discounted to a present value. Discount periods 1 through 9 (9 Quarters) are discounted to June 30, 2006.

Reimbursements. The developer may be entitled to some future reimbursements. We have not projected any in the discounted cash flow analysis because: 1) these are in the nature of personal property – a debt owed and repaid for services provided, and 2) the difficulty of projecting the size and timing of such reimbursements.

Discounting. After the retail land values of the various residential units are identified, a discounted cash flow analysis can be performed in order to derive the present values. The absorption projection previously developed is used to project the future sales and the proceeds therefrom. Projected future expenses are deducted from these future sales proceeds for each out-year. These expenses were detailed earlier in this report. Then, the resulting future periodic net incomes are discounted to the present in order to determine the bulk value for the CFD area being so evaluated.

Choosing the "proper" rate for discounting. The discounting process is a reasonably straight-forward mathematical process. Choosing the proper discount rate, however, is a much more obtuse process. Ideally, it is chosen based on market information. The risks that a hypothetical bulk buyer would assume 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 by different parties (the homebuilders).

Discount Rate. Over the last several years we have interviewed numerous developers and investors connected with residential land development projects. Based on the information obtained, we estimate that the appropriate discount rate is in the range of a 12% to 25% *real rate of return*[12]. Information that bears on the discount rate selection for the subject property is as follows:

> **Korpacz Real Estate Investor Survey.** This rate selection is supported by the results published in Korpacz Real Estate Investor Survey, a Price Waterhouse Coopers publication, fourth quarter, 2005. 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 11% to 25% for developmental projects, with an overall average of 18%. Some developer responses indicated a range for discount rates, subject to financing, of 15% to 30%. Inherent in this return expectation is an assumption of annual increases in property values, making these nominal rates of return. As described above, and in the footnote below, our preferred valuation method is to conclude today's retail lot values and not speculate on anticipated future price and cost increases. In other words, we do not project retail price increases over the absorption period. A concluded 10% real rate of return, for example, is more or less equivalent to a +/-13% nominal rate of return (recognizing a 3% inflation rate), utilizing the Korpacz methodology. The rate of return we select, therefore, might be lower than the rate of return that someone who projects retail lot price increases over time might select.
>
> **Company Interviews.** Over the course of the last several years, Bender Rosenthal Inc. staff interviewed major land investor/developer groups to discuss discount rates, profit estimates, expense estimates, and assumptions used when valuing large land holdings. Some of these conversations are summarized below. The names of the companies have been withheld at the request of the company officers interviewed.

[12] A real rate of return is an inflation-adjusted rate of return. If inflation were expected to remain at the 2% level, more or less, then the equivalent nominal (unadjusted) rate range would be 20% to 27%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

One of the interviewees is a large development company that has purchased large tracts of land in California, Florida, 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 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 recent interview was of representatives of a major national home developer that is active in the Sacramento area. They reportedly use a 21% nominal internal rate of return in their development analyses.

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 had an existing, developable land portfolio that could support 50.5 million square feet of new commercial development. They are also 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 more recent acquisitions was of a 200-acre Navy base reuse project. They anticipated 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% to 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.

A summary of these interview results is shown in the following table:

Discount Rates Interviews Summary			
Interviewee	Range	Average	Rate Type
Korpacz	11% - 25% (15% to 30%, subject to financing)	18%	Nominal
Florida Land Development Company	15% including 3% growth	12% - 13%	Real
National Home Developer, Sacramento office		21%	Nominal
Mixed Use Developer		12%	Nominal
Land Development Division of Major Company		15% - 16%	Real

Chosen Discount Rate. The discount rate must reflect an adequate profit in relation to the risk and effort that the prospective bulk sale buyer might expend. We have concluded that the appropriate discount rate range is 11% to 25% (real rate of return), and an annual 12% discount rate has been selected for final bulk sale valuation purposes. This discount rate reflects the moderate residential demand in the vicinity of the subject property. This region represents a lower cost alternative to the Bay Area and this factor, coupled with the limited supply of land available in the market for development, the nearby amenities (restaurants, schools, parks), surrounding development, and continued desirability of the Roseville market translate into continued demand for similar residential land in the market.

Again, this is a real rate of return – no inflation, price increases or cost increases have been projected.[13]

Bulk Value per the Discounted Cash Flow Analyses. The DCF spreadsheet, contained in the Addendum, shows the following bulk value results:

Bulk Value (Present Value of All Sales Less Expense)	**$39,572,000 (rounded)** **$938,382 per acre** **$21.54 per square foot of land**

[13] Also, it is an unleveraged return; if the developer borrows development funds at lesser rates, its yield will increase.

VII. REVIEW OF VALUE CONCLUSIONS AND FINAL OPINION OF VALUE

Approach A – A Direct Sales Comparison Approach. As described in the previous section, this direct sales approach considers sales of properties representing the likely transactions if the property were to be marketed and sold to only one buyer. Our value indication from this approach is **$39,248,500.** As indicated earlier, we have placed greater reliance on this approach to value.

Approach B – The Discounted Cash Flow Approach. As described in the previous section, we begin this approach by projecting absorption of the subject's Medium Density Residential and High Density Residential entitled lots or units over future time, and we estimate retail values for those lots as if they were available in an entitled state today, ready for immediate lot finishing and home production shortly thereafter. Revenue in each future year can then be calculated by multiplying lots being absorbed by retail values of the entitled lots/units.

Marketing and holding costs for each of these future years also are projected. The majority of these were discussed in the previous sections of this report. These costs are subtracted from projected revenue for each of the future years being evaluated to get a net cash flow projection.

These cash flows are discounted to determine a present value for the entire development and sell-out process. The discount rate, discussed previously, will not be discussed again here, except to remind the reader that no inflation of prices or costs has been projected, and real rate of return analyses are being presented.

The DCF spreadsheet is contained in the Addendum. The indicated aggregate bulk value for the subject property is **$39,572,000, rounded.**

Reconciling the two approaches. Approach A is the direct sales approach that considers sales of properties representing the likely transactions if the property were to be marketed and sold to only one buyer. As discussed, this approach is more straightforward than is the discounted cash flow analysis approach that follows (Approach B). It only indirectly reflects the effects of absorption of lots over the time required for actual home construction. However, it does simulate what is happening in the market. All matters considered, we have placed greater reliance on the value indication derived through this analysis for the subject bulk sale value opinion.

Approach B is a more studied analysis that relies on a sell-out projection (absorption projection) over a longer period of time. This approach recognizes that the various land parcels are not truly absorbed until construction of improvements upon them is imminent. Once a land parcel is entitled and then improved, the risk of default on a special tax obligation is lessened considerably. Although this is usually the preferred approach for bulk value analysis for bond underwriting, its applicability to smaller numbers of planned lots or units as well as shorter projected absorption periods may require reduced emphasis when compared with the direct sales comparison approach.

After considering both approaches, but giving greater emphasis to approach A, we have formed the opinion that the aggregation of bulk values of the subject properties, as of July 6, 2006, and subject to the special and general assumptions and limiting conditions contained in this report, was as follows:

CONCLUDED BULK VALUE,
STONE POINT COMMUNITY FACILITIES DISTRICT NO. 5

$39,300,000

As additional offsite and in-tract improvements are completed, development risk will decrease dramatically. The construction of houses and subsequent sale thereof will further, and greatly, increase the value of property subject to the CFD lien, and it will create a further dispersal of ownership, which is a positive attribute for the CFD lien security.

This concludes the report.

ADDENDA

ADDENDUM A

APPRAISER'S CERTIFICATION

APPRAISERS' CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.

2. The analyses, opinions, and conclusions contained in this report are my personal, unbiased and professional analyses, opinions and conclusions, and are limited only by the reported assumptions and limiting conditions of this report.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

5. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Furthermore, my value conclusion as well as other opinions expressed in this report are not based on a requested minimum value, a specific value, or approval of a loan.

6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with 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 Foundation.

7. Cydney G. Bender Reents, MAI, is in compliance with the requirements of the voluntary continuing education program of the Appraisal Institute.

8. I am a State of California Certified General Real Estate Appraisers Certificate No. *AG017559*.

9. I have inspected the property that is the subject of this report.

10. Matthew Keefe and Amy Brooks provided professional assistance to me in the preparation of this report.

Cydney G. Bender Reents, MAI
California Certified General
Real Estate Appraiser
Certificate No. AG017559

BRI 05111

ADDENDUM B

COMPARABLE SALES DATA SHEETS

LAND SALE NO. MD-1

Property Identification	
Record ID	549
Property Type	Medium Density Residential
Address	East side of Racetrack Road, north of Granite Drive, Rocklin, Placer County, California
Tax ID	045-101-066
Sale Data	
Grantor	Granite Rock LLC
Sale Price	$6,000,000
Land Data	
Zoning:	PD-15
Utilities	Available to site.
Land Size Information	
Gross Land Size	7.300 Acres or 317,988 SF
Planned Units	80
Indicators	
Sale Price/Gross Acre	$821,918
Sale Price/Gross SF	$18.87
Sale Price/Unit	$75,000

Remarks

The sale price included an approved tentative map. PD-15. This parcel has poor site access and no road frontage. There are single family residences and an elementary school adjacent to this parcel.

LAND SALE NO. MD-2

Property Identification	
Record ID	627
Property Type	Residential, Medium Density Residential
Property Name	The Parkway
Address	West & East sides of Parkway Drive North, South of E. Natoma Street, Folsom, Sacramento County, California 95630
Tax ID	071-1410-009, 010
Sale Data	
Grantor	Parkway Company, LLC
Grantee	WL Parkway IJ Associates LP (John Laing Homes)
Sale Date	January 23, 2006
Deed Book/Page	20060123-2199
Property Rights	Fee Simple
Verification	Doug Deter, John Laing Homes, April 11, 2006; Confirmed by Amy Brooks
Sale Price	$22,500,000
Land Data	
Shape	Irregular
Land Size Information	
Gross Land Size	18.455 Acres or 803,900 SF
Useable Land Size	16.500 Acres or 718,740 SF 89.41%
Planned Units	137
Indicators	
Sale Price/Gross Acre	$1,219,182
Sale Price/Gross SF	$27.99
Sale Price/Useable Acre	$1,363,636
Sale Price/Useable SF	$31.30
Sale Price/Unit	$164,234

Remarks

Sale was featured in the Business Journal January 30, 2006. According to broker, this site had improved street frontages and the site was mass graded. The sale price was negotiated in late 2004 and was contingent on approval of the tentative map. The property was planned for 137 small, cluster style, detached residential units. Site development costs were reported at $48,690 per lot. It was reported that the buyer mitigated the affordable requirements through the payment of fees. Permits and fees for this transaction are $29,700 per lot. Bonds for this property are estimated to be $456/lot per year.

LAND SALE NO. MD-3

Property Identification	
Record ID	547
Property Type	Medium Density Residential
Property Name	Anatolia I, Lot 2
Address	North side of Herodian Drive, East of Anatolia Drive, Rancho Cordova, Sacramento County, California
Tax ID	067-0430-002
Sale Data	
Grantor	Angelo Tsakopoulos, Eleni Tsakopoulos-Kounalakis and Markos Kounalakis, Tsakopoulos Family Partnership
Grantee	Cambridge Homes
Sale Date	June 24, 2005
Deed Book/Page	50624-1534
Verification	Jeremy Goodin, Cambridge Homes Representative
Sale Price	$11,000,000
Land Data	
Zoning	RD-10
Topography	Generally level.
Utilities	Available to site.
Land Size Information	
Gross Land Size	13.130 Acres or 571,943 SF
Planned Units	121
Indicators	
Sale Price/Gross Acre	$837,776
Sale Price/Gross SF	$19.23
Sale Price/Unit	$90,909

Remarks

This sale went into contract in December 2004, and is within the master planned community known as Anatolia. The close of escrow was contingent on the seller obtaining tentative map approval for the development of 121 single-family cluster homes (approximately 3,182 square foot lots). Offsite infrastructure was in place, buyer is responsible for all site development work. Development of the project is expected to commence summer of 2006. There is curb, gutter, and sidewalk along Herodian Drive across from a future park site. Anatolia Community Center is temporarily located on the site. This parcel is next to newly constructed homes.

LAND SALE NO. MD-4

Property Identification	
Record ID	558
Property Type	Medium Density Residential
Address	SE crn Gateway Drive & First Street, Lincoln, Placer County, California
Tax ID	008-280-031
Sale Data	
Grantor	Brooklyn Lincoln Gateway LLC
Grantee	Lincoln 51 LLC
Sale Date	May 26, 2005
Deed Book/Page	50526-67446
Sale Price	$3,570,000 Approximately
Land Data	
Zoning	RD-12.9
Topography	Generally level.
Utilities	Available to site.
Shape	Mostly rectangular.
Land Size Information	
Gross Land Size	4.746 Acres or 206,736 SF
Planned Units	51
Indicators	
Sale Price/Gross Acre	$752,212
Sale Price/Gross SF	$17.27
Sale Price/Unit	$70,000

Remarks

This property is being developed with medium density detached homes by Nouveau Homes. At the time of sale, the property had been mass graded and had an approved tentative map. Gateway Drive was previously constructed and utilities were available to the site. Construction costs for Gateway Drive were included in the negotiated price per lot. The seller's representative would not disclose the sales price for this property but did indicate that the lots were negotiated at around, and possibly north of $70,000 per lot. There were no bonds on this property. Drainage and sewer are currently being installed (January 2006). The property is adjacent to an older single family residential neighborhood.

LAND SALE NO. HD-1

Property Identification	
Record ID	554
Property Type	High Density Residential
Address	Southeast corner of Junction Boulevard and Barbara Way, Roseville, Placer County, California
Tax ID	011-250-066, 011-260-084 & 085
Sale Data	
Grantor	City Developers Corp.
Grantee	Cresleigh Homes Corporation
Sale Date	March 2005 contract
Sale Price	$5,700,000
Land Data	
Zoning	R-3
Utilities	Available to the site.
Land Size Information	
Gross Land Size	4.790 Acres or 208,652 SF
Planned Units	103
Indicators	
Sale Price/Gross Acre	$1,189,979
Sale Price/Gross SF	$27.32
Sale Price/Unit	$55,340

Remarks

This property has an approved tentative map for development of 103 condominium units. The contract was based on a price of $55,340 per unit. This parcel has frontage improvements along Barbara Way and Junction Boulevard. There are condominiums, older single family residential and industrial / commercial uses located adjacent to this parcel.

PENDING LAND SALE NO. HD-2

Property Identification	
Record ID	557
Property Type	High Density Residential
Address	Stock Ranch Road at Fountain Square Drive, Citrus Heights, Sacramento County, California
Tax ID	243-0010-027
Sale Data	
Grantor	California C/S Properties
Grantee	Confidential
Sale Date	June 8, 2005 Contract Date
Deed Book/Page	Pending
Sale Price	$9,200,000
Land Data	
Zoning	RD
Topography	Level.
Utilities	Available to site.
Shape	Rectangular
Land Size Information	
Gross Land Size	11.200 Acres or 487,872 SF
Planned Units	189
Indicators	
Sale Price/Gross Acre	$821,429
Sale Price/Gross SF	$18.86
Sale Price/Unit	$48,677

Remarks

This comparable is an infill property located in Citrus Heights. The purchase price is contingent on plan approval for 189 condominium units. The property is scheduled to close escrow in the first quarter of 2006. The property has fully improved street frontage along Stock Ranch & Fountain Square. The property is adjacent to multi-family /condominiums and newer residential homes.

PENDING LAND SALE NO. HD-3

Property Identification	
Record ID	758
Address	South side of Iron Point Road, Folsom, Sacramento County, California
Location	1/2 mile east of Prairie City
Tax ID	072-0010-085, 104, 105, 106 and 072-0020
Sale Data	
Grantor	2 ASJ Co.
Grantee	John Laing Homes
Property Rights	Fee Simple
Conditions of Sale	To close July 2006
Financing	All Cash
Contract Price	$14,380,000
Land Data	
Zoning	R4 PD
Topography	Rolling
Utilities	Available to Site
Land Size Information	
Gross Land Size	14.360 Acres or 625,522 SF
Planned Units	260
Indicators	
Sale Price/Gross Acre	$1,001,393
Sale Price/Gross SF	$22.99
Sale Price/Unit	$55,308

Remarks

This sale was negotiated in March 2005 and escrow is scheduled to close in July 2006. Phase 2 of this property is identified with 56 small lot, detached lots and 204 condominium units and scheduled to close in July 2006 for $14,380,000, or $55,308 per unit. The 56 small lot configuration is identified as cluster housing with a typical lot size of 2,000 square feet, and 204 condominium units. The property has fully improved frontage along Iron Point Road. There are newer multi-family units across the street, and a high school adjacent to the site. The site has gently rolling topography and several trees. Bonds on this property are estimated to be $240/lot per year.

LAND SALE NO. HD-4

Property Identification	
Record ID	553
Property Type	High Density Residential
Address	Southeast quadrant of Fair Oaks Boulevard and Greenback Lane, Fair Oaks, Sacramento County, California
Tax ID	261-0020-006
Sale Data	
Grantor	Sixells LLC
Grantee	D.R. Horton Inc.
Sale Date	July 1, 2004
Sale Price	$2,600,000
Land Data	
Zoning	LC
Land Size Information	
Gross Land Size	2.900 Acres or 126,324 SF
Planned Units	47
Indicators	
Sale Price/Gross Acre	$896,552
Sale Price/Gross SF	$20.58
Sale Price/Unit	$55,319

Remarks

This property is located along a busy thoroughfare next to commercial and office buildings. Creek runs behind and around side of property. As of January 2006, the property was improved with curbs, gutter, sidewalks and interior streets. Utilities had been pulled to the sites. This property had an approved tentative map at the time of sale. The buyer intends to construct 47 condominium units, which is identified as Crest at Creekside.

ADDENDUM C

DISCOUNTED VALUATION ANALYSIS

CITY OF ROSEVILLE - STONE POINT CFD NO. 5
QUARTERLY ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

					QTR 1	QTR 2	QTR 3	QTR 4	QTR 5	QTR 6	QTR 7	QTR 8	QTR 9	Check Totals
	Projection Period:													
Absorption Pattern (%)														
MDR UNITS					12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	0.00%	100.0%
HDR UNITS					0.00%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	100.0%
Absorption Pattern	Acres	Density per Acre	Total Units											
MDR UNITS	30.37	9.78	297		37	37	37	37	37	37	37	37	0	297
HDR UNITS	11.80	16.44	194		0	24	24	24	24	24	24	24	24	194
Subtotal - Residential	42.17	11.64	491		37	61	61	61	61	61	61	61	24	491
Total Acres	42.17													
Residential Unit Absorption Summary:														
TOTAL Unit Capacity Absorbed per Quarter					37	61	61	61	61	61	61	61	24	491
Cumulative Total Residential Units Absorbed					*37*	*99*	*160*	*221*	*283*	*344*	*405*	*467*	*491*	
Total Residential Units Remaining					***454***	***393***	***331***	***270***	***208***	***147***	***86***	***24***	***0***	
Acreage Absorption Summary:														
Total Residential Acres Absorbed per Quarter					*3.8*	*5.3*	*5.3*	*5.3*	*5.3*	*5.3*	*5.3*	*5.3*	*1.5*	42.2
Cumulative Total Residential Acres Absorbed					*3.8*	*9.1*	*14.3*	*19.6*	*24.9*	*30.2*	*35.4*	*40.7*	*42.2*	
Residential Acres Remaining					***38.4***	***33.1***	***27.8***	***22.6***	***17.3***	***12.0***	***6.7***	***1.5***	***-***	
Sales Analysis, Based on Absorption from Above														
	Retail Values - Subject to Special Tax:													
	Per Unit	P/Acre	Total											
MDR UNITS	$130,000	$1,271,320	$ 38,610,000		$ 4,826,250	$ 4,826,250	$ 4,826,250	$ 4,826,250	$ 4,826,250	$ 4,826,250	$ 4,826,250	$ 4,826,250	$ -	$38,610,000
HDR UNITS	$ 60,000	$ 986,441	$ 11,640,000		$ -	$ 1,455,000	$ 1,455,000	$ 1,455,000	$ 1,455,000	$ 1,455,000	$ 1,455,000	$ 1,455,000	$ 1,455,000	$11,640,000
Sum of Retail Values		$1,191,605	$ 50,250,000											$50,250,000
Total Sales per Period					$ 4,826,250	$ 6,281,250	$ 6,281,250	$ 6,281,250	$ 6,281,250	$ 6,281,250	$ 6,281,250	$ 6,281,250	$ 1,455,000	$50,250,000
Present Value of Sales			**$ 42,519,375**											
Per Acre:			**$ 1,008,285**											
Per Square Foot of Land:			**$ 23.15**											
Development and Holding Period Expense Analysis (Calculated on a Quarterly Basis)														
Marketing Expense as a % of Sales:			3%		$ 144,788	$ 188,438	$ 188,438	$ 188,438	$ 188,438	$ 188,438	$ 188,438	$ 188,438	$ 43,650	$ 1,507,500
Taxes & Direct Levies on Remaining Resid. Inventory			1.100%	per Yr.	103,924	92,224	78,621	65,019	51,416	37,813	24,210	10,608	1,903	$ 465,738
Maximum Special Tax per Acre of Remaining Inventory - SP CFD No. 5			$ 8,035	per Yr.	-	71,789	61,200	50,612	40,023	29,434	18,846	8,257	1,481	$ 281,643
Maximum Special Tax per Residential Unit on Remaining Inventory - Existing Specia			$ 1,021	per Yr.	-	108,019	92,353	76,687	61,021	45,355	29,689	14,023	3,095	$ 430,240
Development and Holding Costs (Including Affordable Housing in-lieu fee)			*as incurred*		-	204,625	204,625	204,625	204,625	204,625	204,625	204,625	204,625	$ 1,637,000
Admin., Ins., Other Holding Costs per Acre (Calculated Qtrly. on Resid. Inventory):			$ 500	Per Yr.	5,034	4,467	3,808	3,149	2,491	1,832	1,173	514	92	$ 22,560
Contingency			1%		48,263	62,813	62,813	62,813	62,813	62,813	62,813	62,813	14,550	$ 502,500
Total Development and Holding Expense Per Period					$ 302,008	$ 732,374	$ 691,858	$ 651,341	$ 610,825	$ 570,309	$ 529,793	$ 489,277	$ 269,397	$ 4,847,180
Sales Less Expenses					$ 4,524,242	$ 5,548,876	$ 5,589,392	$ 5,629,909	$ 5,670,425	$ 5,710,941	$ 5,751,457	$ 5,791,973	$ 1,185,603	$45,402,820
DISCOUNTED VALUE ANALYSIS														
		ANNUAL:	**PER QTR.:**											
Discount Rate:		**12%**	**3.00%**											
Present Value of All Sales Less Expenses			**39,571,549**		$ 4,392,468	$ 5,230,348	$ 5,115,086	$ 5,002,101	$ 4,891,358	$ 4,782,823	$ 4,676,461	$ 4,572,237	$ 908,666	$39,571,549
Present Value of All Sales Less Expenses (ROUNDED)			***$ 39,572,000***											
Per Acre:			**$ 938,382**											
Per Square Foot of Land:			**$ 21.54**											
Average per Unit			**$ 80,594**											

ADDENDUM D

MEYERS GROUP REPORTS

hanley wood
Market Intelligence

New Home Executive Summary

Sacramento, California **First Quarter, 2006**

Contents

New Home Executive Summary

The New Home Market Executive Summary provides an overview of the new home market with supporting statistics by submarket. Containing objective market data and independent analysis, this report is an ideal supplement to your internal and external reports, including loan applications and land acquisition packages.

For more information, visit www.hanleywood.com/hwmi, or call 1-800-639-3777.

Analysis Completed By: Kathryn Boyce, Senior Research Associate, Sacramento based

Summary Table

	Median Detached Base Prices:		Total Sales (Detached & Attached)			
	Price	Price/sq. ft.	Last 4 Qtrs	% Capture	Current Qtr.	% Capture
Northwest	$403,142	$218	1,921	15.5%	322	13.5%
Northeast	$440,573	$207	2,234	18.1%	417	17.5%
South	$476,775	$213	2,509	20.3%	382	16.0%
El Dorado	$618,195	$240	435	3.5%	108	4.5%
Placer	$470,990	$196	2,866	23.2%	706	29.7%
Sutter/Yuba	$366,818	$165	1,463	11.8%	298	12.5%
Yolo	$420,400	$203	927	7.5%	148	6.2%
Sacramento Area	**$445,490**	**$201**	**12,355**	**100%**	**2,381**	**100%**

Sales Trends, Quarter

Net Sales. Builders sold a total of 2,381 new homes in Sacramento during the first quarter of 2006, down 52.7% from the 5,030 homes sold during the first quarter of 2005. The South showed the largest decrease of 68.4% down to 382 sales, from 1,210 sales last year. Sutter/Yuba had the second largest decrease of 63.1% from 807 to 298 sales. There was also a decrease of 57.3% in the Northwest market from 754 sales to 322 sales in the first quarter. Sales in the Yolo area also fell 55.6% from 333 to 148, while sales in El Dorado dropped 50.2% to 108 sales. Placer and the Northeast experienced the smallest decrease of 40.2% in sales from 1,181 to 706 and 21% in sales from 528 to 417, respectively.

Monthly Sales Rate per Project

Detached Monthly Sales Rate. The monthly sales rate for a detached project averaged 2.9 sales in the first quarter, down 57% from 6.8 sales per project during the same period last year. All of the region's submarkets experienced significant decreases in monthly sales rates. The Sutter/Yuba area led the market's decline with 3.2 sales per month, down from 11.9, dropping to a -73.2% change, followed by the Northeast and Yolo with 2.4 sales and 2.0 sales, respectively. The Northwest had the smallest monthly sales rate decline at 24.6%, decreasing to 4.6 sales per month from 6.0 a year ago.

Median Price Trends

Detached Median Prices. During the first quarter of 2006, most submarkets experienced decreases in detached median sales price compared to the previous year, bringing the region-wide median up only 2.1% to $445,490. Yolo showed the largest drop of 8.1%, whereas Placer experienced a slightly lower drop in median sales price of 7.9% compared to last year. The 28.3% increase in El Dorado was the greatest year-over-year percentage gain in the region. Sutter/Yuba and South posted the next largest percentage jumps, rising 12.3% and 5.9%, respectively. El Dorado represented the highest priced submarket with a median sales price of $618,195, while Sutter/Yuba offered the most affordable homes in the region with a median of $366,818.

Detached Median Price per Square Foot. The detached median price per square foot value rose 3.6% over last year to $201. The largest increase occurred in El Dorado, with a 18.8% rise from $202 last year to $240 per square foot in the first quarter.

Attached Median Prices. The median price of attached homes rose 7.3% from $291,500 in the first quarter of 2005 to $312,878 in first quarter 2006. Placer suffered a 47.1% decrease from $590,530 to $312,323. The Northeast experienced a gain of 18.7% from $207,666 to $246,406.

Attached Median Price per Square Foot. The median attached price per square foot value decreased 10.9% from $266 last year to $237 in first quarter 2006. Placer and the South had the largest decreases of 67.9% and 13.5%, respectively.

Average Price Trends

Detached Average Prices. The average price of a new detached home sold in Sacramento increased 4% from a year ago to $471,953. The largest one-year increase was posted by El Dorado, up 17.3% to $653,070 in the first quarter. The largest decrease in average sales price was posted by the Northeast submarket at 7.7%.

Detached Average Price per Square Foot. The detached average price per square foot value was $205 in the first quarter, up 4.7% from the previous year. Price per square foot values ranged from $165 in Sutter/Yuba to $232 in El Dorado. Average square footage of homes in the region decreased 0.5% to 2,362 square feet.

Attached Average Prices. The average base sales price of an attached home in first quarter of 2006 was $352,745, a 12.2% decrease from first quarter of 2005. The Northwest experienced the highest increase, jumping from $250,982 to $316,022, an increase of 26%.

Attached Average Price per Square Foot. The price per square foot value for attached homes sold was higher than for detached homes, but still down from the first quarter of 2005. The average attached price per square foot value decreased 24.1% to $305 down from $401 in the first quarter of 2005.

Sales by Price Range

Detached Sales by Price Range. 59% of detached new homes sold in the Sacramento area during the first quarter 2006 were priced between $350,000 to $500,000, with the Placer County accounting for 29% of sales in that price range.

Attached Sales by Price Range. Attached townhomes and condos priced between $250,000 to $400,000 accounted for 73% of attached sales area wide. The Northeast accounted for 182 of all sales activity during the first quarter 2006 below the $400,000 price range.

Number of Active Projects

There were 283 actively selling projects in the market at the end of the first quarter 2006, an increase of 22 projects compared to the end of fourth quarter 2005. The total number of detached projects increased slightly from 224 to 244, while the number of attached projects rose by only two projects, from 37 at the end of fourth quarter 2005 to 39 in the first quarter 2006.

Unsold Detached Inventory

Detached Standing Inventory. At the end of the first quarter, there were 155 units of detached standing inventory in the region, a noticeable increase from just 23 units the previous year.

Detached Speculative Inventory. There were 1,481 units of detached speculative inventory in the region, a significant increase from 404 units a year ago. This represented a 1.8 month supply at current sales rates, an increase from 0.3 months of supply at the same time last year.

Detached Total Unsold Inventory. A total of 15,010 detached units remained to be sold in the region at the end of the first quarter 2006, compared to 12,918 at the same time last year. At current sales rates, the relative supply of unsold inventory increased to 18.2 months compared to 9.6 months a year ago. Sutter/Yuba had the greatest relative supply at 32.1 months, followed by Placer at 21.3 and Northwest at 20.8 months. The South had the lowest relative supply at 7.9 months.

For More Information

More detailed data. More detailed information is available for purchase on our website at www.hanleywood.com/hwmi, or in our Residential Pro subscription product.

Additional Analysis. Our Market Monitor publication is a more in-depth, quarterly analysis of market conditions. The Market Monitor is available on our website or through a consulting or information sales representative at 1-800-639-3777.

The Sacramento market includes the Sacramento-Arden-Arcade-Roseville and Yuba City Metropolitan Statistical Areas. The following submarkets have been designated within the statistical areas:

- Sacramento County (**Northwest**: Antelope, Del Paso Heights, Natomas, North Highlands, Rio Linda, and Sacramento. **Northeast:** Arden, Carmichael, Citrus Heights, Fair Oaks, Folsom, Gold River, Mather, Orangevale, Rancho Cordova, Rosemont, and Sacramento. **South:** Elk Grove, Florin, Galt, Laguna, Pocket, Rancho Murieta, Sacramento, Sloughhouse, South Sacramento, Vineyard, and Wilton)
- **El Dorado County**
- **Placer County**
- **Sutter County**
- **Yuba County**, and
- **Yolo County**

SALES TRENDS, QUARTER
January – March 2006

SINGLE-FAMILY DETACHED

Submarket	NET SALES Current Period	Same Period Last Year	% Change	MONTHLY SALES / PROJECT Current Period	Same Period Last Year	% Change
Northwest	233	456	(48.9%)	4.6	6.0	(24.6%)
Northeast	235	465	(49.5%)	2.4	6.4	(62.5%)
South	366	1,197	(69.4%)	2.6	6.4	(60.0%)
El Dorado	108	217	(50.2%)	2.8	5.4	(48.4%)
Placer	597	931	(35.9%)	3.3	6.8	(51.2%)
Sutter/Yuba	295	807	(63.4%)	3.2	11.9	(73.2%)
Yolo	125	324	(61.4%)	2.0	5.2	(61.3%)
Total	**1,959**	**4,397**	**(55.4%)**	**2.9**	**6.8**	**(57.0%)**
% of Total	**82.3%**	**87.4%**				

ATTACHED TOWNHOMES AND CONDOMINIUMS

Submarket	NET SALES Current Period	Same Period Last Year	% Change	MONTHLY SALES / PROJECT Current Period	Same Period Last Year	% Change
Northwest	89	298	(70.1%)	4.9	30.2	(83.6%)
Northeast	182	63	188.9%	4.7	5.5	(14.0%)
South	16	13	23.1%	1.1	4.3	(75.4%)
El Dorado	0	0	N/A	0.0	0.0	N/A
Placer	109	250	(56.4%)	3.4	20.1	(83.0%)
Sutter/Yuba	3	0	N/A	1.0	0.0	N/A
Yolo	23	9	155.6%	3.8	3.0	27.8%
Total	**422**	**633**	**(33.3%)**	**3.7**	**15.9**	**(76.4%)**
% of Total	**17.7%**	**12.6%**				

TOTAL

Submarket	NET SALES Current Period	Same Period Last Year	% Change	MONTHLY SALES / PROJECT Current Period	Same Period Last Year	% Change
Northwest	322	754	(57.3%)	4.6	6.0	(24.6%)
Northeast	417	528	(21.0%)	2.4	6.4	(62.5%)
South	382	1,210	(68.4%)	2.6	6.4	(60.0%)
El Dorado	108	217	(50.2%)	2.8	5.4	(48.4%)
Placer	706	1,181	(40.2%)	3.3	6.8	(51.2%)
Sutter/Yuba	298	807	(63.1%)	3.2	11.9	(73.2%)
Yolo	148	333	(55.6%)	2.0	5.2	(61.3%)
Total	**2,381**	**5,030**	**(52.7%)**	**2.9**	**6.8**	**(57.0%)**

hanley wood
Market Intelligence

SALES TRENDS, YEAR TO DATE
January – March 2006

SINGLE-FAMILY DETACHED

	NET SALES			MONTHLY SALES / PROJECT		
Submarket	Year to Date	Same Period Last Year	% Change	Year to Date	Same Period Last Year	% Change
Northwest	233	456	(48.9%)	4.6	6.0	(24.6%)
Northeast	235	465	(49.5%)	2.4	6.4	(62.5%)
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Placer	597	931	(35.9%)	3.3	6.8	(51.2%)
Sutter/Yuba	295	807	(63.4%)	3.2	11.9	(73.2%)
Yolo	125	324	(61.4%)	2.0	5.2	(61.3%)
Total	**1,959**	**4,397**	**(55.4%)**	**2.9**	**6.8**	**(57.0%)**
% of Total	**82.3%**	**87.4%**				

ATTACHED TOWNHOMES AND CONDOMINIUMS

	NET SALES			MONTHLY SALES / PROJECT		
Submarket	Year to Date	Same Period Last Year	% Change	Year to Date	Same Period Last Year	% Change
Northwest	89	298	(70.1%)	4.9	30.2	(83.6%)
Northeast	182	63	188.9%	4.7	5.5	(14.0%)
South	16	13	23.1%	1.1	4.3	(75.4%)
El Dorado	0	0	N/A	N/A	N/A	N/A
Placer	109	250	(56.4%)	3.4	20.1	(83.0%)
Sutter/Yuba	3	0	N/A	1.0	N/A	N/A
Yolo	23	9	155.6%	3.8	3.0	27.8%
Total	**422**	**633**	**(33.3%)**	**3.7**	**15.9**	**(76.4%)**
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TOTAL

	NET SALES			MONTHLY SALES / PROJECT		
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El Dorado	108	217	(50.2%)	2.8	5.4	(48.4%)
Placer	706	1,181	(40.2%)	3.3	6.8	(51.2%)
Sutter/Yuba	298	807	(63.1%)	3.2	11.9	(73.2%)
Yolo	148	333	(55.6%)	2.0	5.2	(61.3%)
Total	**2,381**	**5,030**	**(52.7%)**	**2.9**	**6.8**	**(57.0%)**

hanley wood
Market Intelligence

MEDIAN BASE SALES PRICE TRENDS
January – March 2006

SINGLE-FAMILY DETACHED

	MEDIAN BASE SALES PRICE			MEDIAN SQUARE FEET			MEDIAN SALES PRICE PER SQ. FT.		
Submarket	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change
Northwest	$403,142	$407,790	(1.1%)	1,849	2,081	(11.1%)	$218	$196	11.2%
Northeast	$440,573	$468,847	(6.0%)	2,128	2,151	(1.0%)	$207	$218	(5.0%)
South	$476,775	$450,322	5.9%	2,238	2,321	(3.6%)	$213	$194	9.8%
El Dorado	$618,195	$481,823	28.3%	2,576	2,385	8.0%	$240	$202	18.8%
Placer	$470,990	$511,628	(7.9%)	2,403	2,508	(4.2%)	$196	$204	(3.9%)
Sutter/Yuba	$366,818	$326,596	12.3%	2,218	1,968	12.7%	$165	$166	(0.4%)
Yolo	$420,400	$457,490	(8.1%)	2,071	2,358	(12.2%)	$203	$194	4.6%
Total	**$445,490**	**$436,450**	**2.1%**	**2,216**	**2,250**	**(1.5%)**	**$201**	**$194**	**3.6%**

ATTACHED TOWNHOMES AND CONDOMINIUMS

	MEDIAN BASE SALES PRICE			MEDIAN SQUARE FEET			MEDIAN SALES PRICE PER SQ. FT.		
Submarket	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change
Northwest	$318,990	$291,500	9.4%	1,266	1,143	10.7%	$252	$255	(1.2%)
Northeast	$246,406	$207,666	18.7%	1,049	953	10.1%	$235	$218	7.8%
South	$265,476	$334,245	(20.6%)	1,341	1,460	(8.1%)	$198	$229	(13.5%)
El Dorado	$0	$0	N/A	N/A	N/A	N/A	$0	$0	N/A
Placer	$312,323	$590,530	(47.1%)	1,234	749	64.7%	$253	$788	(67.9%)
Sutter/Yuba	$179,900	$0	N/A	1,110	N/A	N/A	$162	$0	N/A
Yolo	$324,766	$330,000	(1.6%)	1,518	1,473	3.0%	$214	$224	(4.5%)
Total	**$312,878**	**$291,500**	**7.3%**	**1,320**	**1,096**	**20.5%**	**$237**	**$266**	**(10.9%)**

TOTAL

	MEDIAN BASE SALES PRICE			MEDIAN SQUARE FEET			MEDIAN SALES PRICE PER SQ. FT.		
Submarket	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change	Current Period	Same Period Last Year	% Change
Northwest	$379,883	$361,829	5.0%	1,688	1,710	(1.3%)	$227	$219	3.7%
Northeast	$355,829	$437,683	(18.7%)	1,657	2,008	(17.5%)	$219	$218	0.6%
South	$467,925	$449,075	4.2%	2,201	2,312	(4.8%)	$212	$194	9.3%
El Dorado	$618,195	$481,823	28.3%	2,576	2,385	8.0%	$240	$202	18.8%
Placer	$446,493	$528,330	(15.5%)	2,223	2,136	4.1%	$205	$328	(37.5%)
Sutter/Yuba	$364,936	$326,596	11.7%	2,207	1,968	12.2%	$165	$166	(0.4%)
Yolo	$405,538	$454,044	(10.7%)	1,985	2,334	(15.0%)	$205	$195	5.1%
Total	**$421,986**	**$418,209**	**0.9%**	**2,058**	**2,105**	**(2.2%)**	**$207**	**$203**	**2.1%**

**N/A or $0 corresponds to no sales for the quarter*

AVERAGE BASE SALES PRICE TRENDS
January – March 2006

SINGLE-FAMILY DETACHED

Submarket	AVERAGE BASE SALES PRICE Current Period	Same Period Last Year	% Change	AVERAGE SQUARE FEET Current Period	Same Period Last Year	% Change	AVERAGE SALES PRICE PER SQ. FT. Current Period	Same Period Last Year	% Change
Northwest	$398,161	$409,502	(2.8%)	1,869	2,099	(10.9%)	$220	$200	10.0%
Northeast	$458,824	$497,359	(7.7%)	2,204	2,372	(7.1%)	$216	$217	(0.3%)
South	$489,781	$459,776	6.5%	2,391	2,411	(0.8%)	$209	$198	5.7%
El Dorado	$653,070	$556,515	17.3%	2,912	2,795	4.2%	$232	$204	13.6%
Placer	$508,462	$523,363	(2.8%)	2,514	2,609	(3.6%)	$208	$207	0.7%
Sutter/Yuba	$369,357	$323,828	14.1%	2,297	2,008	14.4%	$165	$166	(0.6%)
Yolo	$493,254	$491,318	0.4%	2,439	2,581	(5.5%)	$207	$195	6.4%
Total	**$471,953**	**$454,148**	**3.9%**	**2,362**	**2,374**	**(0.5%)**	**$205**	**$196**	**4.7%**

ATTACHED TOWNHOMES AND CONDOMINIUMS

Submarket	AVERAGE BASE SALES PRICE Current Period	Same Period Last Year	% Change	AVERAGE SQUARE FEET Current Period	Same Period Last Year	% Change	AVERAGE SALES PRICE PER SQ. FT. Current Period	Same Period Last Year	% Change
Northwest	$316,022	$250,982	25.9%	1,280	998	28.3%	$252	$273	(7.4%)
Northeast	$271,514	$258,059	5.2%	1,168	1,169	(0.1%)	$235	$221	6.2%
South	$327,209	$335,733	(2.5%)	1,991	1,453	37.1%	$110	$221	(50.2%)
El Dorado	$0	N/A	N/A	0	0	N/A	$0	N/A	N/A
Placer	$533,240	$623,699	(14.5%)	1,152	1,014	13.6%	$515	$615	(16.2%)
Sutter/Yuba	$179,900	N/A	N/A	1,108	0	N/A	$162	N/A	N/A
Yolo	$322,551	$330,667	(2.5%)	1,521	1,475	3.1%	$213	$224	(4.8%)
Total	**$352,745**	**$401,762**	**(12.2%)**	**1,237**	**1,037**	**19.3%**	**$305**	**$401**	**(24.1%)**

TOTAL

Submarket	AVERAGE BASE SALES PRICE Current Period	Same Period Last Year	% Change	AVERAGE SQUARE FEET Current Period	Same Period Last Year	% Change	AVERAGE SALES PRICE PER SQ. FT. Current Period	Same Period Last Year	% Change
Northwest	$375,458	$346,851	8.2%	1,706	1,664	2.6%	$229	$229	0.1%
Northeast	$377,072	$468,806	(19.6%)	1,752	2,228	(21.4%)	$224	$217	3.2%
South	$482,972	$458,443	5.4%	2,374	2,401	(1.1%)	$205	$198	3.5%
El Dorado	$653,070	$556,515	17.3%	2,912	2,795	4.2%	$232	$204	13.6%
Placer	$512,288	$544,602	(5.9%)	2,304	2,272	1.4%	$256	$293	(12.8%)
Sutter/Yuba	$367,450	$323,828	13.5%	2,285	2,008	13.8%	$165	$166	(0.6%)
Yolo	$466,726	$486,976	(4.2%)	2,297	2,551	(10.0%)	$208	$195	6.5%
Total	**$450,825**	**$447,555**	**0.7%**	**2,162**	**2,206**	**(2.0%)**	**$223**	**$222**	**0.5%**

**N/A or $0 corresponds to no sales for the quarter*

SALES BY PRICE RANGE
January – March 2006

SINGLE-FAMILY DETACHED

Submarket	Less than $200,000	$200,000 - $249,999	$250,000 - $299,999	$300,000 - $349,999	$350,000 - $399,999	$400,000 - $449,999	$450,000 - $499,999	Greater than $500,000	TOTAL*
Northwest	0	0	0	28	85	96	18	6	233
Northeast	0	0	0	37	11	92	48	47	235
South	1	0	0	2	41	30	106	186	366
El Dorado	0	0	0	0	0	0	0	108	108
Placer	0	0	0	5	76	102	152	262	597
Sutter/Yuba	0	0	0	85	144	60	6	0	295
Yolo	0	0	0	0	10	58	20	37	125
Total	**1**	**0**	**0**	**157**	**367**	**438**	**350**	**646**	**1,959**
% of Total	**0.1%**	**0.0%**	**0.0%**	**8.0%**	**18.7%**	**22.4%**	**17.9%**	**33.0%**	

ATTACHED TOWNHOMES AND CONDOMINIUMS

Submarket	Less than $200,000	$200,000 - $249,999	$250,000 - $299,999	$300,000 - $349,999	$350,000 - $399,999	$400,000 - $449,999	$450,000 - $499,999	Greater than $500,000	TOTAL*
Northwest	0	0	0	84	5	0	0	0	89
Northeast	37	19	58	42	26	0	0	0	182
South	0	0	-23	39	0	0	0	0	16
El Dorado	0	0	0	0	0	0	0	0	0
Placer	0	14	23	21	10	0	0	41	109
Sutter/Yuba	3	0	0	0	0	0	0	0	3
Yolo	0	0	0	33	-10	0	0	0	23
Total	**40**	**33**	**58**	**219**	**31**	**0**	**0**	**41**	**422**
% of Total	**9.5%**	**7.8%**	**13.7%**	**51.9%**	**7.3%**	**0.0%**	**0.0%**	**9.7%**	

TOTAL

Submarket	Less than $200,000	$200,000 - $249,999	$250,000 - $299,999	$300,000 - $349,999	$350,000 - $399,999	$400,000 - $449,999	$450,000 - $499,999	Greater than $500,000	TOTAL*
Northwest	0	0	0	112	90	96	18	6	322
Northeast	37	19	58	79	37	92	48	47	417
South	1	0	-23	41	41	30	106	186	382
El Dorado	0	0	0	0	0	0	0	108	108
Placer	0	14	23	26	86	102	152	303	706
Sutter/Yuba	3	0	0	85	144	60	6	0	298
Yolo	0	0	0	33	0	58	20	37	148
Total	**41**	**33**	**58**	**376**	**398**	**438**	**350**	**687**	**2,381**
% of Total	**1.7%**	**1.4%**	**2.4%**	**15.8%**	**16.7%**	**18.4%**	**14.7%**	**28.9%**	

** Total shown may be less than total sales due to projects not reporting sales prices.*

NUMBER OF ACTIVE PROJECTS
January – March 2006

SINGLE-FAMILY DETACHED

Submarket	Current Number of Active Projects	Projects at Beginning of Period	Change During the Period	Number of Projects Open Same Period Last Year	Change from Last Year
Northwest	19	20	-1	29	-10
Northeast	35	32	3	29	6
South	53	53	0	66	-13
El Dorado	14	14	0	16	-2
Placer	69	53	16	50	19
Sutter/Yuba	32	32	0	23	9
Yolo	22	20	2	22	0
Total	**244**	**224**	**20**	**235**	**9**

ATTACHED TOWNHOMES AND CONDOMINIUMS

Submarket	Current Number of Active Projects	Projects at Beginning of Period	Change During the Period	Number of Projects Open Same Period Last Year	Change from Last Year
Northwest	6	8	-2	4	2
Northeast	13	11	2	4	9
South	5	5	0	1	4
El Dorado	0	0	0	0	0
Placer	12	10	2	3	9
Sutter/Yuba	1	1	0	0	1
Yolo	2	2	0	1	1
Total	**39**	**37**	**2**	**13**	**26**

TOTAL

Submarket	Current Number of Active Projects	Projects at Beginning of Period	Change During the Period	Number of Projects Open Same Period Last Year	Change from Last Year
Northwest	25	28	-3	33	-8
Northeast	48	43	5	33	15
South	58	58	0	67	-9
El Dorado	14	14	0	16	-2
Placer	81	63	18	53	28
Sutter/Yuba	33	33	0	23	10
Yolo	24	22	2	23	1
Total	**283**	**261**	**22**	**248**	**35**

UNSOLD DETACHED INVENTORY LEVELS
March 2006

SINGLE-FAMILY DETACHED, CURRENT PERIOD

	UNSOLD INVENTORY LEVELS			MONTHS REMAINING AT CURRENT YEAR'S SALES RATE		
Submarket	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**
Northwest	0	131	1,835	0.0	1.5	20.8
Northeast	66	315	2,004	0.5	2.5	15.8
South	20	195	1,479	0.1	1.0	7.9
El Dorado	7	51	552	0.2	1.4	15.2
Placer	15	537	4,193	0.1	2.7	21.3
Sutter/Yuba	2	60	3,910	0.0	0.5	32.1
Yolo	45	192	1,037	0.7	2.9	15.6
Total	**155**	**1,481**	**15,010**	**0.2**	**1.8**	**18.2**

SINGLE-FAMILY DETACHED, SAME PERIOD IN PREVIOUS YEAR

	UNSOLD INVENTORY LEVELS			MONTHS REMAINING AT LAST YEAR'S SALES RATE		
Submarket	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**
Northwest	3	18	1,162	0.0	0.1	7.3
Northeast	2	31	2,256	0.0	0.3	19.5
South	2	127	2,472	0.0	0.3	6.2
El Dorado	0	22	732	0.0	0.3	8.8
Placer	5	114	1,882	0.0	0.4	6.7
Sutter/Yuba	7	45	3,728	0.0	0.2	19.1
Yolo	4	47	686	0.0	0.4	6.2
Total	**23**	**404**	**12,918**	**0.0**	**0.3**	**9.6**

SINGLE FAMILY DETACHED CHANGE

	UNSOLD INVENTORY LEVELS			CHANGE IN MONTHS REMAINING		
Submarket	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**	**STANDING**	**SPECULATIVE**	**TOTAL UNSOLD INVENTORY**
Northwest	-3	113	673	0.0	1.4	13.6
Northeast	64	284	(252)	0.5	2.2	-3.6
South	18	68	(993)	0.1	0.7	1.7
El Dorado	7	29	(180)	0.2	1.1	6.4
Placer	10	423	2,311	0.1	2.3	14.6
Sutter/Yuba	-5	15	182	0.0	0.3	13.0
Yolo	41	145	351	0.6	2.5	9.4
Total	**132**	**1,077**	**2,092**	**0.2**	**1.5**	**8.6**

UNSOLD ATTACHED INVENTORY LEVELS
March 2006

ATTACHED TOWNHOMES AND CONDOMINIUMS, CURRENT PERIOD

	UNSOLD INVENTORY LEVELS			MONTHS REMAINING AT CURRENT YEAR'S SALES RATE		
Submarket	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY
Northwest	0	67	1,046	0.0	0.9	14.5
Northeast	24	94	1,215	0.4	1.6	20.4
South	101	107	435	4.6	4.8	19.7
El Dorado	0	0	0	N/A	N/A	N/A
Placer	63	178	1,138	1.5	4.2	27.0
Sutter/Yuba	10	10	33	40.0	40.0	132.0
Yolo	0	130	147	0.0	12.0	13.6
Total	**198**	**586**	**4,014**	**1.0**	**2.8**	**19.4**

ATTACHED TOWNHOMES AND CONDOMINIUMS, SAME PERIOD IN PREVIOUS YEAR

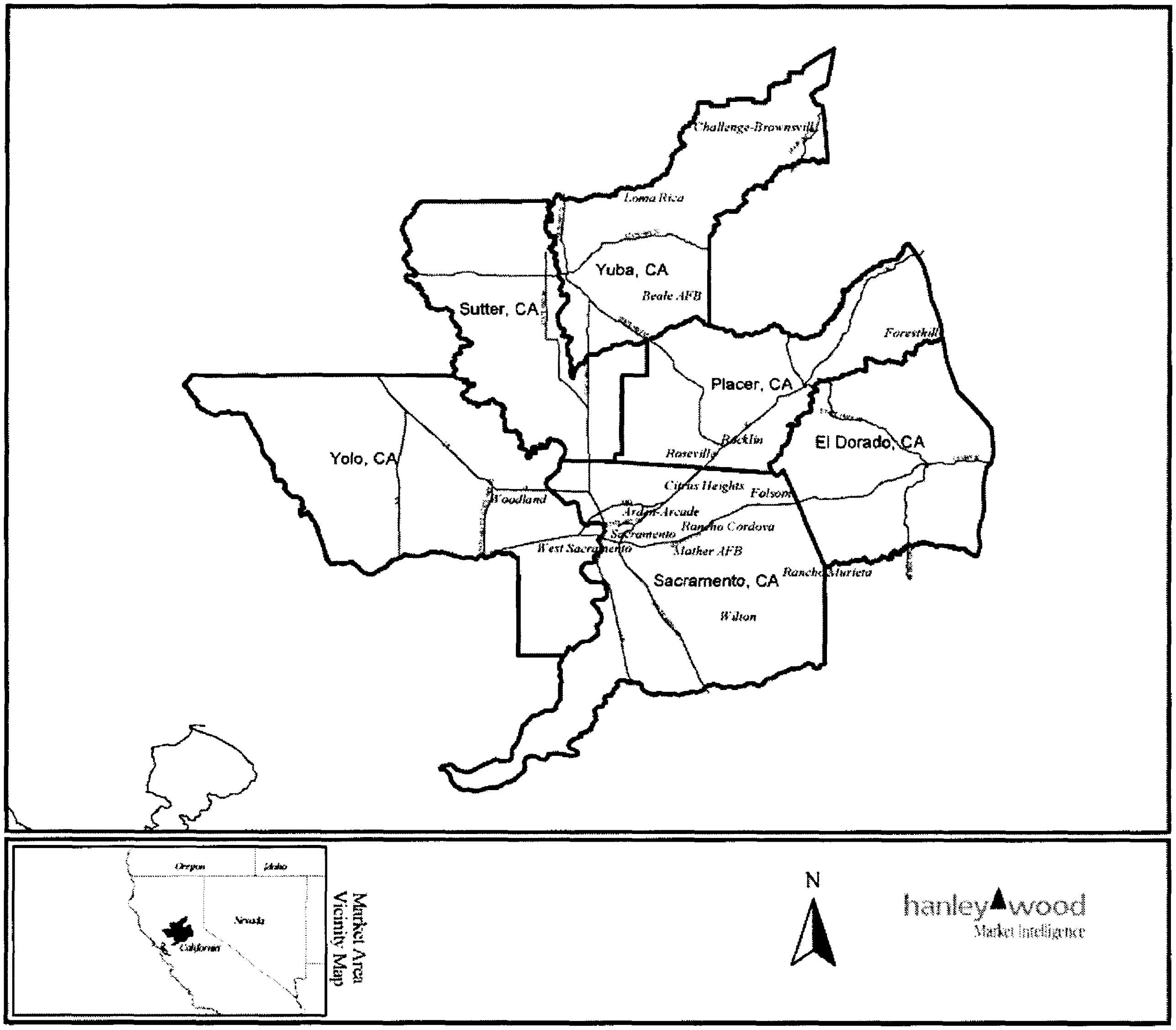
	UNSOLD INVENTORY LEVELS			MONTHS REMAINING AT LAST YEAR'S SALES RATE		
Submarket	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY
Northwest	0	70	291	0.0	1.4	5.8
Northeast	125	125	525	7.4	7.4	30.9
South	0	6	17	0.0	1.6	4.6
El Dorado	0	0	0	N/A	N/A	N/A
Placer	0	0	361	0.0	0.0	9.8
Sutter/Yuba	0	0	0	N/A	N/A	N/A
Yolo	0	3	25	0.0	4.0	33.3
Total	**125**	**204**	**1,219**	**1.2**	**1.9**	**11.3**

ATTACHED TOWNHOMES AND CONDOMINIUMS, CHANGE

	UNSOLD INVENTORY LEVELS			CHANGE IN MONTHS REMAINING		
Submarket	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY	STANDING	SPECULATIVE	TOTAL UNSOLD INVENTORY
Northwest	0	(3)	755	0.0	-0.5	8.7
Northeast	-101	(31)	690	-7.0	-5.8	-10.5
South	101	101	418	4.6	3.2	15.1
El Dorado	0	0	0	N/A	N/A	N/A
Placer	63	178	777	1.5	4.2	17.2
Sutter/Yuba	10	10	33	N/A	N/A	N/A
Yolo	0	127	122	0.0	8.0	-19.8
Total	**73**	**382**	**2,795**	**-0.2**	**0.9**	**8.1**

Map

Sacramento, CA



New Home Definitions

Net Sales: Gross Sales less Cancellations.

Project Months: The sum of the months that all projects were open. For example, if there were only 2 projects in a submarket, and one was open for 3 months of a quarter, and the other was open for 2 months, the market would have 5 project months. This calculation is used to determine the monthly sales rate/project.

Monthly Sales/Project: Net sales for the period divided by the number of Project Months. For example, if there were 15 sales during a quarter, and 5 project months in that quarter, the monthly sales rate/project would be 3.0. An increasing number is a sign of a healthy housing market.

Median Base Sales Price: A base price is the lowest price available for a particular plan, assuming no upgrades are purchased. The base price may include lot premiums, because some plans may only have units remaining on premium lots. The median base sales price is based on the actual number of homes sold. The median base sales price is the price at which half of the homes sold were priced higher and half lower.

Median Sales Price per Square Foot: The median sales price per square foot is based on the median base sales price. Half of the homes sold during the period had a higher base sales price per square foot, and half had a smaller base sales price per square foot. The square footage used is the most recent square footage. In rare instances, the square footage of a plan may have been increased during the period (for example, an optional bedroom becomes standard). Because the square footage used is the square footage at the end of the period, the price per square foot may be off slightly. Also, the median base sales price per square foot cannot necessarily be calculated by dividing the median base price by the median square feet.

Average Base Sales Price: The average base sales price is a weighted average price based on the actual number of homes sold. The average base sales price is affected by extreme high and low prices, and because it is a calculated number, its value may not actually exist within the data. The average base sales price is usually higher than the median base sales price.

Average Sales Price per Square Foot: The average sales price per square foot is a weighted price per square foot based on actual homes sold.

Number of Projects: A project is considered to have opened in the month that prices on individual units are published and offers can be made. A project stays open/active through the month that the final home has closed escrow. Afterwards, it is considered inactive. For example, a project that closes its last escrow on June 15 is considered active through June 30, but inactive on July 1.

Standing Inventory: Unsold units that are completed or within 30 days of completion. Model homes are not included unless they are currently for sale.

Under Construction: Foundation or vertical construction has started and unsold home should be completed 1 to 6 months from the date of our survey.

Speculative Inventory: Standing Inventory + Under Construction Inventory.

Future Construction: Homes that have not yet started construction that have also not yet been sold. Some, but not all, of these units may have been released for sale.

Total Unsold Inventory: Speculative Inventory + Future Construction.

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PUBLICATIONS

Hanley Wood Market Intelligence, ONLINE PUBLISHED RESEARCH

All publications are available for purchase on our website at http://www.hanleywood.com/hwmi/.

MARKET MONITOR (Quarterly)

- Complete analysis of economic and market conditions summarized in an easy to comprehend format
- Discussion of Concerns, Opportunities and Strategies, and Outlook by Submarket
- New Home Market Leading Indicators (using Hanley Wood Market Intelligence data, showed declining market 12-18 months before last recession was recognized)
- Resale Market Analysis
- Economic Indicators – forecasts from key economists and conclusions from Hanley Wood consultants
- Demand and Supply Projections, including forecasts of all major economists

NEW HOME MARKET EXECUTIVE SUMMARY (Quarterly)

Written analysis and detailed statistics on the new home market based entirely on Hanley Wood Market Intelligence's proprietary database.

- Sales and Price Trends
- Sales by Price Range
- Number of Active Projects
- Inventory Trends

U.S. HOUSING MARKETS (Quarterly)

- Current and recent historical permit information on all 331 metropolitan areas
- Demand – Employment, Population, Households, Housing Stock, Investor Hotness Index (Demand/Supply) on the top 75 markets
- Supply – Building Permits, Home Price, Market Hotness Index (Growth) on the top 75 markets

MARKET SNAPSHOT (Quarterly)
3-page analysis and projection of key economic and housing market statistics, covering 75 major metropolitan areas.

PUBLIC BUILDER HOTNESS (Quarterly)
Ranks public builders based upon how "hot" the markets are in which they do business.

MEYERS PROJECT SUMMARY REPORT

MARKET NAME : Sacramento, CA COUNTY NAME : Placer, CA SUBMARKET NAME : Placer

All Housing Types

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PROJECT / BUILDER	PROJ TYPE	PROJECT OPEN DATE / MAP CODE	UNITS PLANNED	THIS PERIOD NET	THIS PERIOD MONTHLY RATE	OVERALL NET	OVERALL MONTHLY RATE	UNSOLD UNITS	BASE PRICE RANGE	FINISHED SQ. FT. RANGE	COST PER SQ. FT. RANGE	TYPICAL LOT SIZE (SQFT)	COMMENTS
Placer													
Auburn													
GRAYHORSE AT SOUTHRIDGE	SF	10/08/2004	50	24	2.68	50	3.18	0	459,000 - 562,729	1,728 - 2,445	230 - 266	7500	PCO'd 03/06
Warmington Homes California		182 -SE											
HIDDEN GLEN	SF	07/01/1997	59	7	0.64	59	0.59	0	171,300 - 510,000	1,128 - 2,100	121 - 380	5500	PCO'd 12/05
Greco Development													
Auburn			109	31	1.56	109	0.94	0	171,300 - 562,729	1,128 - 2,445	121 - 380		
Lincoln													
MEADOW CREEK CLASSICS AT SUN CITY LINCOL	SF	01/01/1999	2670	203	16.92	2658	30.20	12	150,600 - 419,900	901 - 1,854	147 - 287	5000	
Del Webb		179 -LA											
PARK VIEW PREMIERS AT SUN CITY LINCOLN	SF	01/01/1999	2510	172	14.33	2460	27.95	50	237,300 - 499,900	1,450 - 2,372	156 - 249	6500	
Del Webb		179 -LA											
ORCHARD HILL ESTATES AT SUN CITY LINCOLN	SF	01/01/1999	1532	111	11.14	1532	17.82	0	258,900 - 592,900	1,926 - 3,068	134 - 237	7500	
Del Webb		179 -LA											
ESTATES AT LINCOLN CROSSING (THE)	SF	04/23/2005	138	108	9.00	123	10.03	15	691,490 - 851,490	2,450 - 4,250	200 - 289	8500	
JTS Communities		179 -SE											
LINCOLN VILLAGE	SF	05/21/2005	96	60	5.28	60	5.28	36	314,990 - 350,990	1,186 - 1,425	246 - 267	2100	
Beazer Homes		179 -SE											
MONTE VISTA	SF	06/25/2005	174	59	5.78	59	5.78	115	417,490 - 512,490	1,857 - 3,072	167 - 225	5250	
Centex Homes		179 -SE											
GRANDMERE STATION	SF	04/01/2005	108	54	4.50	54	4.15	54	451,990 - 498,990	2,711 - 3,128	159 - 167	6500	
Pulte Homes		179 -SE											
QUAIL CREEK	SF	06/25/2005	116	53	5.20	53	5.20	63	406,490 - 475,490	1,752 - 2,725	174 - 232	5775	
Centex Homes		179 -SE											
LEXINGTON	SF	08/02/2005	178	50	5.58	50	5.58	128	411,000 - 496,297	1,695 - 2,570	193 - 242	5500	
D.R. Horton		217 -EO											
SIERRA VIEW	CO	08/13/2005	60	49	5.69	49	5.69	11	269,990 - 334,990	1,239 - 1,746	192 - 218	0	
D.R. Horton		217 -EO											
AUGUSTUS AT LINCOLN CROSSING	SF	07/15/2005	122	46	4.82	46	4.82	76	450,990 - 508,990	2,065 - 2,875	177 - 218	6000	
D.R. Horton		217 -EO											
CLAREMONT	SF	06/01/2005	79	44	4.00	44	4.00	35	491,490 - 621,990	2,498 - 3,913	159 - 197	7000	
Centex Homes		179 -SE											
GLENVEAGH COTTAGES	SF	12/03/2004	105	44	3.67	95	5.61	10	379,990 - 449,990	1,625 - 2,108	213 - 234	5700	
Pulte Homes		200 -SE											
GLENVEAGH MANORS	SF	12/03/2004	106	42	3.50	95	5.61	11	534,990 - 628,990	2,489 - 3,605	174 - 215	8000	
Pulte Homes		200 -SE											
ESTATES AT FOSKETT RANCH	SF	02/07/2005	89	39	3.25	76	5.14	13	508,400 - 638,400	2,338 - 4,352	147 - 217	7500	
Meritage Homes		179 -SE											

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WILD OAK	SF	01/31/2004	165	37	3.37	165	6.35	0	490,490 - 616,990	2,498 - 3,913	158 - 196	7000	
Centex Homes		179 -SE											
STONEBRIDGE	SF	04/23/2005	58	36	3.00	55	4.48	3	465,990 - 535,990	2,048 - 3,066	175 - 228	8500	
Beazer Homes		179 -SE											
TRADITIONS	SF	03/13/2004	130	33	2.75	128	5.00	2	510,780 - 759,842	2,126 - 3,717	204 - 251	7800	
Morrison Homes, LLC		179 -SE											
COURTYARDS (THE)	SF	01/07/2006	134	33	8.67	33	8.67	101	345,690 - 376,690	1,809 - 2,142	174 - 191	2800	
Morrison Homes, LLC		179 -SE											
EQUINOX AT LINCOLN CROSSING	SF	08/06/2005	124	29	3.28	29	3.28	95	311,990 - 329,990	1,331 - 1,464	225 - 241	2400	
John Laing Homes		217 -SE											
SKY RANCH	SF	10/08/2005	115	27	3.99	27	3.99	88	399,490 - 479,490	1,776 - 2,775	173 - 225	5200	
Centex Homes		179 -SE											
WOODBURY GLEN AT FOSKETT RANCH	SF	06/18/2005	137	27	2.59	27	2.59	110	461,850 - 541,000	2,366 - 3,566	152 - 195	6500	
Standard Pacific Homes		179 -SE											
MERIDIAN AT LINCOLN CROSSING	SF	08/06/2005	133	24	2.72	24	2.72	109	340,990 - 385,990	1,583 - 2,187	176 - 215	3500	
John Laing Homes		217 -EO											
RED HAWK	SF	01/07/2006	93	22	5.78	22	5.78	71	383,990 - 460,990	1,776 - 2,775	166 - 216	5500	
Centex Homes		179 -SE											
LEGENDS AT LINCOLN CROSSING	SF	01/14/2006	66	21	5.86	21	5.86	45	434,990 - 584,990	2,222 - 3,969	147 - 196	7000	
U.S. Home Corporation		179 -SE											
BELMONT	SF	01/07/2006	120	18	4.73	18	4.73	102	525,490 - 666,490	2,827 - 4,731	141 - 186	6825	
Centex Homes		179 -SE											
VINTAGE AT FOSKETT RANCH	SF	02/07/2005	97	18	1.50	63	4.26	34	479,000 - 542,000	2,107 - 3,204	169 - 227	7500	
Meritage Homes		179 -SE											
GLENVEAGH TERRACES	SF	12/03/2004	100	16	1.33	86	5.08	14	467,990 - 551,990	2,042 - 3,256	170 - 229	7000	
Pulte Homes		200 -SE											
MONTICELLO	SF	01/31/2004	93	16	1.34	93	3.44	0	931,990 - 1,349,990	3,003 - 4,012	232 - 450	15000	
Centex Homes		200 -SE											
HAWKS LANDING	SF	12/03/2005	93	16	3.24	18	3.65	75	435,990 - 517,990	1,995 - 3,144	165 - 219	6500	
Centex Homes		179 -SE											
LEGACY AT LINCOLN CROSSING	SF	01/14/2006	96	15	4.19	15	4.19	81	380,990 - 460,990	1,747 - 2,798	165 - 218	5500	
U.S. Home Corporation		179 -SE											
CAMPAGNA	SF	01/02/2005	55	12	1.00	40	2.51	15	840,838 - 1,199,267	3,285 - 5,208	185 - 256	15000	
Richmond American Homes		180 -SE											
CARRIAGE PARK AT LINCOLN CROSSING	SF	11/12/2005	138	9	1.60	9	1.60	129	464,950 - 564,950	2,176 - 3,179	178 - 214	7500	
Renaissance Homes		179 -SE											
MIRASOL AT TWELVE BRIDGES	SF	03/11/2006	142	8	4.77	8	4.77	134	499,990 - 579,990	2,195 - 3,233	179 - 228	6300	
D.R. Horton		200 -SE											
MEADOWOOD AT LINCOLN CROSSING	SF	09/15/2003	328	6	0.50	328	10.40	0	377,000 - 540,000	1,842 - 2,943	183 - 205	6500	
KB Home		179 -SE											
LEGENDS AT TWELVE BRIDGES	SF	02/14/2004	73	5	0.46	73	4.17	0	496,800 - 699,000	2,260 - 3,440	158 - 282	7500	PCO'd 11/05
Parkland Homes		200 -SE											

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DESTINATIONS	SF	03/20/2004	94	4	0.36	94	4.62	0	402,990 - 584,410	1,916 - 3,199	166 - 239	6500	PCO'd 12/05
Morrison Homes, LLC		179 -SE											
VERDERA AT TWELVE BRIDGES	SF	11/20/2003	124	4	0.40	124	4.54	0	697,490 - 1,888,990	2,650 - 5,600	163 - 533	13000	
JTS Communities		180 -SE											
RICHMOND AMERICAN AT TWELVE BRIDGES	SF	05/01/2002	142	3	0.27	142	3.55	0	586,110 - 643,830	1,990 - 3,025	207 - 295	6500	PCO'd 09/05
Richmond American Homes		199 -SE											
KINSLEY HILL	SF	04/08/2006	52	3	3.91	3	3.91	49	535,990 - 650,990	2,553 - 4,303	151 - 210	8000	
Richmond American Homes		200 -SE											
PRIVE AT TWELVE BRIDGES	SF	03/25/2006	97	3	2.45	3	2.45	94	606,990 - 698,990	2,500 - 3,805	184 - 243	12000	
Parkland Homes		200 -SE											
CITRUS GROVE AT SORRENTO	SF	02/13/2006	102	2	0.78	2	0.78	100	452,990 - 567,990	2,077 - 3,383	168 - 218	7000	
Signature Properties		179 -SE											
PONTICELLI	SF	01/17/2004	73	1	0.09	73	3.57	0	602,565 - 650,990	1,900 - 3,025	200 - 343	6500	PCO'd 10/05
Richmond American Homes		199 -SE											
HIDDEN SPRINGS AT LINCOLN CROSSING	SF	12/06/2003	113	0	0.00	113	7.15	0	422,990 - 504,990	1,995 - 3,144	161 - 212	6400	PCO'd 06/05
Centex Homes		179 -SE											
PALOMA AT FOSKETT RANCH	TH	03/05/2006	113	0	0.00	0	0.00	113	280,990 - 320,990	1,151 - 1,751	183 - 244	6400	
D.R. Horton		179 -SE											
Lincoln			11483	1582	4.00	9290	11.77	2193	150,600 - 1,888,990	901 - 5,600	134 - 533		
Loomis													
LEGACY LANE	SF	09/11/2004	54	3	0.33	54	3.25	0	699,604 - 955,900	2,521 - 3,553	197 - 288	12000	PCO'd 03/06
Christopherson Homes, Inc.		201 -SE											
Loomis			54	3	0.33	54	3.25	0	699,604 - 955,900	2,521 - 3,553	197 - 288		
Meadow Vista													
SUMMIT COLLECTION	SF	03/11/2006	24	1	0.60	1	0.60	23	2,283,313 - 2,751,006	3,100 - 3,700	719 - 756	22000	
Myers Homes													
Meadow Vista			24	1	0.60	1	0.60	23	2,283,313 - 2,751,006	3,100 - 3,700	719 - 756		
Northstar													
VILLAGE AT NORTHSTAR (THE)	CO	04/12/2004	213	35	2.92	190	7.71	23	699,900 - 2,995,000	468 - 2,329	1,037 - 1,741	22000	
East West Partners													
Northstar			213	35	2.92	190	7.71	23	699,900 - 2,995,000	468 - 2,329	1,037 - 1,741		
Olympic Valley													
RESORT AT SQUAW CREEK	CO	03/18/2005	238	57	4.75	219	16.28	19	287,900 - 750,000	401 - 1,025	709 - 1,036	22000	
Lowe Enterprises		139 -EO											
Olympic Valley			238	57	4.75	219	16.28	19	287,900 - 750,000	401 - 1,025	709 - 1,036		

hanley wood
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Rocklin													
HEARTHSTONE CONDOS D.R. Horton	CO	08/31/2005 239 -EO	70	36	4.48	36	4.48	34	195,136 - 280,990	816 - 1,312	214 - 239	22000	
HIDDEN CREEK Regis Homes	SF	06/01/2005 220 -SE	47	29	2.64	29	2.64	18	405,000 - 455,000	1,110 - 1,820	250 - 365	3500	
CARSTON CROSSING Grupe Company	SF	02/25/2006 200 -SE	144	22	10.27	22	10.27	122	475,990 - 525,990	2,168 - 2,755	191 - 220	6000	
CLAREMONT Signature Properties	SF	02/14/2005 200 -SE	109	21	1.75	51	3.51	58	678,880 - 733,990	2,664 - 3,998	184 - 255	7000	
HEARTHSTONE TOWNHOMES D.R. Horton	TH	08/24/2005 239 -SE	23	16	1.94	16	1.94	7	284,649 - 284,649	1,195 - 1,195	238 - 238	7000	
SHADY LANE William Lyon Homes	SF	11/19/2005 199 -SE	96	11	2.04	11	2.04	85	437,990 - 463,970	2,183 - 2,399	189 - 201	5000	
LARIAT RIDGE Standard Pacific Homes	SF	01/14/2006 199 -SE	153	10	2.79	10	2.79	143	554,767 - 608,170	2,548 - 3,096	194 - 218	7000	
TERRACES AT STANFORD RANCH Rocklin Partners LLC	TH	03/01/2006 220 -SE	132	8	4.00	8	4.00	124	348,990 - 377,990	1,519 - 1,838	206 - 236	2500	
BLACK OAK Centex Homes	SF	01/28/2006 199 -SE	78	7	2.24	7	2.24	71	764,990 - 869,990	3,555 - 4,990	174 - 215	12000	
CASPIAN RUN Standard Pacific Homes	SF	01/14/2006 199 -SE	92	6	1.68	6	1.68	86	649,370 - 695,000	3,332 - 3,750	185 - 195	8500	
SIERRA VALLEY OAKS D.R. Horton	SF	01/31/2004 220 -SE	71	6	0.55	71	3.94	0	540,000 - 609,940	2,190 - 3,325	180 - 255	8000	PCO'd 08/05
ATLANTIS Avant Garde Development LLC	TH	09/19/2005 220 -SE	252	5	0.68	5	0.68	247	350,950 - 390,950	1,423 - 1,724	227 - 247	8000	
TWIN OAKS William Lyon Homes	SF	02/06/2006 200 -SE	92	5	1.77	5	1.77	87	632,990 - 664,490	3,469 - 3,888	171 - 182	8500	
SIERRA SKY Shea Homes	SF	02/22/2006 200 -SE	134	4	1.78	4	1.78	130	612,900 - 641,900	3,023 - 3,289	192 - 203	7500	
REMINGTON Standard Pacific Homes	SF	12/03/2005 -SE	59	4	0.81	7	1.42	52	730,921 - 790,049	3,875 - 4,504	171 - 189	11000	
WISTERIA Christopherson Homes, Inc.	SF	03/04/2006 199 -SE	60	3	1.58	3	1.58	57	696,473 - 763,349	3,828 - 4,401	173 - 182	9500	
ROCKRIDGE John Laing Homes	SF	11/15/2003 200 -SE	99	0	0.00	99	6.00	0	384,990 - 441,990	1,703 - 2,288	193 - 226	0	PCO'd 06/05
BARRINGTON HILLS Snyder Development	SF	08/10/2002 220 -SE	62	0	0.00	53	1.19	9	529,990 - 1,135,000	3,151 - 3,714	162 - 306	17000	
SEASONS (THE) AT WHITNEY OAKS Standard Pacific Homes	SF	02/06/2003 200 -SE	89	0	0.00	89	3.45	0	810,000 - 870,000	2,612 - 3,758	232 - 310	8000	PCO'd 06/05
Rocklin			1862	193	1.56	532	2.86	1330	195,136 - 1,135,000	816 - 4,990	162 - 365		

Roseville

hanley wood
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VILLAGES OF THE GALLERIA Colrich Communities	CO	04/03/2005 219 -SE	400	124	10.33	139	10.75	261	171,990 - 297,990	615 - 2,000	149 - 288	8000	
LONG MEADOW AT CROCKER RANCH JMC Homes	SF	08/26/2005 238 -EO	400	77	9.40	77	9.40	323	359,990 - 454,990	1,053 - 1,947	234 - 356	3300	
STRADA John Laing Homes	SF	08/21/2004 219 -SE	242	64	5.33	177	8.70	65	337,900 - 369,990	1,271 - 1,464	253 - 266	3300	
CAMPANIA John Laing Homes	CO	10/07/2004 219 -SE	166	47	3.92	125	6.65	41	303,990 - 378,990	1,050 - 1,681	225 - 290	3300	
LEGACY AT DOYLE RANCH Pulte Homes	SF	06/26/2004 238 -SE	126	45	3.75	122	5.50	4	502,990 - 687,990	2,486 - 4,284	161 - 202	12000	
VILLAS (THE) Brenson Communities	CO	08/13/2004 219 -SE	200	44	3.67	200	9.70	0	231,500 - 322,900	758 - 1,261	256 - 305	12000	
VISTA OAKS Parkland Homes	SF	05/07/2005 220 -SE	42	38	3.22	38	3.22	4	665,275 - 801,081	2,412 - 3,440	233 - 276	8000	
BRIARWOOD AT STONERIDGE Elliott Homes, Inc.	SF	01/19/2002 220 -SE	230	36	3.00	197	3.83	33	582,950 - 799,950	2,020 - 3,705	207 - 290	12000	
CANYON VIEW AT STONERIDGE Elliott Homes, Inc.	SF	07/28/2001 220 -SE	482	30	2.50	446	7.81	36	535,950 - 759,950	1,916 - 3,590	175 - 288	7000	
PHONECIAN (THE) Granite Bay Holding Co.	CO	08/01/2004 220 -SE	322	24	2.00	134	6.38	188	234,000 - 343,000	751 - 1,142	293 - 329	7000	
SEVILLA JMC Homes	SF	06/14/2003 219 -SE	177	23	1.92	157	4.54	20	259,990 - 602,990	1,265 - 2,587	165 - 300	5000	
MORGAN GREENS JMC Homes	SF	09/20/2003 239 -SE	117	23	1.92	91	2.90	26	609,990 - 849,990	2,512 - 4,150	194 - 243	12000	
RIVIERA JMC Homes	SF	07/23/2003 219 -SE	110	21	1.75	94	2.82	16	519,990 - 649,990	1,756 - 2,790	233 - 296	6000	
CENTRO VITA Parkland Homes	SF	11/13/2004 220 -SE	56	17	1.42	49	2.78	7	483,265 - 557,773	2,140 - 2,846	181 - 227	5000	
VILLEMONT Tim Lewis Communities	SF	01/14/2006 219 -SE	246	16	4.47	16	4.47	230	322,170 - 380,300	1,142 - 1,639	232 - 282	5000	
CLUB AT WESTPARK (THE) Del Webb	SF	04/05/2006 219 -SE	704	14	16.15	14	16.15	690	414,990 - 591,990	1,645 - 2,815	210 - 252	5500	
CASA BELLA JMC Homes	SF	11/22/2003 219 -SE	209	14	1.17	71	2.42	138	569,990 - 721,990	2,232 - 3,540	204 - 255	7000	
ESTATES AT MORGAN CREEK JMC Homes	SF	09/26/2003 239 -SE	94	13	1.08	50	1.60	44	879,990 - 1,189,990	3,055 - 4,489	254 - 288	21780	
WILLOW CREEK Standard Pacific Homes	SF	02/25/2006 239 -SE	76	12	5.60	12	5.60	64	615,000 - 734,000	3,077 - 4,194	175 - 200	15000	
LEGACY AT JUNCTION D.R. Horton	SF	04/01/2006 219 -SE	71	11	11.00	11	11.00	60	300,900 - 395,990	1,427 - 10,500	29 - 245	3500	
PARKSIDE ESTATES JMC Homes	SF	06/25/2005 219 -SE	35	11	1.08	11	1.08	24	579,990 - 649,990	3,031 - 3,525	184 - 194	6500	

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CORRENTE Syncon Homes	SF	06/28/2003 219 -SE	130	10	0.91	130	4.47	0	451,990 - 724,990	1,625 - 3,175	170 - 324	7000	PCO'd 12/05
ALTESSA AT WOODCREEK Tim Lewis Communities	SF	02/11/2006 219 -SE	85	10	3.78	10	3.78	75	399,900 - 483,900	1,518 - 2,447	198 - 263	4600	
SUN VALLEY OAKS K. Hovnanian Homes	SF	05/01/2003 239 -SE	75	9	0.82	75	2.68	0	572,990 - 703,990	2,350 - 3,779	186 - 244	22000	PCO'd 11/05
VIANZA JMC Homes	SF	04/16/2004	72	9	0.75	48	1.96	24	799,990 - 879,990	2,705 - 3,830	230 - 296	1000	
WATERSTONE Lakemont Homes	SF	08/01/2004 239 -SE	82	9	0.75	52	2.48	30	720,900 - 994,900	2,462 - 4,651	214 - 293	20000	
AMBERLY PLACE/VILLAGE 7 Pulte Homes	SF	04/01/2006 219 -SE	111	5	5.00	5	5.00	106	501,000 - 635,000	2,194 - 3,315	192 - 228	5506	
PINEHURST William Lyon Homes	SF	03/15/2003 239 -SE	117	4	0.36	117	4.10	0	950,366 - 1,301,876	2,993 - 4,588	284 - 318	12000	PCO'd 11/05
AMBERLY PLACE/VILLAGE 3 Pulte Homes	SF	04/01/2006 219 -SE	102	3	3.00	3	3.00	99	465,000 - 545,000	1,919 - 2,616	208 - 242	5500	
VILLAS ON THE GREEN Lakemont Homes	SF	05/06/2003 239 -SE	64	1	0.09	64	2.08	0	601,223 - 697,183	2,654 - 3,128	217 - 242	5500	PCO'd 12/05
PREMIER OAKS Premier Homes	SF	08/11/2004 220 -SE	49	1	0.09	49	4.60	0	449,990 - 564,935	1,787 - 3,322	170 - 252	6800	PCO'd 02/06
DIAMOND WOODS VINTAGE SERIES Meritage Homes	SF	07/23/2003 219 -SE	135	0	0.00	135	7.01	0	488,900 - 551,900	2,107 - 3,120	177 - 232	7400	PCO'd 06/05
DIAMOND WOODS ESTATES SERIES Meritage Homes	SF	07/23/2003 219 -SE	118	0	0.00	118	6.13	0	521,990 - 628,990	2,396 - 4,218	149 - 218	8500	PCO'd 08/05
ORCHARDS AT FIDDYMENT FARM Morrison Homes, LLC	SF	04/11/2006 219 -SE	83	0	0.00	0	0.00	83	547,990 - 654,990	2,156 - 3,446	189 - 254	7569	
Roseville			5728	765	2.45	3037	4.63	2691	171,990 - 1,301,876	615 - 10,500	29 - 356		
Placer			19711	2667	3.01	13432	7.45	6279	150,600 - 2,995,000	401 - 10,500	29 - 1,741		

PROJECT SUMMARY ANALYSIS – SINGLE FAMILY RESIDENTIAL - DETACHED - <4,000 SF

MARKET: PLACER COUNTY; SUBMARKETS: ROSEVILLE, ROCKLIN AND LINCOLN

PERIOD: May-05 to April-06

	PROJECT NAME	BUILDER	CITY/LOCATION	TYPICAL LOT SIZE (SQ. FT.)	PROJECT OPEN DATE	TOTAL UNITS PLANNED	PTD (PROJECT TO-DATE) TOTAL SALES	UNSOLD UNITS	UNSOLD %	PTD MONTHLY SALES RATE	MAY/05-APR/06 TOTAL SALES	MAY/05-APR/06 MONTHLY SALES RATE	BASE PRICE RANGE1	BASE PRICE RANGE2	FININSHED SQ. FT. RANGE1	FININSHED SQ. FT. RANGE2	COST PER SQ.FT. RANGE1	COST PER SQ.FT. RANGE2
1.	LINCOLN VILLAGE	Beazer Homes	LINCOLN	2,100	05/21/2005	96	60	36	37.5%	5	60	5	$314,990	$350,990	1,186	1,425	$246	$267
2.	MERIDIAN AT LINCOLN CROSSING	John Laing Homes	LINCOLN	2,400	08/06/2005	133	24	109	82.0%	3	24	3	$340,990	$385,990	1,583	2,187	$176	$215
3.	EQUINOX AT LINCOLN CROSSING	John Laing Homes	LINCOLN	2,400	08/06/2005	124	29	95	76.6%	3	29	3	$311,990	$329,990	1,331	1,464	$225	$241
4.	THE COURTYARDS	Morrison Homes	LINCOLN	2,800	01/07/2006	134	33	101	75.4%	9	33	9	$345,690	$376,690	1,809	2,142	$174	$191
5.	HIDDEN CREEK	Regis Homes	ROCKLIN	3,500	06/01/2005	47	29	18	38.3%	3	29	3	$405,000	$455,000	1,110	1,820	$250	$365
6.	LEGACY AT JUNCTION	D.R. Horton	ROSEVILLE	3,500	04/01/2006	71	11	60	84.5%	11	11	11	$300,900	$395,990	1,427	1,850	$214	$245
7.	LONG MEADOW AT CROCKER RANCH	JMC Homes	ROSEVILLE	3,300	08/26/2005	400	77	323	80.8%	9	77	9	$359,990	$454,990	1,053	1,947	$234	$356
8.	STRADA	John Laing Homes	ROSEVILLE	3,300	08/21/2004	242	177	65	26.9%	9	64	5	$337,900	$369,990	1,271	1,464	$253	$266
	TOTALS					**1247**	**440**	**807**		**52**	**327**	**48**						
	AVERAGES			**2,913**		**156**	**55**	**101**	**63%**	**6**	**41**	**6**	**$339,681**	**$389,954**	**1,346**	**1,787**	**$222**	**$268**

SUMMARY:	
AVERAGE PER PROJECT	**156**
MEDIAN	**129**
MIN	**47**
MAX	**400**

SUMMARY:	
AVERAGE PER PROJECT	**6**
MEDIAN	**5**
MIN	**3**
MAX	**11**
ROSEVILLE PROJECTS AVERAGE	**9**
PROJECTED ANNUAL SALES PER 3 PROJECTS	**217**
PROJECTED ANNUAL SALES - ALL SUBJECT MDR UNITS	**217**
PROJECTED QUARTERLY SALES - ALL SUBJECT MDR UNITS	**54**
PROJECTED NUMBER OF QUARTERS TO ABSORB ALL SUBJECT MDR UNITS (BASED ON 297 UNITS)	**5.5**

ADDENDUM E

APPRAISER'S QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS OF CYDNEY G. BENDER REENTS, MAI (Principal, Bender Rosenthal, Inc.)

Cydney G. Bender-Reents, 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 President 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, Past President of 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
Past President, Commercial Real Estate Women, Sacramento,
International Right-of-Way Association

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

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

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Fiscal Agent Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement dated as of September 1, 2006, by and between the City and the Fiscal Agent, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds including any mandatory sinking fund payments due in such Bond Year.

"Authorized Officer" means the City Administrative Services Director, Finance Director, City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2007.

"Bonds" means the District's Special Tax Bonds, Series 2006 authorized to be issued under at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of Setpember 1, 2006, by and among the City and Goodwin Consulting Group, Inc., in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Debt Service Account" means the account of the Special Tax Fund by that name established under the Fiscal Agent Agreement.

"District" means the City of Roseville Stone Point Community Facilities District No. 1 (Public Facilities) formed pursuant to the Resolution of Formation.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from September 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Mergent/FIS, Inc., 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 2007.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for

which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or *"Bondowner"* means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus an undivided profits of such bank shall be not less than $100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 06-432, adopted by the City Council of the City on August 16, 2004, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 06-438, adopted by the City Council of the City on August 16, 2006, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Administrative Services Director of the City.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Stone Point Community Facilities District No. 1 Special Tax Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Stone Point Community Facilities District No. 1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Administrative Services Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Administrative Services Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Stone Point Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Administrative Services Director.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

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

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Administrative Services Director, the Stone Point Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held in trust by the Administrative Services Director and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Administrative Services Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained by the Administrative Services Director in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the Administrative Services Director shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Stone Point Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Administrative Services Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Administrative Services Director for payment from amounts on deposit in the Special Tax Fund.

Certain Covenants of the City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Administrative Services Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Administrative Services Director shall in no way affect the obligations of the Treasurer or Administrative Services Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Administrative Services Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Administrative Services Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

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

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal

Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Administrative Services Director in writing of the amount of the shortfall and the Administrative Services Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent has be made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

<u>Execution of Documents and Proof of Ownership by Owners</u>. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

<u>Waiver of Personal Liability</u>. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE AND PLACER COUNTY

The District is located in the City of Roseville in Southwestern Placer County. The financial and economic data for the City are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

Financial and economic data for the City of Roseville are presented in this Appendix for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation secured solely by the funds held under the Indenture.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 102,191 at January 1, 2005, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Roseville Telephone Company are concentrated in the north Roseville area.

Municipal Government

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

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

Population

The following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years.

PLACER COUNTY
Population Estimates
2002 through 2006

Year	City of Roseville	Placer County	State of California
2002	87,630	271,109	35,088,671
2003	93,502	283,942	35,691,472
2004	98,558	297,033	36,245,016
2005	103,185	308,431	36,728,196
2006	104,655	316,508	37,172,015

Source: California State Department of Finance.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which includes Sacramento, Placer, Yolo and El Dorado Counties) was 4.7 percent in July 2006. This compares with an unadjusted unemployment rate of 5.1 percent for California and 4.8 percent for the nation during the same period. The unemployment rate was 4.4 percent in El Dorado County, 4.0 percent in Placer County, 4.9 percent in Sacramento County, and 4.7 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Metropolitan Statistical Area (which is comprised of Sacramento, Placer, El Dorado and Yolo Counties) for the years 2001 through 2005.

Sacramento Metropolitan Statistical Area
(Sacramento, Placer, El Dorado and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2001	2002	2003	2004	2005
Wage and Salary Employment[1]					
Agriculture	8,100	7,900	7,500	7,400	7,100
Natural Resources and Mining	900	800	700	700	700
Construction	59,500	61,300	66,500	70,800	73,300
Manufacturing	49,800	47,000	46,300	47,300	49,000
Wholesale Trade	25,800	25,600	26,300	26,500	26,800
Retail Trade	91,600	92,700	94,900	96,700	98,700
Transportation, Warehousing and Utilities	23,300	22,400	21,900	22,900	23,500
Information	22,300	23,100	21,900	20,900	19,900
Finance and Insurance	38,700	41,300	44,800	45,400	47,000
Real Estate and Rental and Leasing	13,700	13,900	14,600	15,100	16,400
Professional and Business Services	99,300	96,100	95,800	98,400	102,600
Educational and Health Services	75,900	78,000	81,000	84,600	87,500
Leisure and Hospitality	72,200	75,200	77,300	79,900	82,200
Other Services	27,700	28,200	28,000	28,500	28,800
Federal Government	12,800	12,700	12,900	12,600	12,700
State Government	106,200	108,200	106,700	102,300	102,300
Local Government	99,100	105,900	106,600	106,800	109,000
Total, All Industries [3]	827,000	840,100	853,500	866,400	887,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not total due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table sets forth the largest employers in the City.

CITY OF ROSEVILLE
Major Employers
June 30, 2004

Employer Name	No. of Employees
Hewlett-Packard	3,803
Kaiser Permanente	3,000
Sutter Roseville Medical Center	1,800
Union Pacific Railroad	1,294
City of Roseville	1,046
Roseville Joint Union High School District	982
Pride Industries	800
NEC Electronics	725
SureWest Communications	683
State Farm Insurance	560

Source: City of Roseville.

The following table sets forth the largest employers in the County of Placer as of January 1, 2006.

COUNTY OF PLACER
Major Employers
January 2006

Employer Name	Location	Industry
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Resort	Alpine Meadows	Skiing Centers & Resorts
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Formica Corp	Rocklin	Plastics-High Pressure Laminates (Mfrs)
Future Ford	Roseville	Automobile Dealers-New Cars
Hewlett-Packard Co	Roseville	Computer Services
Home Depot	Roseville	Home Centers
J R Pierce Plumbing Co Inc	Rocklin	Plumbing Contractors
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Oracle Corp	Rocklin	Computer Software
Placer County Marshal	Auburn	Government Offices-County
Placer County Sheriff	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Public Works	Auburn	Grading Contractors
Resort At Squaw Creek	Olympic Valley	Resorts
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic
Sierra Wes Drywall Inc	Loomis	Dry Wall Contractors
Spa St Squaw Creek	Olympic Valley	Spas-Beauty & Day
Sutter Auburn Faith Hospice	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Thunder Valley Casino	Lincoln	Casinos
Underground Construction Co	Roseville	Pipe Line Contractors
United Natural Foods	Auburn	Health Food Products- Wholesale

Source: State of California Employment Development Department.

Construction

The following table shows residential and non-residential building permits issued, for calendar years 2001 through 2005.

City of Roseville
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2001	2002	2003	2004	2005
Permit Valuation					
New Single-family	$356,214.1	$526,365.7	$384,045.3	$251,956.9	$174,522.4
New Multi-family	61,1,001.6	78,999.5	42,747.2	7,863.7	17,304.5
Res. Alterations/Additions	2,455.9	2,649.5	2,374.4	3,781.0	3,043.1
Total Residential	420,600.6	608,014.8	429,166.9	263,601.6	194,870.0
New Commercial	50,213.0	105,953.3	91,323.3	88,982.1	69,756.3
New Industrial	6,214.0	2,922.5	3,883.9	13,600.2	5,975.0
New Other	11,554.4	22,969.7	23,697.7	25,404.3	23,301.6
Com. Alterations/Additions	40,608.4	34,272.8	37,062.9	43,987.8	52,473.8
Total Nonresidential	108,589.8	166,118.3	155,967.7	171,974.3	151,506.7
New Dwelling Units					
Single Family	1,456	2,300	1,467	1,015	826
Multiple Family	762	914	474	93	165
TOTAL	2,218	3,214	1,941	1,108	991

Source: Construction Industry Research Board, Building Permit Summary.

Residential Development. As of July 1, 2003, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 2,564 building permits, including building permits for 820 apartment units, were issued by the City's Building Division in Fiscal Year 2002-03. The highest monthly total was in April 2003 with 283 single family permits issued. All 820 apartment permits were issued in October 2002. The North Roseville Specific Plan Area is now the most active location for homebuilders in the City with well over 1,000 permits issued. The Stoneridge Specific Plan is seeing steady growth as well.

Commercial Development. The City's has over 9.8 million square feet of developed commercial space on 1,147 acres as of June 30, 2003. Developers built 895,869 square feet of commercial space in 2002-03. New development activity includes national retailers and grocers. Target opened its second store in Roseville and EXPO Design Center's opening was the third store in Roseville opened by the Home Depot chain. Safeway and Ralph's opened additional stores as well.

The City also has over 5.2 million square feet of developed office space as of June 30, 2003. Included are the Sutter Roseville Medical Center, Secret Ravine Medical/Dental Center and Sutter Roseville Medical Center Ambulatory.

Taxable Sales

During the first three quarters of calendar year 2005, reported total taxable sales in the City were reported to be $2,841,665,000 a 7.3% increase over total taxable transactions of $2,649,551,000 that were reported during the first three quarters of calendar year 2004. A summary of taxable transactions in the City is shown below. Annual figures for 2005 are not yet available.

City of Roseville
Taxable Transactions
Calendar Years 2000 through 2004
(Dollars in thousands)

	2000	2001	2002	2003	2004
Apparel stores	$67,603	$110,463	$118,936	$128,694	$158,633
General merchandise stores	306,446	370,924	418,267	467,494	561,058
Food stores	64,750	66,469	75,978	93,286	95,389
Eating and drinking places	140,862	177,347	195,011	214,558	235,917
Home furnishing and appliances.	59,436	82,000	96,700	108,737	136,822
Building material and farm implements	146,088	174,920	217,298	251,148	288,940
Auto dealers and auto supplies	879,626	938,034	1,026,213	1,125,482	1,201,552
Service stations	84,345	90,944	89,200	114,336	130,953
Other retail stores	273,708	341,119	376,465	412,610	446,106
Retail Stores Totals	2,022,864	2,352,220	2,614,068	2,916,345	3,255,370
All Other Outlets	372,430	404,367	374,189	372,114	405,061
TOTAL ALL OUTLETS	$2,395,294	$2,756,587	$2,988,257	$3,288,459	$3,660,431
TOTAL NUMBER OF PERMITS	2,637	2,967	3,348	3,909	4,307

Source: California State Board of Equalization.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

_______________, 2006

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: <u>$5,310,000 City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) Special Tax Bonds Series 2006</u>

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of $5,310,000 City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) Special Tax Bonds Series 2006 (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 September 1, 2006 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Stone Point Community Facilities District and The Bank of New York Trust Company, N.A.. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

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 September 19, 2006, is by and between the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and MuniFinancial, Temecula, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to a Fiscal Agent Agreement dated as of September 1, 2006 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent, the City has issued its City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) Special Tax Bonds Series 2006 (the "Bonds"), in the aggregate principal amount of $5,310,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 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 MuniFinancial, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated September 7, 2006, 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, 2006 (for the report due January 15, 2007), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and

(ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

(d) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(i) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The following information:

1. Principal amount of all outstanding bonds of the District.

2. Balance in the improvement fund or construction account.

3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.

4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.

5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.

7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

8. Most recently available total assessed value of all parcels subject to the special tax or assessment.

9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

(b) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE STONE POINT COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for

Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or by written direction cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Bond holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Bond holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and 5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Indenture.

(d) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attn: CFD Administrator
To the Dissemination Agent:	MuniFinancial 27368 Via Industria, Suite 110 Temecula, California 92590

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities)

By: ______________________________
Authorized Officer

MUNIFINANCIAL,
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:	$5,310,000 City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) Special Tax Bonds Series 2006
Date of Issuance:	_____________, 2006

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of September 1, 2006 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by ____________.

Dated: _______________

_______________,
as Dissemination Agent

By: ______________________________
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE AGREEMENT
(Developer)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of September 19, 2006, is by and between ________________________ (the "Developer") and MuniFinancial, Temecula, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement dated as of September 1, 2006 (the "Fiscal Agent Agreement"), by and between The Bank of New York Trust Company, N.A., in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Stone Point Community Facilities District No. 5 (Public Facilities) Special Tax Bonds Series 2006 (the "Bonds"), in the aggregate principal amount of $5,310,000; 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;

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 MuniFinancial, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Roseville, Placer County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated, September 7, 2006, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds.

"Project" shall mean the proposed subdivision within the District, as described in the Official Statement.

"Repository" shall mean each National Repository and each State Repository.

"State" shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The Developer shall, not later than April 1st of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2007 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) notify the Developer of the final date for providing the Annual Report at least 30 days before such final date; and

(iii) to the extent the Annual Report has been furnished to it, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" and the status of completion of the Improvements (as defined in the Official Statement).

(b) A general description of the development status of the parcels within the District.

(c) A summary of property within the District sold by the Developer since the date of the Official Statement.

(d) A description of any change in the legal structure of the Developer which is material to Bond investors.

(e) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(g) Any failure by the Developer to pay when due general property taxes, assessments or special taxes with respect to its property in the District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(i) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

(iv) Initiation of Dissemination bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of an event described in section (a), the Developer shall as soon as possible determine if such event would be material to Bond investors under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the manner set forth under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a material event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a material event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a material event.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer:

To the Dissemination Agent: MuniFinancial
27368 Via Industria, Suite 110
Temecula, California 92590

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 same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

____

By: ____________________________

Its: ____________________________

MUNIFINANCIAL,
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: $5,310,000 City of Roseville, Stone Point Community Facilities District No. 5 (Public Facilities), Special Tax Bonds, Series 2006

Date of Issuance: ____________, 2006

NOTICE IS HEREBY GIVEN that Roseville ________________________ (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____________.

Dated: _______________

____
on behalf of the Dissemination Agent

By: ________________________________

Its: ________________________________

cc: Developer

APPENDIX G

THE BOOK ENTRY SYSTEM

Book-Entry System

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

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

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

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

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

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

Discontinuance of Book-Entry System

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