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.

$57,905,000
CITY OF ROSEVILLE
WESTPARK COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2005

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 Westpark Community Facilities District No. 1 (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 August 1, 2005 (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 March 1, 2006, 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 subject to the Special Tax comprises approximately 930 net acres northwest of the center of the City planned for 4,260 single and multi-family units and, to a lesser extent, commercial, business/professional and industrial uses. The land is currently undeveloped and 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
(See Inside Front Cover)

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 August 24, 2005 in New York, New York.

PiperJaffray. STONE & YOUNGBERG LLC

The date of this Official Statement is August 10, 2005

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† (777870)
2007	$170,000	3.200%	100.000%	MY9	2013	$ 595,000	4.350%	4.500%	NE2
2008	230,000	3.500	100.000	MZ6	2014	685,000	4.500	4.650	NF9
2009	295,000	3.900	3.950	NA0	2017	985,000	5.250	4.900	NJ1
2010	365,000	4.100	100.000	NB8	2018	1,105,000	5.250	4.950	NK8
2011	435,000	4.200	4.250	NC6	2019	1,230,000	5.250	5.000	NL6
2012	515,000	4.300	4.400	ND4	2020	1,365,000	5.000	5.050	NM4

$1,000,000 5.000% Term Bond Due September 1, 2016 Price: 101.575% c CUSIP: 777870N H5
$655,000 4.625% Term Bond Due September 1, 2016 Price: 98.514% CUSIP: 777870P E0
$9,120,000 5.250% Term Bond Due September 1, 2025 Price: 101.164% c CUSIP: 777870P S1
$13,900,000 5.150% Term Bond Due September 1, 2030 Price: 99.303% CUSIP: 777870N X0
$25,255,000 5.200% Term Bond Due September 1, 2036 Price: 99.693% CUSIP: 777870N D2

CITY OF ROSEVILLE, CALIFORNIA

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

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

SPECIAL SERVICES

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

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

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

Appraiser
Seevers Jordan Ziegenmeyer
Rocklin, California

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 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

$57,905,000
CITY OF ROSEVILLE
WESTPARK COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2005

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 Westpark Community Facilities District No. 1 (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 August 1, 2005 (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. 04-443 and Resolution No. 05-366 (together, the "**Resolution**") adopted on September 15, 2004 and July 20, 2005 respectively, by the City Council of the City (the "**City Council**") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. The Bonds represent the first series of a total of $80,000,000 of bonds authorized by the District.

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, 2006. 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 and Additional Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the **"Improvements,"** as described herein). The Improvements consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District, as well as park and open space improvements. Construction of the improvements by the Developer (described herein) commenced in Spring 2005. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds and by Additional Bonds expected to be issued in the future, 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, 2006 and to pay cost of the 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 $80 million; the Bonds are the first series of bonds being issued by the District and additional bonds are expected to be issued in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds."

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 land in the District is located in the northwestern portion of the City within the City's West Roseville Specific Plan (**"WRSP"**). The land in the District is also known locally as "Westpark." The District comprises approximately 930 net acres planned for 3,490 single-family homes and 770 multi-family homes in 27 villages, as well as some commercial and industrial uses. Initial homebuilding activity is expected to begin in late 2005. All of the land in the District is currently owned by PL Roseville, LLC (the **"Developer"**), an entity comprised of entities controlled by the homebuilders Pulte Home Corporation, Centex Homes and Lennar Homes. The property was recently acquired from 1600 Placer Investors, L.P., an unaffiliated entity that master planned the area for development. The three member entities of the Developer are homebuilders and intend to independently develop homes in the District. Land in the District also includes land planned for open space and public parks and not subject to the Special Tax.

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 $424,550,000, as of May 2, 2005. The valuation assumes completion of the Improvements funded by the Bonds (but not any Additional 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 complete. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The appraised bulk sale valuation of property in the District is 7.3 times the $57,905,000 aggregate principal amount of the Bonds. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT."

Risks of Investment. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 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. 04-443 adopted by the City Council on September 15, 2004 and Resolution No. 05-366 adopted by the City Council on July 20, 2005, and the Act.

On September 15, 2004, the City Council adopted Resolution No. 04-439 (the **"Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $80,000,000 at a special election in the District held on the same day. The Bonds are the first series to be issued under the authorization; additional bonds are expected to be issued as development in the District proceeds. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of 1600 Placer Investors, L.P. and a then-pending seller of land to such entity (who were then the only eligible landowners/voters in the District), who cast one vote for each gross acre or portion of an acre of land owned within the District. The landowners voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds" below.

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, 2006. 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
Interest Payment Dates prior to September 1, 2013	103%
September 1, 2013 and March 1, 2014	102
September 1, 2014 and March 1, 2015	101
September 1, 2015 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, 2016 (there are two Term Bonds with such maturity date), September 1, 2025, September 1, 2030, September 1, 2036 are subject to mandatory sinking payment redemption in part on September 1, 2015 (as to both Term Bonds a September 1, 2016 maturity date) September 1, 2021, September 1, 2026, and September 1, 2031, respectively, and on each September 1 thereafter to maturity, by lot, 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 2016 (5.00% interest rate)

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2015	$470,000
2016	530,000

Term Bonds of 2016 (4.625% interest rate)

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2015	$305,000
2016	350,000

Term Bonds of 2025

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2021	$1,500,000
2022	1,655,000
2023	1,815,000
2024	1,985,000
2025 (maturity)	2,165,000

Term Bonds of 2030

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2026	$2,355,000
2027	2,555,000
2028	2,765,000
2029	2,995,000
2030 (maturity)	3,230,000

Term Bonds of 2036

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2031	$3,485,000
2032	3,750,000
2033	4,035,000
2034	4,335,000
2035	4,655,000
2036 (maturity)	4,995,000

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	$57,905,000.00
Less Original Issue Discount	(10,721.75)
Total	$57,894,278.25
Estimated Uses of Funds:	
Deposit to Improvement Fund	$48,135,105.00
Deposit to Reserve Fund	5,077,513.79
Deposit to Bond Fund (1)	3,025,544.18
Costs of Issuance (2)	1,656,115.28
Total	$57,894,278.25

(1) Represents an amount, when combined with interest earnings, is scheduled to provide for interest to September 1, 2006.
(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 authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the annual Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Tax Delinquencies" herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

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

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

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

(ii) administrative expenses and County fees;

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

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

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

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

Annual Special Tax Levy. The Special Tax will be levied each year by calculating the Special Tax Requirement which needs to be generated by all Taxable Property in the District; the

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

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

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

Levy of Annual Special Tax; Maximum Special Tax

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds and Additional Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of pay-as-you-go expenditures (to the extent permitted by the City) of the Improvements or authorized District-funded facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each parcel in the Special Tax Formula. The initial Base Year (2004-05) annual Maximum Special Tax (which was not levied) per detached single family unit was expected to range from $900 to $1,300 (excluding affordable units, which are to be taxed from $250 to $500 each), however these amounts are subject to adjustment based upon the actual number of units built. For Large Lot Parcels and Undeveloped Parcels, the Special Tax is based upon the gross acres or number of units planned for such parcels. There is a combined rate for high density residential parcels that reflects $500 per market rate unit and $250 per affordable unit. The Annual Maximum Special Tax is allowed to escalate by an amount not in excess of 2% per year. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and for a table showing the expected land uses and assigned Maximum Special Taxes, see "Attachment 2" in such Appendix.

The Special Tax will be levied in an amount at least equal to the Special Tax Requirement as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The Special Tax Formula provides a mechanism whereby the Developer and the City may utilize the pay-as-you-go component to pay for and/or reimburse the Developer for a portion of the cost of Improvements not funded by proceeds of the bonds issued for the District, however such method of reimbursement is not presently anticipated to be utilized. In the event it is utilized, proceeds of the annual Special Tax levy will first be used to pay the Special Tax Requirement other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. See "THE

IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula.

Special Tax Fund

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

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

Deposit and Use of Proceeds of Bonds

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

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

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

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

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

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

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

Reserve Fund

A Reserve Fund (the **"Reserve Fund"**) 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 Fiscal Agent and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

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

Additional Bonds

The Resolution of Formation authorizes the issuance of up to $80 million of bonds, of which the Bonds represent the first series. The City expects that it will, by a Supplemental Fiscal Agent Agreement, authorize the issuance of one or more additional Series of Bonds (**"Additional Bonds"**) payable from Special Taxes and secured by the Special Taxes on a parity with the Bonds and other Additional Bonds previously issued, upon compliance by the City with the conditions set forth in the Fiscal Agent Agreement, which include the following:

(i) The amount on deposit in the Reserve Fund shall be increased (or a separate parity reserve established) to an amount at least equal to the Reserve Requirement with respect to the Outstanding Bonds and the Additional Bonds.

(ii) Projected Maximum Special Taxes plus projected investment earnings on amounts held in the Reserve Fund to be transferred to the Bond Fund pursuant to the terms of this Fiscal Agent Agreement for each Bond Year are equal to or greater than one hundred ten percent (110%) of maximum Debt Service for each Bond Year that the Bonds and Additional Bonds will be outstanding; provided that such projection of investment earnings on amounts held in the Bond Reserve Account may assume an investment rate equal to the City's average portfolio rate available to the City at the time of determination.

(iii) The aggregate value of all parcels in the District subject to the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the proposed series of bonds, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon (and improvements to be financed from proceeds of the bonds proposed to be issued) as shown on the then current County tax roll, or by a combination of both methods is at least 3.00 times the sum of (i) the aggregate principal amount of all bonds then outstanding plus (ii) the aggregate principal amount of the series of bonds proposed to be issued, plus (iii) the aggregate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (iv) a portion of the aggregate principal amount of all Mello-Roos bonds, other than bonds then outstanding, and payable at least partially from special taxes to be levied on parcels of land subject to the Special Tax within the District (the **"Other Mello-Roos Bonds"**) equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on parcels of land within the District subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos Bonds (such fraction to be determined based upon the special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available fiscal year.

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.

WESTPARK COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS SERIES 2005
DEBT SERVICE

Year Ending (Sept. 1)	Principal	Interest	Total
2006	-	$3,025,544.18	$3,025,544.18
2007	$ 170,000.00	2,967,836.26	3,137,836.26
2008	230,000.00	2,962,396.26	3,192,396.26
2009	295,000.00	2,954,346.26	3,249,346.26
2010	365,000.00	2,942,841.26	3,307,841.26
2011	435,000.00	2,927,876.26	3,362,876.26
2012	515,000.00	2,909,606.26	3,424,606.26
2013	595,000.00	2,887,461.26	3,482,461.26
2014	685,000.00	2,861,578.76	3,546,578.76
2015	775,000.00	2,830,753.76	3,605,753.76
2016	880,000.00	2,793,147.50	3,673,147.50
2017	985,000.00	2,750,460.00	3,735,460.00
2018	1,105,000.00	2,698,747.50	3,803,747.50
2019	1,230,000.00	2,640,735.00	3,870,735.00
2020	1,365,000.00	2,576,160.00	3,941,160.00
2021	1,500,000.00	2,507,910.00	4,007,910.00
2022	1,655,000.00	2,429,160.00	4,084,160.00
2023	1,815,000.00	2,342,272.50	4,157,272.50
2024	1,985,000.00	2,246,985.00	4,231,985.00
2025	2,165,000.00	2,142,772.50	4,307,772.50
2026	2,355,000.00	2,029,110.00	4,384,110.00
2027	2,555,000.00	1,907,827.50	4,462,827.50
2028	2,765,000.00	1,776,245.00	4,541,245.00
2029	2,995,000.00	1,633,847.50	4,628,847.50
2030	3,230,000.00	1,479,605.00	4,709,605.00
2031	3,485,000.00	1,313,260.00	4,798,260.00
2032	3,750,000.00	1,132,040.00	4,882,040.00
2033	4,035,000.00	937,040.00	4,972,040.00
2034	4,335,000.00	727,220.00	5,062,220.00
2035	4,655,000.00	501,800.00	5,156,800.00
2036	4,995,000.00	259,740.00	5,254,740.00

THE WEST ROSEVILLE SPECIFIC PLAN

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

The portion of the WRSP area not included in the District is locally known as "Fiddyment Ranch" and is expected commence development simultaneously with development in the District. The Fiddyment Ranch area is planned for 3,126 single family residential units, 1,044 multi-family units and approximately 39 acres of commercial and office uses and is also the subject of a community facilities district established by the City concurrently with the formation of the District.

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

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

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

Village Center - The Village Center is planned as a unique and diverse mixed-use hub of activities. The Village Center is envisioned as the heart of the WRSP, a destination where residents will meet, shop, eat, recreate, obtain services and socialize. The anticipated mix of uses may include retail, restaurant, service, office, public, theater, church, school, park and high/medium density housing. Emphasis is placed on the pedestrian, rather than the auto, and on consistency with the City's General Plan Pedestrian District level of service policy. The Village Center is modeled towards a traditional urban town center rather than a suburban shopping center. The Village Center is a part of the District.

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

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

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

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

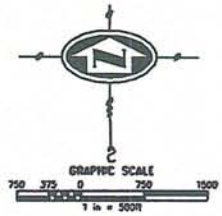
Neighborhood Nodes - Located internally within the residential areas, the Neighborhood Nodes generally consist of a park combined with an elementary school. Where feasible, the Neighborhood Nodes are located adjacent and connected to open space areas. The Neighborhood Nodes act as a local activity amenity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

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

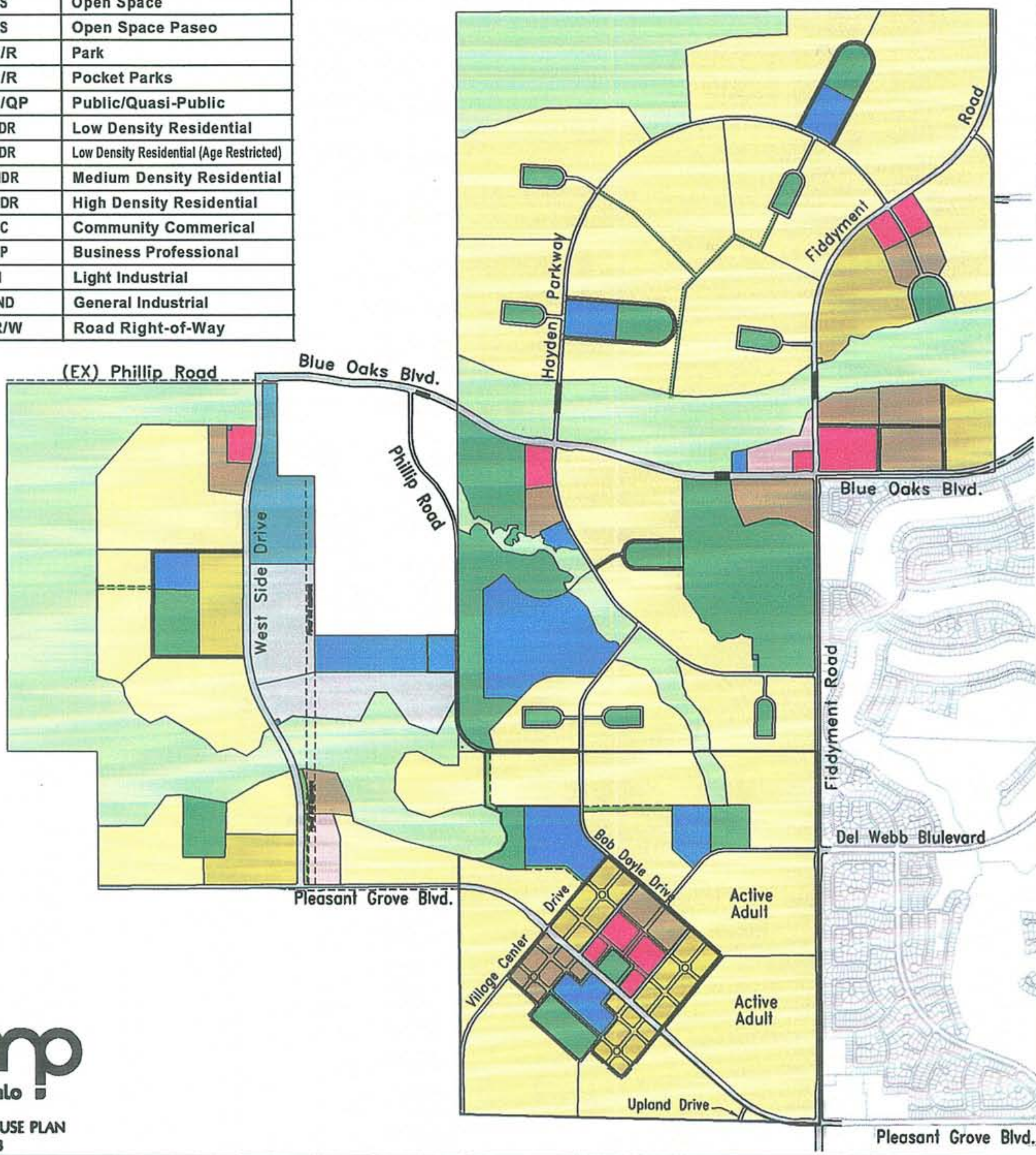
City Edge - The WRSP represents the planned western extent of development in the City. As a result, the Specific Plan has been configured to include a substantial open space buffer (267 acres) along its western edge. In addition to visually defining the western limits of the City, the open space area creates a transition between urban uses in Roseville and uses in unincorporated Placer County. The City Edge open space buffer may accommodate resource preservation/mitigation programs and other City sponsored activities.

Land Use Plan. The WRSP land use plan includes a blend of residential, service, employment, open space and public uses. The Plan Area is statistically projected to house approximately 20,800 residents and 3,726 employees. As shown on the table below, the WRSP includes a total of 8,390 dwelling units on approximately 3,161 acres. Proposed land uses include a total of approximately 685 acres set aside in open space; 285 acres for dedication to parks; 149 acres of public/quasi-public uses; 49 acres of community commercial; 20 acres of business professional; and 108 acres of industrial and light industrial uses.

WEST ROSEVILLE SPECIFIC PLAN
LAND USE PLAN



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



mortonpitalo

ADMIN 3 LANDUSE PLAN
Dated: 03-14-03

Map Date: 8/26/04
Reason Farms
N.A.P.O.T.S.
(EX) Phillip Road
Blue Oaks Boulevard
N.A.P.O.T.S.
Proposed Roseville
Energy Park
N.A.P.O.T.S.
City of Roseville
Regional WWTP
P/QP
WWTP-EXPANSION
PHASE 4
PHASE 3
PHASE 2
PHASE 1
N.A.P.O.T.S.
West Side Drive
Phillip Road
Hayden
Parkway
Fiddyment Road
Fiddyment Park
Bob Doyle Drive
Pleasant Grove Boulevard
Village Center
Village Green Drive
Del Webb Blvd
Upland Drive
Market Street
0
0.2
0.4
0.8
Miles
ROSEVILLE

The table below shows a summary of planned land uses as shown in the WRSP, along with the land uses attributable to the respective Westpark and Fiddyment Ranch areas. Actual uses may vary from this projection.

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

	Fiddyment Ranch		Westpark		Total WRSP	
Land Use	**Units**	**Acres**	**Units**	**Acres**	**Units**	**Acres**
Market Rate						
Single-Family (1)	3,082	886.9	3,438	740.7	6,520	1,627.5
Multifamily (2)	671	49.9	356	21.5	1,027	71.4
Subtotal Market Rate	3,753	936.8	3,794	762.2	7,547	1,699.0
Affordable						
Single-Family (1)	83	4.7	85	11.1	168	15.9
Multifamily (2)	334	20.4	341	17.9	675	38.3
Subtotal Affordable	417	25.1	426	29.0	843	54.1
Subtotal Residential	4,170	961.9	4,220	791.2	8,390	1,753.1
Nonresidential						
Village Center Comm. Comm'l (3)	0	0.0	0	14.4	0	14.4
Community Commercial	0	30.1	0	4.0	0	34.1
Business Professional	0	9.1	0	10.5	0	19.6
Industrial and Light Industrial	0	0.0	0	108.5	0	108.5
Subtotal Nonresidential	0	39.2	0	137.4	0	176.6
Subtotal Developable	4,170	1,001.1	4,220	928.6	8,390	1,929.7
Public/Other						
Public, Quasi Public		74.5		75.9		150.4
Open Space		335.2		349.4		684.6
Parks		220.7		64.3		285.0
Right of Way (ROW)		46.9		64.4		111.3
Subtotal Public/Other		677.3		554.0		1,231.3
Grand Total	4,170	1,678.4	4,220	1,482.6	8,390	3,161.0

(1) Single-Family units include Low-Density, Medium-Density, village Center Medium-Density, and Low-Density (Active Adult).
(2) Multifamily units include Village Center (40 units) High-Density and High-Density.
(3) Residential units included in Community Commercial have been excluded from this analysis.

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

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

THE DISTRICT

Formation of the District

On August 4, 2004, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on September 15, 2004, the City Council adopted the Resolution of Formation, which established Westpark Community Facilities District No. 1 (Public Facilities), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed $80 million. On the same day, an election was held within the District in which the two only landowners/voters in the District, 1600 Placer Investors, L.P. (PL Roseville, LLC's predecessor) and another landowner entity unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

The District is located in the northwestern area of the City within a portion of the West Roseville Specific Plan area (described above), approximately 20 miles northeast of the central business district of Sacramento. The process of annexation of the area to the City was completed in October 2004. The area is approximately 1-mile north of Baseline Road and generally bounded by Fiddyment Road to the east, Pleasant Grove Boulevard to the southwest (and north and south of Pleasant Grove Boulevard in the southeast area), with Phillip Road forming the northern boundary. The Placer County/Roseville City Limit line is the western boundary of the District. Access to the District is via Pleasant Grove Boulevard and Blue Oaks Boulevard, a primary east-west traffic arterial that connects to State Highway 65 and the nearby Interstate 80 freeway system. Interstate 80 is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system.

Much of the area in this portion of the City has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of suburban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved suburban land use within the City limits in the vicinity of the District is single family residential. The District is adjacent to recently constructed residential subdivisions to the north and east, including those in the Crocker Ranch and Doctor's Ranch area to the north, and in the Woodcreek

Oaks and Diamond Creek planned area to the east. Residential development in the Del Webb Specific Plan senior living development (Sun City Roseville), which sold-out in 1999, lies directly east of the District, and residential development built mostly in the past ten years as part of the Northwest Roseville Specific Plan area lies south and southeast of the District. Lands to the west consist primarily of agricultural and rural residential uses outside of the City limits. To the north are additional lands in the WRSP. New home construction and sales are still underway in the vicinity of the District.

The Pleasant Grove Regional Wastewater Treatment Plant, and other potential intensive public uses (including the recently approved Roseville Energy Park electricity generating facility), are adjacent to and partially surrounded by the central portion of the District. A 1,000-foot non-residential buffer (which is planned to primarily consist of light-industrial land uses compatible with the surrounding land uses) is included to the north, south, east and west of the Pleasant Grove Regional Wastewater Treatment Plant.

The land in the District is generally level topography, currently with large open annual grassland areas. Curry Creek traverses the property and clusters of seasonal wetlands, including vernal pools, are dispersed throughout the site. The WRSP has targeted a majority of the creek corridors, associated woodlands, and a portion of the seasonal wetlands and historic structures, for preservation in permanent open space/park use.

The District comprises approximately 930 net developable acres (approximately 1,483 gross acres, which includes land planned for public uses and not subject to the Special Tax) zoned for residential development of 3,490 single-family residences and 770 multi-family units on 794.5 acres, and approximately 18.4 gross acres of commercial uses, 108.5 gross acres of industrial uses and 10.5 acres of business professional uses, all in accordance with the WRSP (described above) and a Development Agreement (described below). The District includes land planned for parks and open space (representing approximately 414 acres) that will not be subject to the Special Tax.

The property in the District is within the presently constituted County Assessor's Parcel Nos. 017-100-021, 017-100-043, 017-100-044, 017-150-003, and 017-150-037. As property develops, new parcel numbers will be established for each parcel created by a final subdivision map.

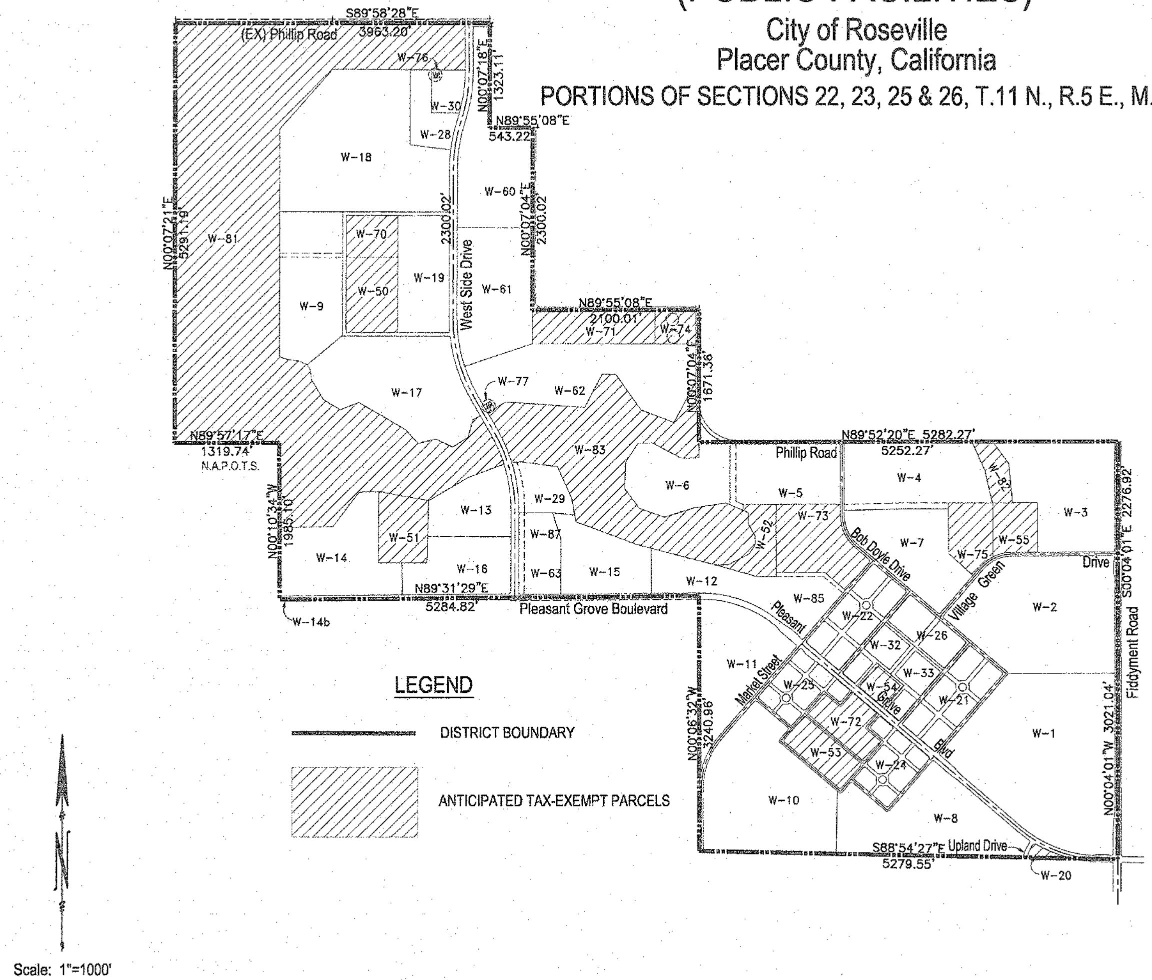
The District represents only a portion of the WRSP area, being the southern and southwestern portion of the specific plan area. The West Roseville Specific Plan area permits the development of a total of 8,390 dwelling units on approximately 3,161 gross acres. Land use and zoning entitlements provided by the WRSP include full land-use entitlements, including a general plan amendment, specific plan amendment, rezone, design guidelines and a development agreement between the City and each owner. See "Development Agreement" below. See also "THE WEST ROSEVILLE SPECIFIC PLAN" above. This permits development of the property to proceed through approval of subsequent development entitlements such as subdivision maps and design review permits. See "Development Agreement" below. The portion of the WRSP area not included in the District is locally known as "Fiddyment Ranch" and is expected to commence development simultaneously with development in the District. The Fiddyment Ranch area is planned for 4,170 residential units and is also the subject of a community facilities district formed by the City concurrently with formation of the District.

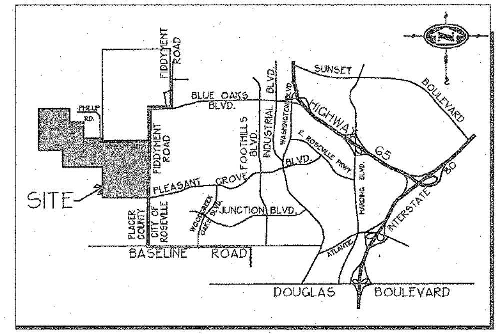
Maps. A District land use map, tentative map and District boundary map are shown on the following pages.

BOUNDARY MAP
CITY OF ROSEVILLE
WESTPARK COMMUNITY FACILITES DISTRICT NO. 1
(PUBLIC FACILITIES)

City of Roseville
Placer County, California

PORTIONS OF SECTIONS 22, 23, 25 & 26, T.11 N., R.5 E., M.D.M.





VICINITY MAP

NO SCALE

I HEREBY CERTIFY THAT THIS MAP WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ROSEVILLE AT A REGULAR MEETING THEREOF HELD ON THE _______ DAY OF _____________, 2004.
BY ITS RESOLUTION NUMBER ___________.

SONIA OROZCO, CITY CLERK
CITY OR ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED IN THE OFFICE OF THE CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS ____ DAY OF ___________, 2004.

SONIA OROZCO, CITY CLERK
CITY OR ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED THIS ____ DAY OF _________, 2004,
AT THE HOUR OF _____ O'CLOCK ____ IN BOOK __________ OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ______, IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF PLACER, CALIFORNIA

MORTON & PITALO, INC.
CIVIL ENGINEERING • PLANNING • SURVEYING
1352 Blue Oaks Boulevard, Suite 100 • Roseville, CA 95678
phone: 916.773.7677 • fax: 916.773.7671 • survey fax: 916.927.1185
email: engr@mpengr.com • web: www.mpengr.com

BOOK _____ OF COMMUNITY FACILITIES DISTRICTS, PAGE _____

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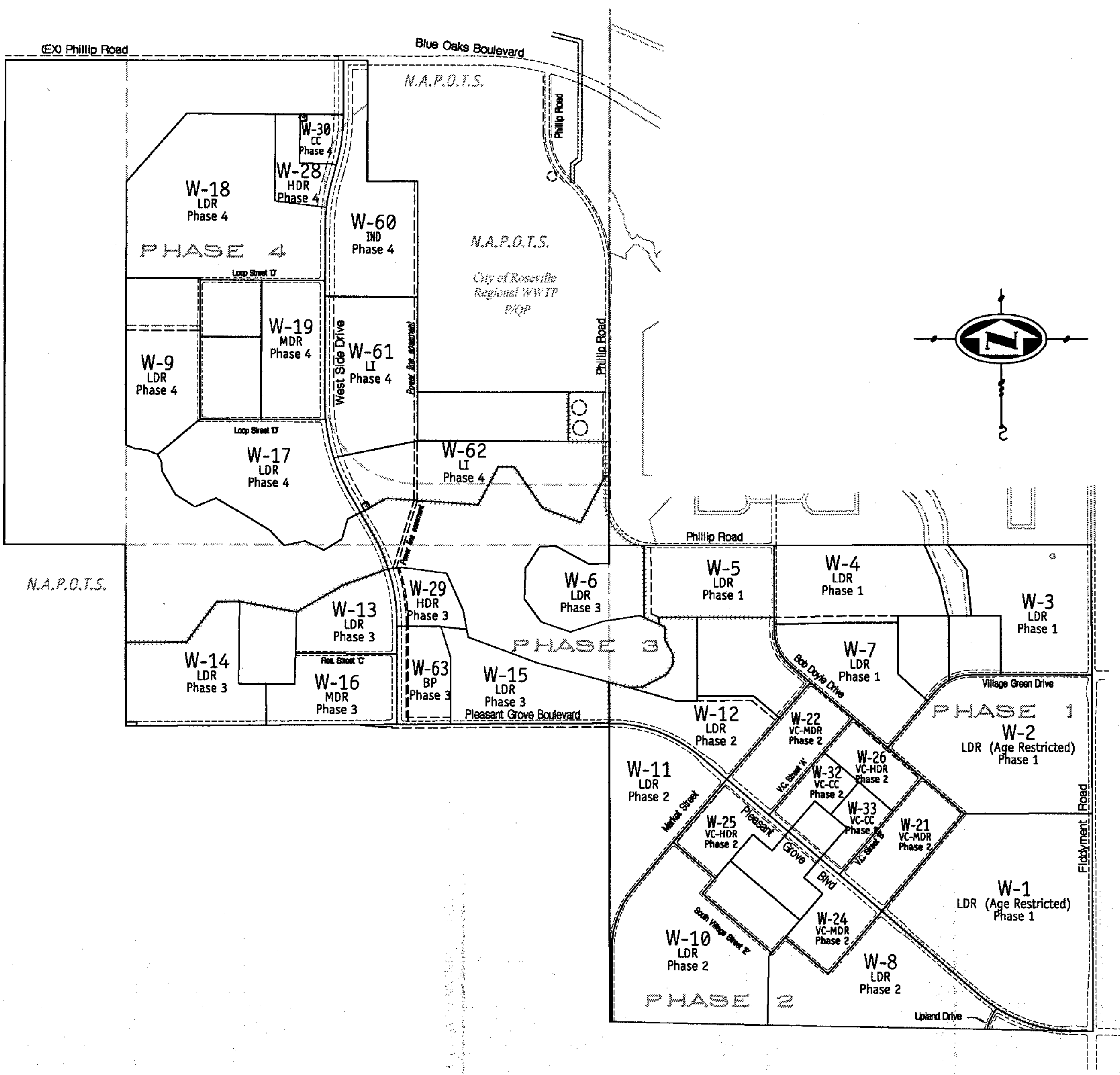
ATTACHMENT 1

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

IDENTIFICATION OF LARGE LOTS



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Anticipated Development in the District

The Developer, PL Roseville, LLC is a joint-venture whose members' include Pulte Home Corporation, Centex Homes and Lennar Renaissance, Inc. The respective members' have 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 WRSP, the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

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

The Developer is an entity comprised of three merchant homebuilders (Pulte Home Corporation, Centex Homes and Lennar Renaissance, Inc.). The Developer entity plans to develop the residential use land in the District to finished lot status and subsequently sell such finished lots to the three homebuilder entities (or their affiliates) who comprise the Developer. The non-residential use property is expected to be sold for development by others and the Developer indicates that it is possible that it will sell portion of the residential property to other merchant homebuilders or others for development, depending upon market conditions.

Entitlements. Property within the District encompasses approximately 1,483 gross acres, of which approximately 930 net acres are expected to be available for development. The land has land-use entitlements for 3,490 single-family homes (of which 704 lots are planned to be developed into age-restricted units and 85 lots are designated for affordable housing units) and 770 multi-family units (including 341 designated for affordable housing) consistent with the zoning designations of the West Roseville Specific Plan, as well as 18.4 acres of commercial uses, 108.5 acres of industrial uses and 10.5 acres of business professional uses. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. See "Development Agreement" below. The land received full land use approval on February 3, 2004, including approval of Specific Plan Zoning and a Development Agreement.

Subdivision Maps. The Developer purchased the property with a large lot final map approved for the first two phases of development within the District. This map designates 26 large lots, most of which will become residential "villages" to be sold to merchant builders. As tentative maps for small lots (single family residential lots) in the villages are approved, the Developer will obtain a final small lot map of the respective villages. In late 2004, tentative maps were approved by the City for the first phase of development - Villages 1 through 7 in the northeastern area of the District. These villages total 1,325 residential units. Single family residential lots are planned to range from approximately 3,850 to 8,250 square feet.

The Developer expects to sell finished lots from the villages to its member merchant homebuilders, Pulte Home Corporation, Centex Homes and Lennar Renaissance, Inc. as small lot final mapped land with all infrastructure and lot improvements completed at the time of sale.

The Developer's master plan for the area projects initial final maps for 1,336 single family residences to be obtained in late 2005 with initial offerings of homes for sale in early to mid-2006. These lots represent the Developer's estimation of lots which are projected to be absorbed by the Developer's merchant homebuilder members during the first year of the project.

The Developer currently expects to obtain tentative "small lot" maps for the remainder of the property in two additional phases, with Phase 2 projected to occur in 2006 and Phase 3 expected to occur in 2007, depending on market conditions.

The current lotting plan is as follows (excluding parks, right of ways and open space parcels (approximately 414 acres), which are not subject to the Special Tax):

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

Parcel	Land Use	Acres	Units	Tentative Map Status	Estimated Final Map Record Date
Phase 1					
W-1	Low Density Resid. (Age Restricted)	85.4	404	Approved	Sept. 2005 through July 2006
W-2	Low Density Resid. (Age Restricted)	61.5	300	Approved	Oct. 2006 through Aug. 2007
W-3	Low Density Resid.	38.1	198	Approved	Oct. 2005
W-4	Low Density Resid.	31.4	147	Approved	Nov. 2005
W-5	Low Density Resid.	23.0	88	Approved	Nov. 2005
W-6	Low Density Resid.	22.8	77	Approved	Dec. 2005
W-7	Low Density Resid.	28.9	111	Approved	Oct. 2005
Subtotal		268.3	1,325		
Phase 2					
W-8	Low Density Resid.	42.3	180	Submitted	Mar 2006
W-10	Low Density Resid.	54.1	261	Submitted	Jul. 2006
W-11	Low Density Resid.	32.3	148	Submitted	Jul. 2006
W-12	Low Density Resid.	18.9	61	Submitted	Jul. 2006
W-21	Village Center – Med. Density Resid.	16.8	144	Submitted	Apr. 2006
W-22	Village Center – Med. Density Resid.	16.8	144	Submitted	May 2006
W-24	Village Center – Med. Density Resid.	12.5	95	In process	Aug. 2006
W-25	Village Center – High Density Resid.	12.4	240	In process	Sept. 2006
W-26	Village Center – High Density Resid.	12.4	132	In process	Sept. 2006
W-32	Village Ctr. – Community Commercial	7.2	20	*	*
W-33	Village Ctr. – Community Commercial	7.2	20	*	*
Subtotal		253.3	1,445		
Phase 3					
W-13	Low Density Resid.	17.0	60	In process	Aug. 2006
W-14	Low Density Resid.	31.7	115	In process	Jul. 2007
W-15	Low Density Resid.	27.6	80	In process	Apr. 2007
W-16	Medium Density Resid.	20.6	160	In process	Oct. 2006
W-29	High Density Resid.	8.0	150	In process	Oct. 2006
W-63	Business Park	10.5	N/A	*	*
Subtotal		115.4	565		
Phase 4					
W-9	Low Density Resid.	31.9	95	In process	Jul. 2007
W-17	Low Density Resid.	46.0	210	In process	Nov. 2006
W-18	Low Density Resid.	71.2	280	In process	Nov. 2006
W-19	Medium Density Resid.	21.9	165	In process	Aug. 2007
W-28	Hgh Density Resid.	9.0	175	In process	Sept. 2007
W-30	Community Commercial	4.0	N/A	*	*
W-60	Industrial	34.3	N/A	*	*
W-61	Light Industrial	35.9	N/A	*	*
W-62	Light Industrial	38.3	N/A	*	*
Subtotal		292.5	925		
TOTAL		929.5	4,260		

* non-residential use property is expected to be sold for development by others; estimated date not determinable as timing will depend on market conditions and construction timeline of the ultimate end-users.

Projected Construction Schedule. Construction of backbone infrastructure improvements by the Developer, which include all of the Improvements to be financed with proceeds of the Bonds, for the initial 1,325 homes to be developed in the District, began in April 2005. Construction of such infrastructure for all of the 4,260 planned residential units is expected to be complete in annual increments as market demand warrants, with completion of all infrastructure for the project currently projected to occur by December 2006. Upon completion of various components of such infrastructure, the Developer is eligible to be reimbursed for the cost thereof from proceeds of the Bonds, provided such proceeds are available.

The pace of home construction in the District will be determined largely by market conditions and demand for homes.

Infrastructure and Utilities. The Developer has caused construction of infrastructure improvements in the District to begin in April 2005 and expects completion of infrastructure for the initial 1,325 homes to be constructed to be complete by April 2006. These improvements include basic streets, sidewalks, water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities in the basic streets. These improvements provide access to the villages within the southeastern portion of the District. Construction is planned to proceed as necessary to facilitate sales of land to the merchant builders. Each merchant builder member of the Developer is expected to buy land with final map approval with all "on-site" infrastructure improvements completed when the merchant builder purchases land from the Developer.

Total basic (sometimes referred to as "backbone") infrastructure cost for development in the District is estimated to be approximately $220.6 million, according to the CFD Hearing Report and the Developer's estimate. This figure reflects the most up-to-date information available at the time the CFD report was prepared, and it is expected that these cost figures will be revised as more detailed and updated information becomes available. The Developer is responsible for the construction of the infrastructure improvements and other costs. Bonds authorized for the District are estimated to provide approximately $47.6 million in net proceeds (however there is the potential for more bond proceeds to be available, depending on market conditions at the time of each bond sale) according to the CFD Hearing Report, with the remainder to be contributed by the Developer, merchant builders, or others. See "THE IMPROVEMENTS - Construction and Acquisition of the Improvements and Payment of Fees" below. Bonds for the District are expected to be issued in multiple series as development progresses.

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

Affordable Units. Under the Development Agreement, 10% of the residential units (or 426 units) to be constructed in the District are planned to be available to buyers and renters as detached or attached single-family residential units affordable to persons in very-low to middle income households. The Developer is required to enter into an agreement with the City governing the availability of such units. The Developer currently anticipates that these units will be located on portions of Parcel No. W-16 and W-19 as units to purchase. In addition, the Developer anticipates that 341 units will be located on portions of Parcel No. W-25, W-28 and W-29 as very low-income and low-income rental units. The Special Tax Formula provides for a reduction by one-half of the otherwise applicable Special Tax for units that are the subject of the affordable housing provisions.

Development Agreement

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

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

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

Merchant Builder Development

The Developer, PL Roseville, LLC is an entity owned by three merchant homebuilders, Pulte Home Corporation, Centex Homes and Lennar Renaissance, Inc., who expect to separately own and develop most of the single family residential land in the District.

Pulte Home Corporation. Pulte Home Corporation is under contract to purchase 1,008 single family lots in the District. The initial projection of homesite development for such lots is shown below.

No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
704	Oct. 2005	Feb. 2006	May 2006	2,000
102	Oct. 2005	Feb. 2006	May 2006	1,900
111	Oct. 2005	Feb. 2006	May 2006	2,800
91	Mar. 2006	June 2006	Oct. 2006	2,700

Centex Homes. Centex Homes is under contract to purchase 243 single family lots in the District. The initial projection of homesite development for such lots is shown below.

No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
96	Oct. 2005	Feb. 2006	May 2006	1,900
147	Nov. 2005	Mar. 2006	June 2006	2,200

Lennar Renaissance, Inc. Lennar Renaissance, Inc. is under contract to purchase 254 single family lots in the District. The initial projection of homesite development for such lots is shown below.

No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
88	Oct. 2005	Feb. 2006	May 2006	3,000
77	Oct. 2005	Feb. 2006	May 2006	3,000
89	Mar. 2006	June 2006	Oct. 2006	2,600

Environmental Matters

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

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

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

THE IMPROVEMENTS

Eligible Facilities

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

The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report dated September 3, 2004 prepared for the Developer by Economic & Planning Systems, Inc., Sacramento, California, in connection with the formation of the District.

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

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

- Fiddyment Road
- Del Webb Boulevard
- Pleasant Grove Boulevard
- Village Green Drive
- Bob Doyle Drive
- Phillip Road
- Upland Drive
- West Side Drive
- Market Street
- Loop Street D
- Residential Street C
- Village Center Streets, as indicated in Specific Plan
- Loop Street D
- Other public roadway improvement required to meet the needs of the project

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

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

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

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

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

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

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

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

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

Estimated Cost of the Improvements

The total estimated cost of the Improvements at buildout, as shown in the Developer's April 2005 cost estimate and the CFD Hearing Report in September, 2004, is approximately $220.6 million. Approximately $47.6 million of this amount is projected to be financed by the Bonds. The remaining costs are anticipated to be funded by the Developer and by Additional Bonds. Of the $220.6 million, backbone infrastructure comprises roughly $71.8 million, City/County Fees make up approximately $96.8 million, and school costs amount to approximately $51.9 million. These amounts are estimates and actual backbone infrastructure costs, City/County fees, and schools costs are expected to change as more detailed and updated information becomes available. The cost of the Improvements to be financed by bonds will initially be paid for by the Developer, with the Developer to be reimbursed for certain of such improvement expenditures from the proceeds of the Bonds and Additional Bonds. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below for a description of sources of funding available to the Developer.

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

Item	Projected Total Cost
Facility Costs	
Backbone Infrastructure [1]	$ 71,840,752
City/County Costs and Fees [2]	96,798,285
Schools [2]	51,944,446
Total	$220,583,483

[1] Developer's estimate as of April 2005.
[2] 2003 dollars, uninflated figures from the CFD Hearing Report.

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

Construction and Acquisition of the Improvements and Payment of Fees

The Developer expects construction of the Improvements to be completed in a timely manner necessary to meet the projected dates for home construction and sale in the planned phases. Construction of off-site improvements for initial development in the District commenced in April 2005 and in-tract improvements are expected to be commenced in July 2005. Initial finished lots are expected in October 2005, which is the projected date of sale of lots to the merchant homebuilder members of the Developer.

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.

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 Developer

All of the land within the District is owned by PL Roseville, LLC (the "**Developer**"), an entity wholly-owned by Pulte Home Corporation, a Michigan corporation, Centex Homes, a Nevada general partnership, and Lennar Renaissance, Inc., a California corporation (see below for further information on each PL Roseville, LLC member). PL Roseville, LLC has owned the property since March 2005. Pulte Home Corporation is the day-to-day managing member and Lennar Renaissance, Inc. is the authorized co-managing member. Each of the three homebuilder/members of PL Roseville, LLC is expected to acquire villages in the District and build and sell homes independently from the others. A portion of the property may also be sold to other merchant builders for development and the owner currently expects to sell all of the non-residential property to others.

PL Roseville, LLC Financing Plan. The development of the backbone infrastructure improvements and the payment of the Special Taxes will primarily be funded from contributions from its members', advances from its existing banking arrangements, including revolving lines of credit with Barclay's Capital Real Estate ("BCRE"), and internal funds generated from sales of lots to merchant builders. BCRE has provided the Developer with a secured revolving line of credit with an initial maximum commitment of $360,000,000 for a term of 3 years commencing June 9, 2005. The maximum loan commitment amount will be reduced to $345,000,000,

$300,000,000, and $225,000,000 commencing September 1, 2006, March 1, 2007, and September 1, 2007, respectively. PL Roseville, LLC also has two, one-year renewal options under its secured revolving line of credit with BCRE. If PL Roseville, LLC exercises said options, the maximum loan commitment will be reduced to $100,000,000 and $30,000,000 as of June 1, 2008 and June 1, 2009, respectively.

The Developer is not a homebuilder and expects to sell all of its land in the District to merchant homebuilders and commercial and industrial purchasers for development as infrastructure improvements are completed (according to the respective land use designation in the WRSP).

History of Property Tax Payments; Loan Defaults; Bankruptcy. PL Roseville, LLC will certify to the following representations at the Closing:

- Neither PL Roseville, LLC nor any of its affiliates has ever defaulted to any material extent in the payment of special taxes or assessments in connection with the Community Facilities District or any other community facilities districts or assessment districts in California within the past five years.

- Neither PL Roseville, LLC nor any of its affiliates is currently in default on any loans, lines of credit or other obligation, the result of which could materially adversely affect the development of the property owned by PL Roseville, LLC in the Community Facilities District.

- PL Roseville, LLC is solvent and no proceedings are pending or, to the actual knowledge of PL Roseville, LLC, threatened in which PL Roseville, LLC may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or discharged from all of its debts or obligations, or granted an extension of time to pay its debts or a reorganization or readjustment of its debts.

- There is no litigation or administrative proceeding of any nature in which PL Roseville, LLC has been served, or to PL Roseville, LLC's actual knowledge, is pending or threatened against PL Roseville, LLC which, if successful, would materially adversely affect the ability of PL Roseville, LLC to complete the development and sale of its property within the Community Facilities District, or to pay the Special Taxes or ordinary ad valorem property tax obligations when due on its property within the Community Facilities District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Fiscal Agent Agreement, the Property Owner Continuing Disclosure Certificate or the Bond Purchase Contract.

- PL Roseville, LLC is not aware of any material failures to comply with previous undertakings by it or its affiliates to provide periodic continuing disclosure reports or notices of material events in California within the past five years.

Pulte Home Corporation. Pulte Home Corporation, a Michigan corporation ("**Pulte**"), is a wholly owned subsidiary of Pulte Homes, Inc. ("**Pulte Homes**") (NYSE: PHM). Pulte Homes, based in Bloomfield Hills, Michigan, is a FORTUNE 200 company with operations in 47 markets and 27 states. In 2004, Pulte Homes closed 38,612 domestic home sales and generated revenues of $11.7 billion. During its 55-year history, the company has constructed more than 408,000 homes. In 2004, J.D. Power and Associates named Pulte Homes the inaugural recipient of its Platinum Award for Excellence in Customer Service among America's leading homebuilders. J.D. Power ranked Pulte Homes No. 1 in 14 markets, and among the top three in 23 of 25 markets surveyed. Under its Del Webb brand, Pulte Homes is the nation's leading builder of active adult communities for people age 55 and over. Its DiVosta operation is nationally recognized for a trademarked building system that has delivered more than 25,000 "Built Solid"® homes in Florida since 1960. Pulte Mortgage LLC is a nationwide lender and offers Pulte Homes customers a wide variety of loan products and service.

Pulte Homes' website address is www.pulte.com. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Issuer or the Underwriters. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

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

Lennar Renaissance, Inc.. Lennar Renaissance, Inc. a California corporation ("**Lennar**"), is a wholly owned subsidiary of Lennar Corporation. Lennar Corporation was founded in 1954, is headquartered in Miami, Florida and is one of the nation's leading builders of homes for all generations, building affordable, move-up and retirement homes. The company operates primarily under the Lennar and U.S. Home brand names and utilizes a "Dual Marketing" strategy consisting of the Everything's Included® and Design Studio(SM) programs. Lennar's Financial Services Division provides mortgage financing, title insurance, closing services and insurance agency services for both buyers of the company's homes and others.

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

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

Centex Homes. Centex Homes, a Nevada general partnership is indirectly a wholly-owned subsidiary of Centex Corporation. With revenues exceeding $10 Billion annually, the Dallas based Centex Corporation, established in 1950, is a "Fortune 250" company and is traded on the New York Stock Exchange and the London Stock Exchange under the symbol "CTX". Detailed financial information about Centex can be obtained through the Securities and Exchange Commission. Affiliated companies include: Centex Homes, Centex Development Company, CTX Mortgage, Centex Home Equity, Centex Construction Products, Centex Construction Group, Centex Technology, Commerce Title Company, Westwood Insurance, and Centex Home Team Services.

Since becoming publicly held in 1969, Centex has never reported a quarterly or annual loss or a major write-off. Centex Homes has more than 17,000 employees located in more than 1,500 offices and construction job sites across the nation and in the United Kingdom. Centex Homes has been ranked No. 1 for the fourth consecutive year on *Fortune* magazine's list of "America's Most Admired Companies" in the engineering and construction category and ranks No. 9 overall among Barron's "500 Best Performing Companies for 2003". Centex Homes is the only builder to rank in the Top 10 on *Professional Builder* magazine's "Giant 400" list each year since its inception in 1968. In most years, Centex Homes has placed either first or second. To date, Centex Homes has built more than 400,000 homes, is currently building in 580 neighborhoods, and operates in more than 90 metropolitan markets in 26 states.

Centex Corporation's website address is *www.centex.com*. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Issuer or the Underwriters. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

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

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Rocklin, California (the "**Appraiser**") prepared an appraisal report dated June 24, 2005, with a date of value of May 2, 2005 (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 and represents the hypothetical market value of all the land in the District. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the May 2, 2005 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 $424,550,000.

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, some of which include the following. See "APPENDIX B – THE APPRAISAL."

- The value estimates assume the completion of the public facilities to be financed by the Bonds, but not any Additional Bonds. See "THE IMPROVEMENTS."

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

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

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated the single-family residential component could transfer within two years of exposure on the market. Thus, the discounted cash flow analysis reflected sales of residential lots over a two-year period. The estimate takes into account the time and process associated with delivering developable parcels. The Appraiser also estimated the absorption for the multi-family and commercial/office/industrial components of the project and concluded that the multi-family could sell in the third year of development. The Appraiser projected the commercial (retail) land areas could sell in years two and three. Similarly, the office land component was estimated to transfer by year three, and the industrial sites were projected to sell in year four. 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 $424,550,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of the Bonds is $57,905,000. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 7.3 times the principal amount of the Bonds.

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

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

Overlapping Liens and Priority of Lien

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

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

City of Roseville
Westpark Community Facilities District No. 1 (Public Facilities)
Summary of Overlapping Debt

<u>2004-05 Local Secured Assessed Valuation</u>: $10,472,477

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/05	
Roseville Joint Union High School District	0.063%	$39,383	
Roseville City School District	0.124	49,845	
City of Roseville Westpark Community Facilities District	100.	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$89,228	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Placer County Certificates of Participation	0.028%	$ 6,521	
Placer County Office of Education Certificates of Participation	0.028	824	
Sierra Joint Community College District Certificates of Participation	0.020	2,261	
Roseville Joint Union High School District Certificates of Participation	0.065	4,392	
Roseville City School District Certificates of Participation	0.131	25,697	
City of Roseville Certificates of Participation	0.087	22,281	(2)
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$61,976	
COMBINED TOTAL DEBT		$151,204	(3)

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

<u>Ratios to 2004-05 Assessed Valuation</u>:

Direct Debt	-%
Total Direct and Overlapping Tax and Assessment Debt	0.85%
Combined Total Debt	1.44%

<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04</u>: $0

Property in the District is also subject to an annual non-bonded special tax of the City's Westpark Community Facilities District No. 2 (Public Services) in the annual amount of $323 per low- or medium-density residential unit ($162 for affordable units), $112 per high-density (multifamily) residential unit ($56 for affordable units), and $700 per acre for non-residential uses, subject to escalation, and (ii) the City's Community Facilities District No. 3 (Municipal Services) in the annual amount of $293 per low- or medium-density residential unit ($196 for affordable units). All of the property in the District is also within these service districts. These districts are not authorized to issue bonds. The special tax levy of will be on a parity to the lien securing the Special Tax. The maximum annual special taxes may escalate by no more than 4% annually. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

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

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

Estimated Tax Burden on Single Family Home

The following table sets forth the estimated total tax burden on a hypothetical $500,000 single family home in the District, based on estimated Special Tax rates for Fiscal Year 2004-05.

Item	Rate	Single Family (market-rate) Low-Density
Base Sales Price (1)		$500,000
Homeowner's Exemption (2)		($7,000)
Assessed Value of Home		**$493,000**
Annual Assessments/Taxes		
Property Taxes		
Property Tax	1.00%	$4,930
Subtotal Property Taxes		**$4,930**
Special Taxes and Assessments		
Infrastructure CFD		$1,300
Services CFD (Maintenance) (3)		
Open Space, Landscape Corridors, Medians, Entries		$130
Parks		$171
Administrative Charges (4)		$22
Subtotal Services CFD (Maintenance)		**$323**
Municipal Services District		$285
MSD Administrative Charges		$8
School General Obligation Bonds		
Roseville Elementary School District	.036 (5)	$179
Roseville High School District	.022 (6)	$108
Subtotal School Debt		**$286**
Subtotal All Special Taxes and Assessments		**$2,202**
Total Annual Assessments/Taxes		**$7,132**
As a Percentage of Assessed Value		**1.45%**

(1) Based on information provided by The Gregory Group.
(2) The assessed value of the home is the sales price, less any allowable exemptions. An owner-occupied residence is allowed a $7,000 annual exemption against the assessed value.
(3) Maximum Special Taxes in Service CFDs are usually structured to escalate no more than 4% annually. These figures are for the Base Year only.
(4) Administrative charges comprise City and County charges.
(5) Per $100 of assessed value. Elementary School District Bond rate is composed of 1992 Series A Bond ($0.018842) and 2002 Series A Bond ($0.017377).
(6) Per $100 of assessed value. High School District Bond rate is composed of a 1992 Bond ($0.021810).
Sources: Gregory Group, EPS, Placer County Auditor/Controller’s Office

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

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

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

Appraised Values

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

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

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

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

Property Values and Property Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bankruptcy and Foreclosure Delays

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

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

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

Parity Taxes and Special Assessments; Private Debt

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

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

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

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

Tax Delinquencies

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

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

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Bonds. If funds in the Reserve Fund for the

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

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

No Acceleration Provisions

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

Ballot Initiatives

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

Proposition 218

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

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

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

that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.

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

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

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

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

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2004-05 fiscal year (due January 15, 2006) 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, 2006 (the "**Developer Annual Report**") and to provide notices of the occurrence of certain enumerated events. Additionally, PL Roseville, LLC has agreed to provide quarterly updated information on request. The obligation of PL Roseville, LLC to provide such information is in effect only so long as PL Roseville, LLC and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

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

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

UNDERWRITING

The Bonds were purchased through negotiation by Piper Jaffray & Co. Inc. and Stone & Youngberg LLC (together, the "**Underwriter**"). The Underwriter agreed to purchase the Bonds at a price of $57,150,199.00 (representing the principal of amount of the Bonds, less an aggregate original issue discount of $10,721.75, less an underwriter's discount of $744,079.25). 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 Cochran Branson
Administrative Services
Director/Treasurer

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A

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

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

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

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

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

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

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

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

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating parcels by Assessor’s Parcel number.

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

“Base Year” means Fiscal Year 2004-05.

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

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

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

“CFD Maximum Special Tax Revenue” means the cumulative Maximum Special Tax revenue that can be collected from all property within CFD No. 1 after adjusting for the Expected Affordable

Units. The CFD Maximum Special Tax Revenue is shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years.

"City" means the City of Roseville.

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

"County" means the County of Placer.

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

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

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

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

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

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

"Expected Affordable Units" means a total of 85 medium density residential Units within CFD No. 1 that are expected to be Affordable Units. Upon recordation of Final Maps within CFD No. 1, the Affordable Housing Director will determine which Large Lots will include Affordable Units, and, upon such determination, the Administrator shall reduce the Assigned Maximum Special Tax for the Large Lot pursuant to the steps set forth in Section C.3a, C.3b, or C.3d (as applicable) below. If, in any Fiscal Year, the Affordable Housing Director identifies a total number of Affordable Units within CFD No. 1 that exceeds 85 Units, no Affordable Unit adjustment will be applied for the Affordable Units identified after the 85th Affordable Unit has been designated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"RMA" means this Rate and Method of Apportionment of Special Tax.

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

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

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

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

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

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

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

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

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

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

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

B. <u>DATA FOR ADMINISTRATION OF THE SPECIAL TAX</u>

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Parcels of Taxable Property within CFD No. 1. The Administrator shall also determine: (i) whether each Assessor's Parcel of Taxable Property is Developed Property, Small Lot Tentative Map Property, Large-Lot Subdivision Map Property, or Undeveloped Property, (ii) for Parcels of Single Family Attached Property, the number of Units on each Parcel, (iii) for Non-Residential Property, the Acreage of each Parcel, (iv) for Buildable Lots within the Large Lots designated as W-1 and W-2 in Attachment 1, the square footage of each Buildable Lot, and (v) the Special Tax Requirement. For Single Family Attached Property, the number of Units shall be determined by referencing the Development Plan for the property.

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

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

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

C. <u>CALCULATING THE MAXIMUM SPECIAL TAX</u>

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

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

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

Fiscal Year 2004-05 Assessor's Parcel Number	Fiscal Year 2004-05 Maximum Special Tax *
017-0150-037	$2,899,194
017-0150-003	$681,669
017-0100-043	$1,021,354
017-0100-044	$325,533

**** Beginning July 1, 2005 and each July 1 thereafter, the Maximum Special Taxes shown above shall be adjusted by applying the Annual Tax Escalation Factor.***

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

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

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

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

3. *After Recordation of a Final Map*

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

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

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

Step 2a: <u>For Large Lots W-1 and W-2 (as identified in Attachment 1)</u>

Determine how many Buildable Lots are greater than 5,000 square feet and multiply the number of such lots by an equivalent dwelling unit (EDU) factor of 1.3 to calculate the total EDUs associated with the lots. Determine how many Buildable Lots are less than or equal to 5,000 square feet and add this total number of lots to the EDUs calculated above to determine the total EDUs for all Buildable Lots within the Final Map.

Divide the Assigned Maximum Special Tax by the total EDUs calculated above to determine the Maximum Special Tax per EDU, which will also be the Maximum Special Tax for all Buildable Lots that are less than or equal to 5,000 square feet. Multiply the Maximum Special Tax per EDU by 1.3 to calculate the Maximum Special Tax for each Buildable Lot greater than 5,000 square feet.

Step 2b: <u>For Large Lots Other Than W-1 and W-2</u>

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

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

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

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

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

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

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

c. <u>Final Map Creating No Buildable Lots of Single Family Detached Property or Single Family Attached Property</u>

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

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

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

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

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

d. <u>Final Map Creating Buildable Lots in a Portion of the Large Lot</u>

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

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

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

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

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

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

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

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

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

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

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. Annual Escalation of Special Tax

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

2. Affordable Units that Become Market-Rate Units

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

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

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

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

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

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

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

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

E. METHOD OF LEVY OF THE SPECIAL TAX

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

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

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

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

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

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

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

Step 7: If additional revenue is needed after Step 6, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property partially or wholly included within Phase 4 of Westpark, as identified in Attachment 1 hereto, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 8: If additional revenue is needed after Step 7, the Special Tax shall be levied proportionately on each Assessor's Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax assigned to each Parcel.

F. <u>COLLECTION OF SPECIAL TAX</u>

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

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

G. <u>EXEMPTIONS</u>

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

H. <u>PREPAYMENT OF SPECIAL TAX</u>

The following definitions apply to this Section H:

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

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

"Public Facilities Requirements" means either $60,000,000 in 2004 dollars, which shall increase on January 1, 2005, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 1. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 1; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Special Tax revenues generated within that annexation area.

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

1. Full Prepayment

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 11. If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding

Bonds to be redeemed pursuant to the prepayment (the "***Reserve Fund Credit"***).

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

2. Partial Prepayment

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

I. INTERPRETATION OF SPECIAL TAX FORMULA

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

ATTACHMENT 1

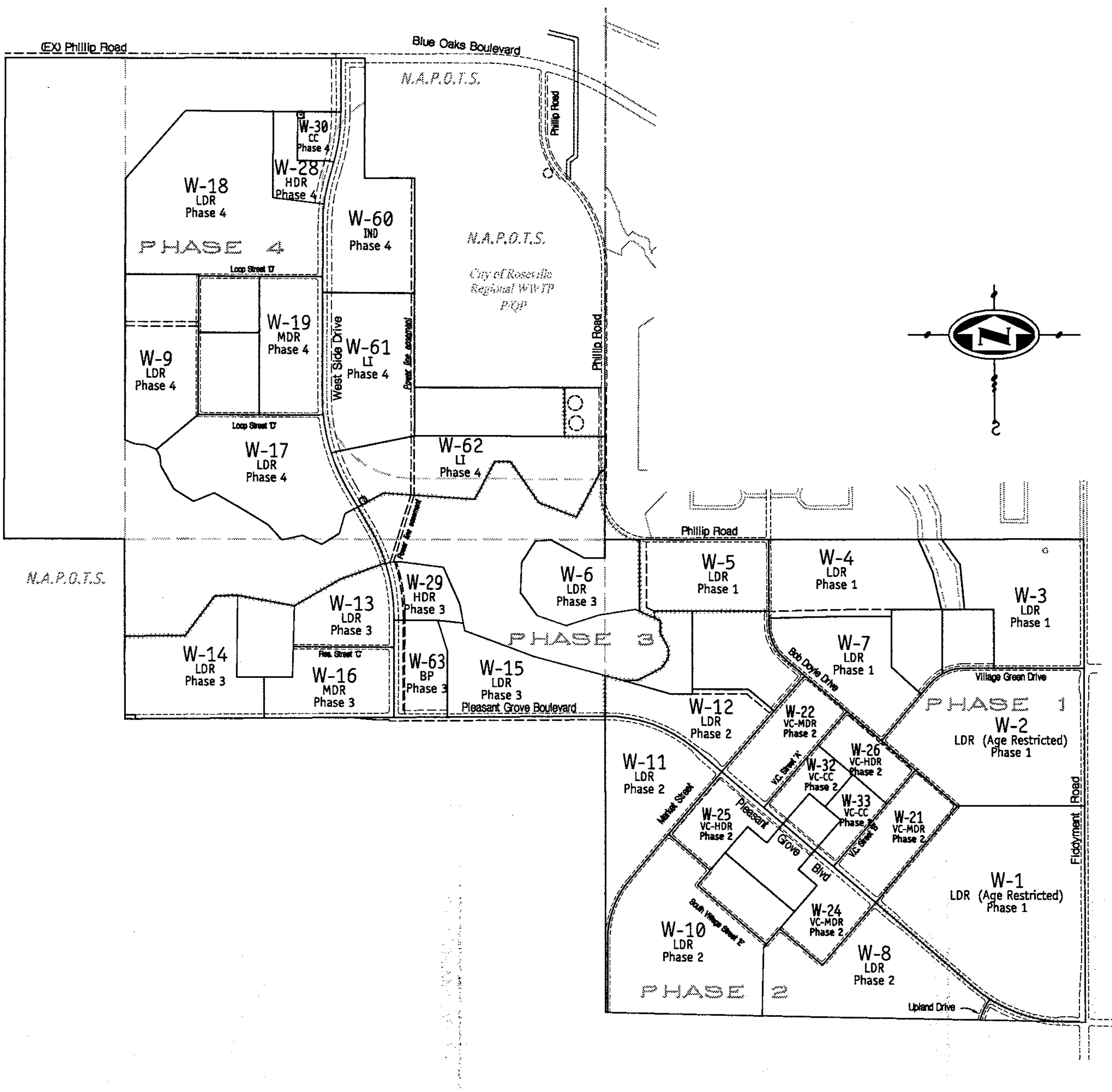
City of Roseville
Westpark Community Facilities District No. 1
(Public Facilities)

IDENTIFICATION OF LARGE LOTS

ATTACHMENT 1

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

IDENTIFICATION OF LARGE LOTS



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ATTACHMENT 2

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

EXPECTED LAND USES AND ASSIGNED MAXIMUM SPECIAL TAXES

Large Lot [1]	Land Use [2]	Expected Acreage or Lot Size	Expected # of Residential Units	Base Tax Rate per Unit (Residential) and per Acre (Non-Residential) [3]	Assigned Maximum Special Tax [3]
		PHASE I			
W-1	LDR (Active Adult)	Lots > 5,000 sqft	225 units	$1,200	$270,000
		Lots <= 5,000 sqft	173 units	$900	$155,700
W-2	LDR (Active Adult)	Lots > 5,000 sqft	137 units	$1,200	$164,400
		Lots <= 5,000 sqft	169 units	$900	$152,100
W-3	LDR	38.1	198 units	$1,300	$257,400
W-4	LDR	31.4	147 units	$1,300	$191,100
W-5	LDR	23.0	88 units	$1,300	$114,400
W-7	LDR	27.9	111 units	$1,300	$144,300
		PHASE II			
W-8	LDR	42.3	180 units	$1,300	$234,000
W-10	LDR	54.1	261 units	$1,300	$339,300
W-11	LDR	32.3	148 units	$1,300	$192,400
W-12	LDR	18.9	61 units	$1,300	$79,300
W-21	VC-MDR	16.8	144 units	$1,000	$144,000
W-22	VC-MDR	16.8	144 units	$1,000	$144,000
W-24	VC-MDR	12.5	95 units	$1,000	$95,000
W-25	VC-HDR	12.4	96 units	$500	$84,000
	VC-HDR (affordable)		144 units	$250	(combined)
W-26	VC-HDR	10.0	132 units	$500	$66,000
W-32	VC-CC	7.2	N/A	$5,000	$36,000
W-33	VC-CC	7.2	N/A	$5,000	$36,000

Large Lot [1]	Land Use [2]	Expected Acreage	Expected # of Residential Units	Base Tax Rate per Unit (Residential) and per Acre (Non-Residential) [3]	Assigned Maximum Special Tax [3]
			PHASE III		
W-6	LDR	22.8	77 units	$1,300	$100,100
W-13	LDR	17.0	60 units	$1,300	$78,000
W-14	LDR	31.7	115 units	$1,300	$149,500
W-15	LDR	27.6	80 units	$1,300	$104,000
W-16	MDR	20.6	160 units	$1,000	$160,000
W-29	HDR (affordable)	8.0	150 units	$250	$37,500
W-63	BP	10.5	N/A	$5,000	$52,500
			PHASE IV		
W-9	LDR	31.9	95 units	$1,300	$123,500
W-17	LDR	46.0	210 units	$1,300	$273,000
W-18	LDR	71.2	280 units	$1,300	$364,000
W-19	MDR	21.9	165 units	$1,000	$165,000
W-28	HDR	9.0	128 units	$500	$75,750
	HDR (affordable)		47 units	$250	(combined)
W-30	CC	4.0	N/A	$5,000	$20,000
W-60	IND	34.3	N/A	$3,000	$102,900
W-61	LI	35.9	N/A	$3,000	$107,700
W-62	LI	38.3	N/A	$3,000	$114,900
Total Assigned Maximum Special Tax Revenues (Fiscal Year 2004-05)					**$4,927,750**
Adjustment for Expected Affordable Units (85 Expected MDR Units)					**($42,500)**
CFD Maximum Special Tax Revenues (Fiscal Year 2004-05)					**$4,885,250**

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

2. LDR = Low Density Residential
   MDR = Medium Density Residential
   HDR = High Density Residential
   VC-MDR = Village Center Medium Density Residential
   VC-HDR = Village Center High Density Residential
   VC-CC = Village Center Community Commercial
   BP = Business Park
   CC = Community Commercial
   IND = Industrial
   LI = Light Industrial

3. Beginning July 1, 2005 and each July 1 thereafter, the Maximum Special Taxes shown above shall be adjusted by applying the Annual Tax Escalation Factor.

Source of Data: Morton & Pitalo, July 14, 2004

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APPENDIX B

THE APPRAISAL

Complete Appraisal
Self-Contained Report

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

Date of Report: June 24, 2005

Prepared For:

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

Prepared By:

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

Seevers Jordan Ziegenmeyer
Real Estate Appraisal & Consultation

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

Seevers Jordan Ziegenmeyer

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Real Estate Appraisal & Consultation

June 24, 2005

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

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

Dear Mr. Branson:

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

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

The Westpark CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of the following components: 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres. The project will be developed in four phases, and the financing provided through the bond issuance will be used for improvements to Fiddyment Road, Del Webb Boulevard, Pleasant Grove Boulevard, Village Green Drive, Bob Doyle Drive, Phillip Road, Upland Drive, West Side Drive, Market Street and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

The subject property, which comprises the land areas situated within the boundaries of the proposed Westpark Community Facilities District No. 1, is located in the West Roseville Specific

Plan, within a recently annexed (August 2004) area of the city of Roseville, Placer County, California. Specifically, the subject property is situated west of Fiddyment Road, north of Pleasant Grove Boulevard and south of Blue Oaks Boulevard. The following tables detail the various land use components encompassing Westpark Community Facilities District No. 1. There are also a number of public/quasi-public land areas that are within the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
		Phase I			
W-1	LDR (Age-Restricted)	85.4	398	-	5,200
W-2	LDR (Age-Restricted)	61.5	305	-	5,200
W-3	LDR	38.1	198	-	5,250
W-4	LDR	31.4	147	-	6,300
W-5	LDR	23.0	88	-	7,350
W-7	LDR	28.9	111	-	6,600
Total - Phase I		*268.3*	*1,247*	*0*	
		Phase II			
W-6	LDR	22.8	77	-	7,875
W-8	LDR	42.3	180	-	6,700
W-10	LDR	54.1	261	-	6,000
W-11	LDR	32.3	148	-	6,000
W-12	LDR	18.9	61	-	8,250
W-21	VC-MDR	16.8	144	-	3,850
W-22	VC-MDR	16.8	144	-	3,850
W-24	VC-MDR	12.5	95	-	3,850
W-25	VC-HDR	12.4	-	96	-
	VC-HDR (Affordable)		-	144	-
W-26	VC-HDR	10.0	-	132	-
W-32	VC-Commercial	7.2	-	-	-
W-33	VC-Commercial	7.2	-	-	-
Total - Phase II		*253.3*	*1,110*	*372*	
		Phase III			
W-13	LDR	17.0	60	-	7,000
W-14	LDR	31.7	115	-	6,825
W-15	LDR	27.6	80	-	7,875
W-16	MDR	20.6	118	-	3,850
	MDR (Affordable)		42	-	3,850
W-29	HDR (Affordable)	8.0	-	150	-
W-63	Business Professional	10.5	-	-	-
Total - Phase III		*115.4*	*415*	*150*	

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

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
		Phase IV			
W-9	LDR	31.9	95	-	7,000
W-17	LDR	46.0	210	-	5,500
W-18	LDR	71.2	280	-	6,000
W-19	MDR	21.9	122	-	3,850
	MDR (Affordable)		43	-	3,850
W-28	HDR	9.0	-	128	-
	HDR (Affordable)		-	47	-
W-30	Commercial	4.0	-	-	-
W-60	Industrial	34.3	-	-	-
W-61	Industrial	35.9	-	-	-
W-62	Industrial	38.3	-	-	-
Total - Phase IV		*292.5*	*750*	*175*	
Total		**929.5**	**3,522**	**697**	

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

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (May 2, 2005). The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress.

In light of the fact that the improvements to be financed by the district bonds were not in place as of our date of inspection, the value estimate is subject to a hypothetical condition, defined as that which is contrary to what exists but is supposed for the purposes of analysis. Specifically, the hypothetical market value estimate assumes the completion of the public facilities to be financed by the Westpark Community Facilities District No. 1 bond issuance. The estimate of value also accounts for the impact of the Special Tax securing the bonds. As a result of our analysis, it is our opinion the hypothetical market value of the subject property, in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 8 through 10), as of May 2, 2005, is…

Hypothetical Market Value: $424,550,000

This letter must remain attached to the report, which contains 208 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

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

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

Sincerely,

P. Richard Seevers, MAI
State Certification No.: AG001723
Expires: August 12, 2006

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

Nelson M. Wong, Appraiser
State Certification No. AG034862
Expiration Date: August 12, 2006

/smh

TABLE OF CONTENTS

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property: The appraised property comprises the land situated within the proposed boundaries of Westpark Community Facilities District No. 1.

Location: West of Fiddyment Road, north of Pleasant Grove Boulevard and south of Blue Oaks Boulevard, within the city of Roseville, Placer County, California

Land Use: The properties within the District are comprised of the following components: 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily housing encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres.

Assessor's Parcel Number(s): The subject property is situated within the confines of several assessor's parcels identified as 017-100-046 through –048 and 017-150-041 through –068.

Owner(s) of Record: PL Roseville, LLC

Zoning: The various land components representing the subject property are designated for single-family residential, multifamily residential, retail, office and industrial uses. For a complete description of the underlying zoning ordinances, please refer to the *Property Identification and Legal Data* section of this report.

Flood Zone: X – Areas outside of the 100 and 500-year floodplains

Earthquake Zone: Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)

Developable Land Area (Excludes Tax Exempt Areas):

Single-family residential component	752.7± acres
Multifamily residential component	39.4± acres
Commercial (retail) component	18.4± acres
Business professional (office) component	10.5± acres
Industrial component	108.5± acres
Total	929.5± acres

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

Date of Inspection: May 2, 2005

Effective Date of Value: May 2, 2005

Date of Report: June 24, 2005

Property Rights Appraised: Fee simple estate

Conclusion of Hypothetical Market Value: **$424,550,000**

The hypothetical market value conclusion is subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* referenced on pages 8 through 10 of this report.

INTRODUCTION

Property Description

The subject property represents the land areas within Westpark Community Facilities District (CFD) No. 1, which, at completion of development, will consist of 3,522 single-family residences (including 703 age-restricted and 85 affordable housing units), multifamily housing encompassing 697 units (including 341 affordable housing units), a commercial component comprising three sites totaling 18.4 acres, a business professional (office) site containing 10.5 acres and three industrial sites totaling 108.5 acres. There are also a number of public/quasi-public land areas that are within the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis. The following tables detail the various land use components comprising the subject property.

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
Phase I					
W-1	LDR (Age-Restricted)	85.4	398	-	5,200
W-2	LDR (Age-Restricted)	61.5	305	-	5,200
W-3	LDR	38.1	198	-	5,250
W-4	LDR	31.4	147	-	6,300
W-5	LDR	23.0	88	-	7,350
W-7	LDR	28.9	111	-	6,600
Total - Phase I		*268.3*	*1,247*	*0*	
Phase II					
W-6	LDR	22.8	77	-	7,875
W-8	LDR	42.3	180	-	6,700
W-10	LDR	54.1	261	-	6,000
W-11	LDR	32.3	148	-	6,000
W-12	LDR	18.9	61	-	8,250
W-21	VC-MDR	16.8	144	-	3,850
W-22	VC-MDR	16.8	144	-	3,850
W-24	VC-MDR	12.5	95	-	3,850
W-25	VC-HDR	12.4	-	96	-
	VC-HDR (Affordable)		-	144	-
W-26	VC-HDR	10.0	-	132	-
W-32	VC-Commercial	7.2	-	-	-
W-33	VC-Commercial	7.2	-	-	-
Total - Phase II		*253.3*	*1,110*	*372*	

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

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
		Phase III			
W-13	LDR	17.0	60	-	7,000
W-14	LDR	31.7	115	-	6,825
W-15	LDR	27.6	80	-	7,875
W-16	MDR	20.6	118	-	3,850
	MDR (Affordable)		42	-	3,850
W-29	HDR (Affordable)	8.0	-	150	-
W-63	Business Professional	10.5	-	-	-
Total - Phase III		*115.4*	*415*	*150*	
		Phase IV			
W-9	LDR	31.9	95	-	7,000
W-17	LDR	46.0	210	-	5,500
W-18	LDR	71.2	280	-	6,000
W-19	MDR	21.9	122	-	3,850
	MDR (Affordable)		43	-	3,850
W-28	HDR	9.0	-	128	-
	HDR (Affordable)		-	47	-
W-30	Commercial	4.0	-	-	-
W-60	Industrial	34.3	-	-	-
W-61	Industrial	35.9	-	-	-
W-62	Industrial	38.3	-	-	-
Total - Phase IV		*292.5*	*750*	*175*	
Total		**929.5**	**3,522**	**697**	

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

The appraised property is situated west of Fiddyment Road, north of Pleasant Grove Boulevard and south of Blue Oaks Boulevard, within the West Roseville Specific Plan, in a recently annexed (August 2004) area of the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of Westpark and neighboring Fiddyment Ranch master planned communities, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market value of the subject property (*fee simple estate*), assuming the completion of the primary infrastructure and facilities to be financed by

the Westpark Community Facilities District No. 1 bond issuance. Market value is defined as follows:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U. S. Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

In light of the fact that the improvements to be financed by the district bonds were not in place as of the date of value (date of inspection), the value estimates are subject to a hypothetical condition, defined as that which is contrary to what exists but is supposed for the purposes of analysis.

Client, Intended User and Intended Use of the Appraisal

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

Property Rights Appraised

The value estimate derived herein is for the fee simple estate, defined as follows:

***Fee Simple Estate*:** absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[2]

The rights appraised are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the

[1] Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.
[2] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 113.

value estimate reflects the completion of the public facilities to be financed by the District bonds and accounts for the impact of the Special Tax securing the bonds.

Type of Appraisal and Report Format

This report documents a Complete Appraisal of the subject property. It is presented in a Self-Contained Appraisal Report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

Dates of Inspection, Value and Report

An inspection of the subject property was completed on May 2, 2005, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on June 24, 2005.

Scope of the Appraisal

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

We researched and documented several legal and physical aspects of the subject property. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Mr. Greg Ackerman, Vice President of Finance at Pulte/Del Webb, regarding the property history and development information. The sales history was verified by consulting public records. Various documents were provided for the appraisal, including a developer's budget, site maps and development timeline. We contacted the City of Roseville Planning Department regarding zoning and entitlements. The earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the Placer County Treasurer-Tax Collector's Office.

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

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

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (May 2, 2005). The subdivision development method to value (discounted cash flow analysis) was relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to estimate value for the typical, or predominate, production residential lot configuration (6,000 square feet) within the subject property. Then, we utilized the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 6,000 square foot lots. The sales comparison approach was also employed to estimate revenue for the retail, office and industrial components. With respect to the multifamily component, three sites are encumbered by an affordable housing requirement. Due to the lack of recent sales relating to affordable housing multifamily developments (or sites), the extraction technique was exclusively relied upon to develop an opinion of hypothetical market value for these parcels. In the application of the extraction technique, the income capitalization approach was utilized to establish value for hypothetical multifamily housing developments, after which estimated costs of construction were deducted, resulting in estimates of value for the underlying sites. Finally, the sales comparison approach was employed once again to estimate the hypothetical market value of the multifamily site that does not have an affordable housing requirement.

The resultant value (revenue) indicators were incorporated into a discounted cash flow analysis to estimate the hypothetical market value of the subject property (in bulk), assuming the completion of the improvements to be financed by the Westpark CFD No. 1 bond issuance.

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

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

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Hypothetical Conditions

1. *The estimate of hypothetical market value assumes the completion of the public infrastructure improvements to be financed by the Westpark Community Facilities District No. 1 bond issuance. The funds will be used for improvements to Fiddyment Road, Del Webb Boulevard, Pleasant Grove Boulevard, Village Green Drive, Bob Doyle Drive, Phillip Road, Upland Drive, West Side Drive, Market Street and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.*

Extraordinary Assumptions

2. *The values derived in this report are directly tied to the subdivision maps provided by the master developer. Any significant change in the number or size of the new parcels could affect the value of the subject property. It is assumed the subject will be subdivided as represented by the developer for this analysis. If, at some future date, alternate mapping or phasing of the subject property is implemented, there will necessarily be a direct impact on value, and the appraisers reserve the right to amend the opinion(s) of value stated herein.*

3. *The value conclusions contained in this report are based, in part, on development cost information provided by the master developer. Any significant change in these costs could have a direct impact on the value estimate concluded herein. If, at some future date, the actual improvement costs differ from the projected costs, the hypothetical market value(s) provided in this report could be affected. We requested site development cost estimates for each of the individual villages; however, the budget was only available for Phase I of the subject development. Therefore, in calculating revenues for the balance of the villages within Phases II, III and IV, we analyzed the development budget for Phase I and applied average site development costs based on typical lot sizes. Using these indicators, site development costs were deducted from the loaded lot indicators for each of the villages.*

4. *According to the City of Roseville Planning Department, the tentative map for Phase I of the subject development has been approved, while Phase II is scheduled for approval by the fourth quarter of 2005. Although the balance of the Westpark development does not have tentative map approval, a Development Agreement is in place between the City of Roseville and the developer that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. In light of the fact the submitted maps are consistent with the West Roseville Specific Plan, the City of Roseville Planning Department does not anticipate any impediments in the approval process. The approvals should represent a routine function for the Planning Department. Thus, no discount will be applied for the subject's land areas that lack tentative map approval. If for any reason the approval process is delayed indefinitely, the appraisers reserve the right to amend the opinion(s) of value stated herein.*

5. *The subject property represents several contiguous assessor's parcels identified as 017-100-046 through –048 and 017-150-041 through –068. It is assumed lot line adjustments will be made in order to enable the transfer of the subject's land components (e.g. villages) as separate, legal parcels.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CERTIFICATION OF VALUE

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

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

P. Richard Seevers

P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2006)

CERTIFICATION OF VALUE

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

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

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

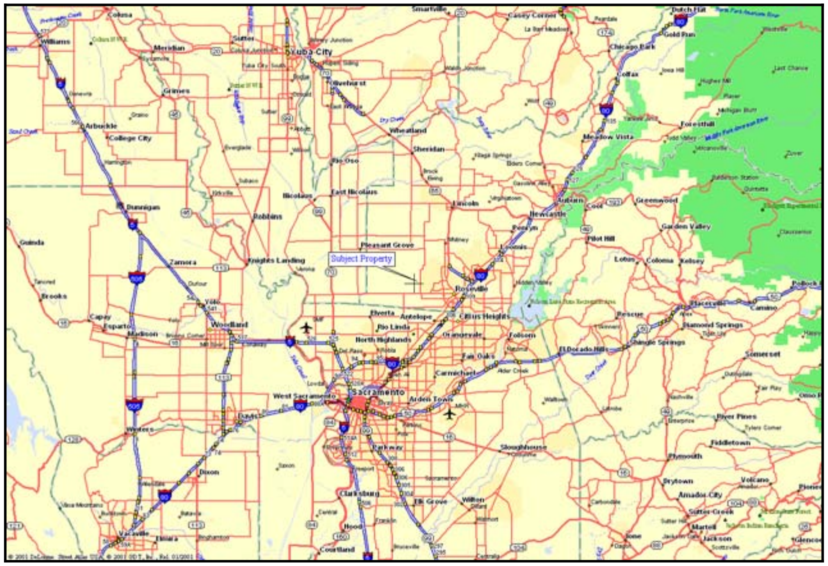
CERTIFICATION OF VALUE

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

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

NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2006)

SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW



Introduction

Traditionally, the Sacramento Area has been defined as the Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), which includes the four counties of Sacramento, Placer, El Dorado and Yolo. In recent years, however, several local research and trade organizations, including the Sacramento Area Commerce and Trade Organization (SACTO), have expanded their definitions of the Sacramento Area to include Yuba and Sutter Counties to the north. For purposes of this analysis, we will follow this recent trend and define the Sacramento Area as the six-county region (Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter).

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

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

Geography & Climate

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

The region's climate is fairly mild, with moderate rainfall in winter, virtually none in summer, and a relatively comfortable temperature range year-round. However, temperatures can reach above 100° in the summer on the valley floor, and heavy rain and snowfall can occur during winter in the northeastern part of the region in the mountainous areas of Placer and El Dorado counties. The climate of Sacramento is warm and dry in the summer with an average daytime high temperature of 93°F, and a cool 58° at night. During Sacramento's winter, average temperatures range from 37° to 52°. During Sacramento's rainy season, November to April, an accumulation of 16 to 20 inches of rain is normal.

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

Recreation & Culture

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

Other recreational opportunities are available within a few hours drive of the Sacramento Area. To the west are the San Francisco Bay Area, the Napa Valley wine country, the coastal redwood forest, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than 10 snow-skiing resorts. Legalized casino gambling is available in Nevada, as well as several Indian casinos in the Sacramento region.

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

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

Population

The Sacramento Area is among the fastest growing metropolitan areas in the United States. The population grew by 20% between 1990 and 2000, and by another 10% between 2000 and 2004. This strong growth is attributed primarily to the in-migration of residents from other California and U.S. urban areas. The following table shows historical population growth in the six-county region.

POPULATION TRENDS

County	2000	2001	2002	2003	2004	Avg. Annual Growth
El Dorado	156,299	159,600	162,800	165,900	168,100	1.9%
Placer	248,399	260,300	272,100	283,500	292,100	4.4%
Sacramento	1,223,499	1,249,200	1,282,600	1,311,700	1,335,400	2.3%
Sutter	78,930	80,200	81,800	83,800	85,500	2.1%
Yolo	168,660	172,500	177,300	181,100	184,500	2.3%
Yuba	60,219	61,300	62,600	63,800	64,800	1.9%
Total	1,936,006	1,983,100	2,039,200	2,089,800	2,130,400	2.5%

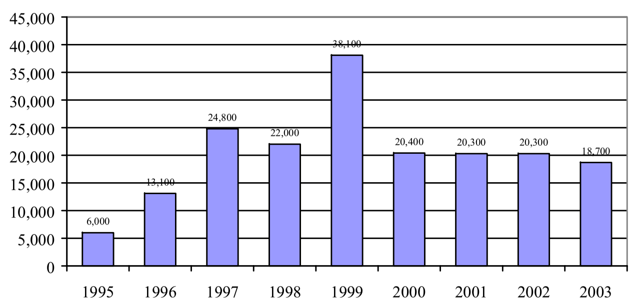
Source: California Department of Finance

The population in the region is expected to continue growing. According to the State Department of Finance, the population in the Sacramento Area is projected to increase nearly 40% between 2000 and 2020. The region's growth is expected to outpace the growth of nearly all other metropolitan areas in California, as well as the state as a whole. Most of the population is concentrated in the region's major cities, including Sacramento, Folsom, Roseville, Rocklin, Auburn, Placerville, Woodland, Yuba City and Marysville.

Employment

According to the State Employment Development Department (EDD), the Sacramento metropolitan area represents one of the strongest employment centers in California, despite some slowing in the employment growth rate in recent years. During the last four years, a period of statewide and national economic instability, employment in the Sacramento region grew at a steady 18,000 to 20,000 jobs per year, which is about a 2% annual growth rate. The following table exhibits employment growth in the region over the past decade.

EMPLOYMENT GROWTH
SIX-COUNTY REGION

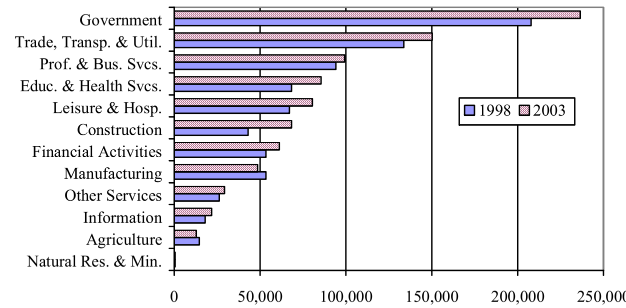


Source: Sacramento Area Commerce and Trade Organization (SACTO),
Greater Sacramento Area 2004/2005 Economic Profile

During the past several years, the local economy has transitioned from a government and agricultural center to a more diverse economy where the business services and trade sectors comprise nearly half of regional employment. The region is developing a large high technology research and manufacturing base and has become a western hub for data processing, customer call centers and other corporate back office support activities. The government sector's proportion of total employment is getting smaller as the region grows and diversifies.

The following chart compares the region's employment by industry in 1998 and 2003. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+59%), followed by Educational & Health Services (+25%), Information (+21%), and Leisure & Hospitality (+20%). The only sectors to experience negative job growth were Agriculture (-12%) and Manufacturing (-9%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.

EMPLOYMENT BY INDUSTRY
SIX-COUNTY REGION



Source: Sacramento Area Commerce and Trade Organization (SACTO),
Greater Sacramento Area 2004/2005 Economic Profile

Government employment, however, is still very significant in the Sacramento region. In fact, government entities (including universities and school districts) account for about 27% of total employment in the region. The State of California, with its main offices situated primarily throughout Downtown Sacramento, is the region's largest employer, with over 70,000 employees. UC Davis ranks second with about 15,000 employees, and Sacramento County is third with approximately 12,000 employees. Overall, government employment in the Sacramento region increased nearly 14% between 1998 and 2003. This growth rate has slowed in the last year or two due to the State budget situation.

The region's largest non-government employers are listed in the following table, in order of number of employees.

TOP 10 PRIVATE EMPLOYERS
FOUR-COUNTY REGION*

Company	Industry	Year Est. in Area	No. of Employees
Raley's Inc.	Retail grocery	1935	7,340
Sutter Health Sacramento Sierra	Healthcare	1923	7,314
Kaiser Permanente	Healthcare	1965	7,037
Intel Corp.	Semiconductors	1984	7,000
CHW/Mercy Healthcare Sacramento	Healthcare	1896	6,615
SBC	Telecommunications	1881	5,300
Hewlett-Packard Co.	Computer hardware	1979	4,500
Target Corp.	Retail	N/Av	4,158
Wells Fargo	Financial services	1852	3,145
Wal-Mart Stores Inc.	Retail	1991	2,950

Source: Sacramento Business Journal, Top 25 Book of Lists 2004
* Sacramento, Placer, El Dorado and Yolo Counties

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

LABOR FORCE AND EMPLOYMENT TRENDS

Sacramento County	1990	1995	2000	Nov. 2003	Nov. 2004
Labor Force	533,600	538,900	602,900	657,600	661,400
Employment	509,700	502,100	577,400	620,900	628,800
Unemployment Rate	4.5%	6.8%	4.2%	5.6%	4.9%
El Dorado County					
Labor Force	65,200	72,700	77,300	84,100	83,900
Employment	62,400	67,700	74,100	79,800	80,100
Unemployment Rate	4.4%	6.9%	4.1%	5.1%	4.5%
Placer County					
Labor Force	91,500	102,900	125,600	141,900	144,100
Employment	87,700	96,500	121,600	135,300	138,200
Unemployment Rate	4.1%	6.2%	3.1%	4.6%	4.1%
Yolo County					
Labor Force	76,100	87,300	93,100	97,100	101,200
Employment	71,000	81,300	89,100	91,600	96,100
Unemployment Rate	6.7%	6.9%	4.3%	5.6%	5.1%
Yuba County					
Labor Force	22,900	21,200	21,200	22,300	20,900
Employment	20,500	18,000	18,700	19,400	18,400
Unemployment Rate	10.3%	15.0%	11.8%	12.9%	11.9%
Sutter County					
Labor Force	34,200	34,600	36,700	38,800	36,700
Employment	29,500	28,600	31,900	33,400	31,700
Unemployment Rate	13.7%	17.2%	13.1%	13.9%	13.6%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,041,800	1,048,200
Employment	780,800	794,200	912,800	980,400	993,300
Unemployment Rate	5.2%	7.4%	4.6%	5.9%	5.2%

Source: State of California Employment Development Department,
Labor Market Information Division

According to the State Employment Development Department (EDD), the unemployment rate in the Sacramento region was 5.2% as of November 2004, which marks a decrease from 5.9% a year ago. This compares to 5.6% for the state of California, and 5.2% for the nation. Most areas within the state and nation, including Sacramento, saw rising unemployment rates in 2001 and 2002, stabilization in 2003, and declines in 2004. Several local forecasting organizations expect full-time hiring to continue to pick up in 2005. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater dependence on agricultural employment, which tends to be seasonal.

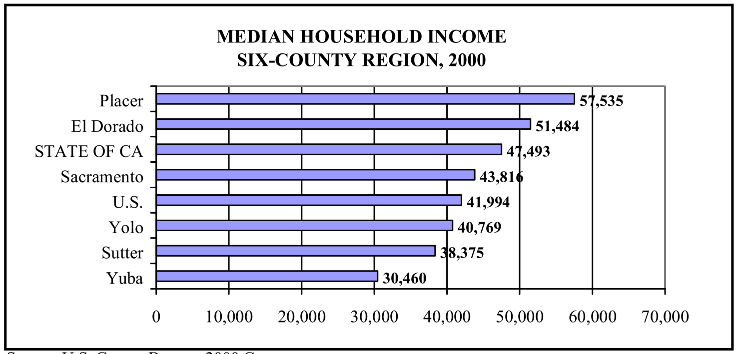
Most local experts and forecasting organizations expect employment growth in the Sacramento Area to improve in 2005. According to a forecast by the California Institute for County Government, a group affiliated with California State University Sacramento, job growth is expected to reach 2% to

3% in the Sacramento Area by the third quarter of 2005. The forecast expects a decline in government hiring, which should be more than offset by growth in private sector hiring.

According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in services, trade and government.

Personal Income

The following chart shows median household income by county for the six counties within the Sacramento region, as well as the state and nation, as of the 2000 Census.



Source: U.S. Census Bureau, 2000 Census

As indicated in the chart above, Placer County exhibits the highest personal income in the region. This is attributed in part to the large degree of high-tech employment in the county, and a significant amount of in-migration of high-income households from the Bay Area. Sutter and Yuba Counties have the lowest incomes, due in large part to significant agricultural employment in these areas.

For the past several decades, the Sacramento region has been characterized by steadily increasing personal income levels. The following table depicts recent income trends and projections for the six-county region.

PERSONAL INCOME TRENDS
SIX-COUNTY REGION

Income	2000 Census	2003 Estimate	% Chg	2008 Projection	% Chg
Average Household	$58,376	$65,451	12.1%	$75,159	14.8%
Median Household	$45,714	$50,010	9.4%	$57,809	15.6%
Per Capita	$21,849	$24,278	11.1%	$27,668	14.0%

Source: Claritas Inc., Demographic Trend Report

Education & Healthcare

The educational institutions in the region produce a well-educated community and stable work force. The Sacramento region offers a number of alternatives in terms of higher education. The Sacramento County Office of Education operates Regional Occupational Programs (ROP) for high school students and adults that offer a variety of classes and training. Vocational schools in the area offer various technical and business related programs. There are a number of community colleges within the greater Sacramento region. Sierra College is a fully accredited, two-year college with the main campus located in Rocklin. The Los Rios Community College District offers five local campuses: American River, Cosumnes River, Sacramento City, the El Dorado Center, and the Folsom Lake Center. Two large universities, California State University Sacramento (CSUS) and the University of California Davis (UCD), are located in the region and are recognized throughout the nation. Finally, bachelor and graduate degrees are offered through several private schools, such as Chapman University, Golden Gate University, William Jessup University, McGeorge School of Law, University of Southern California, University of Phoenix, and others. At least two additional private universities are planning to open in the Sacramento area in the coming years.

The Sacramento region has become a hub for general and specialized healthcare in Northern California and the Central Valley. There are currently 28 major medical centers within the six-county region, operated by providers such as Kaiser Permanente, UC Davis Health System, Shriners, Mercy/Catholic Healthcare West, and Sutter Health System.

Transportation

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

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

Traffic congestion has intensified throughout the region in recent years along with population growth and the development of new suburban communities. In 2003, many promising transportation projects were on the drawing board; however, most of these projects are now being delayed several months or years because the region has failed to meet Federal clean-air standards that are required for Federal funding. In addition, the State budget has reduced financing for transportation projects. One project that is underway involves improving and reconfiguring the Douglas Boulevard interchange on Interstate 80. Another project in the planning pipeline is the 15-mile Placer Parkway, which would provide a new east-west route between Highway 99/70 in Sutter County and Highway 65 in Roseville. The road would be 250 feet wide and contain either four or six lanes. A bypass of Highway 65 around the city of Lincoln is also being planned.

The major public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by several regional public and private transit companies. Regional Transit covers a 340-square mile service area that is serviced by 240 buses and 65 light rail vehicles, transporting over 27 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In September 2004, RT set a new record for combined bus and light rail daily ridership of more than 120,000 passengers. This figure reflects the many new passengers taking advantage of the South Line and Sunrise light rail extensions. RT's combined bus and light rail ridership is up 21% compared to last year. During the next 10 years, RT plans to extend even further, adding new tracks that will reach Folsom to the east, Elk Grove to the south, Natomas and the Sacramento International Airport to the north, and Davis to the west. The Amtrak/Folsom Corridor Project, with extensions to the city of Folsom and the Sacramento Valley Amtrak Station, is expected to begin service in October 2005. This route will add seven new light rail stations and four park-n-ride lots, providing a viable transportation alternative for Highway 50 corridor commuters.

The City of Sacramento is currently considering a transit-oriented village at Highway 50 and 65 Street, near California State University Sacramento. The transit village would incorporate high-density housing above street-level retail adjacent to a light-rail station. A bike path tunnel would connect with the university. Funding is not yet available, but the proposed village is located within a redevelopment zone that is expected to generate funding options for the project. Planners estimate the project would take 20 years to fully build out.

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

Water transport is also available in the region. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products.

Finally, the region benefits from several air transport facilities. Most notably, Sacramento International Airport is served by 14 carriers – Alaska, Aloha, America West, American, Continental, Delta, Frontier, Hawaiian, Horizon, JetBlue, Mexicana, Northwest, Southwest and United/United Express. In 2004, JetBlue began service out of Sacramento, with direct flights to New York City, Washington D.C. and other destinations. Also in 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 9 million passengers traveled through Sacramento International Airport during fiscal year 2003/2004. Besides the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). In addition to passengers, Sacramento International and Mather Airport process over 250 million pounds of air freight per year.

Public Utilities

Residents and businesses in the region receive natural gas from Pacific Gas & Electric (PG&E), and electric power from Sacramento Municipal Utility District (SMUD), PG&E, Roseville Electric, and Sierra Pacific Power. The passage of Assembly Bill 1890 in September 1996 resulted in open competition in California's electricity generation on March 31, 1998. This bill requires investor-owned utilities, such as PG&E, to allow their customers to choose from which company they want to buy their electricity. Deregulation in the electricity market caused a shake-up throughout the state, with several months of drastic inflation in prices in 2000 and 2001, when a number of power generators controlled the market and charged inflated prices to utility companies such as PG&E. Since that time, prices have stabilized and the situation is no longer considered a crisis.

Environment

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

The Sacramento Area benefits from abundant water resources. Purveyors draw surface water from the American, Sacramento, and Feather Rivers, and pump groundwater from underground sources in the Sacramento Valley. The Sierra Nevada snowfields, only 70 miles east of Sacramento, normally provide a plentiful water supply during the dry summer months. According to the State Department of Water Resource's California Water Plan, approximately 30% of the Sacramento River Region is irrigated with groundwater.

Water supply and quality issues are among the most important environmental concerns in the area. The significant rate of growth that has occurred over the last decade has notably increased the demand for water, and the delivery of water to southern portions of the state continues to be a hot political and environmental issue. Water years 2001 and 2002 were dry years throughout California, following six years of wet to average conditions. Water year 2003 was dry to average. The outlook for winter 2004-2005 calls for average conditions in the Sacramento region, with an ample supply of water to meet the needs for development. However, the future impact on all users depends on the natural replenishment of the water sources by geological factors, as no new dams are anticipated in the near future.

Air quality continues to be a concern in the Sacramento Valley. This area is designated a severe ozone "non-attainment area" by the U.S. Environment Protection Agency (EPA). This non-attainment area includes all of Sacramento County and parts of El Dorado, Placer, Solano, Sutter and Yolo counties. During the summer, the region fails to meet both the State and Federal health standards for ozone. Because the Sacramento Valley is shaped like a bowl, smog presents a critical problem in the summer, when an inversion layer traps pollutants close to the ground, causing unhealthy air quality levels. Vehicles and other mobile sources cause about 70% of this region's air pollution problem.

In the past decade, air quality has improved in the Sacramento region. Some of the things that have helped air quality are: cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, state-wide regulation on the amount of solvents in consumer products, and Federal regulations on solvents contained in painting products. In addition, policymakers have taken steps to improve and expand public transportation systems in the region. In 1988, Sacramento County voters passed Measure A, a one-half cent sales tax increase which provided one-sixth cent to

Regional Transit, and allowed for the purchase of 135 buses fueled with natural gas. The buses emit the lowest level of pollutants of any internal combustion engine bus manufactured in North America, making a major contribution to a reduction in air pollution. In September 2004, the California Air Resources Board approved a landmark regulation that requires automakers to begin selling vehicles with reduced greenhouse gas emissions by model year 2009.

Another environmental concern in the area is flooding. Sacramento's location along two major rivers and several tributaries has resulted in a number of flooding issues. Major floods occurred in multiple areas in 1986 and 1997. The majority of flood problems are concentrated in western Sacramento County and eastern Yolo County, where the American and Sacramento rivers converge. The Sacramento Area Flood Control Agency (SAFCA) was established in 1989 to coordinate a regional effort to finance, implement, and maintain facilities necessary to provide flood protection. Many proposed improvements were approved and funded by the SAFCA Assessment District, established in June 1996. A large portion of these improvements was completed in 1998, which resulted in a new flood designation outside the 100-year flood zone for most areas in northern Sacramento County.

As a result of significant improvements to river and creek levees in recent years, in early 2005 the Federal Emergency Management Agency (FEMA) will revise flood maps to designate the American River floodplain outside the 100-year flood zone. This area includes most of eastern and central Sacramento County. As a result, property owners in these areas will no longer be required to maintain flood insurance. In 2006, another new map may declare neighborhoods in the southern portion of the county out of the 100-year floodplain as well.

Ongoing and future flood control projects include raising Folsom Dam by seven feet; installing new gates on Folsom Dam; constructing a new bridge over the American River just below Folsom Dam; and completing major levee-strengthening work already under way. The remaining work involving Folsom Dam will likely take more than a decade to complete, but when it is completed, Sacramento will have reached SAFCA's goal of 200-year flood protection for the entire region.

With the rapid increase of development in the past few years, there has been growing concern regarding the protection of endangered habitats and species and the conservation of open space. Most development projects in the region, particularly in south Placer County, face opposition from various special interest groups. With regard to endangered habitats and species, development in the region is subject to Federal and State laws concerning this issue. The region contains an extensive list of endangered species and a significant amount of environmentally sensitive land, including vernal pools, wetlands, woodlands, and grasslands, which are primary habitats for various endangered species. The U.S. Fish and Wildlife Service intends to designate 154,000 acres in the four-county Sacramento region as critical habitat for 15 species of plants and animals that live in seasonal wetlands known as vernal pools. According to Fish and Wildlife, this measure could cost landowners in the Sacramento Area about $25 million over the next 20 years, primarily in lost land values and consultation and mitigation fees. Local landowners and their representatives believe this cost is likely to be much higher – possibly surpassing $500 million or even $1 billion.

Summary

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

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

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

SOUTH PLACER COUNTY OVERVIEW

Introduction

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

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

History

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

Geography, Climate & Seismic Conditions

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

before continuing on to merge with the Sacramento River in the city of Sacramento. The Bear River flows along the northern boundary of Placer County, dividing it from Nevada County.
South Placer is developed with a mix of urban and rural uses. The larger cities, namely Roseville and Rocklin, are mostly urban, while the smaller communities, such as Loomis and Newcastle, have remained mostly rural residential. Auburn and Lincoln both exhibit a combination of urban and rural settings. However, in recent years the city of Lincoln has experienced dramatic growth and development, and has become the fastest growing city in California.

The climate of South Placer is warm and dry in the summer months, with an average daytime high temperature of 95 degrees (Fahrenheit), and a cool 58 degrees at night. During South Placer's winters, average temperatures range from 37 to 53 degrees. Due to the snowfall in the Sierra Nevada Mountains, South Placer generally has adequate water during the summer. During the rainy season, November through April, an accumulation of approximately 23 inches of rain is the norm. Besides South Placer's relatively mild climate, it is also known for its stable seismic conditions. Unlike the Bay Area and Los Angeles, South Placer and its component cities rank among the lowest in the state for the probability of a major earthquake.

Population

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

Following is a table representing the population change in South Placer County and its component cities and towns from 2000 through 2004.

POPULATION TRENDS – PLACER COUNTY

Area	2000	2001	2002	2003	2004	Avg. Annual Growth
Auburn	12,462	12,650	12,650	12,600	12,650	0.4%
Colfax	1,520	1,580	1,720	1,790	1,780	4.3%
Lincoln	11,205	13,700	16,900	19,900	23,050	26.4%
Loomis	6,260	6,350	6,325	6,350	6,225	-0.1%
Rocklin	36,330	39,800	43,300	46,000	48,900	8.6%
Roseville	79,921	83,700	87,900	93,300	96,900	5.3%
Unincorporated	100,701	102,600	103,300	103,500	102,600	0.5%
Total	248,399	260,300	272,100	283,500	292,100	4.4%

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong rate of annual growth of 4.4% over the past four years. Lincoln, with an average annual growth rate of 26.4%, is by far the fastest growing part of the region, followed by Rocklin, Roseville and Colfax. Auburn, Loomis, and the unincorporated communities have had relatively stable populations.

The following table compares population trends in Placer County to its bordering counties.

POPULATION TRENDS – PLACER & BORDERING COUNTIES

County	2000	2001	2002	2003	2004	Avg. Annual Growth
Placer	248,399	260,300	272,100	283,500	292,100	4.4%
El Dorado	156,299	159,600	162,800	165,900	168,100	1.9%
Nevada	92,033	92,300	93,900	95,100	96,100	1.1%
Sacramento	1,223,499	1,249,200	1,282,600	1,311,700	1,335,400	2.3%
Sutter	78,930	80,200	81,800	83,800	85,500	2.1%
Yuba	60,219	61,300	62,600	63,800	64,800	1.9%

Source: California Department of Finance

Over the past four years, Placer County has been the fastest-growing county among its bordering counties, with an average annual growth rate nearly double the next fastest-growing county. It is projected this trend will continue, with the cities of Lincoln, Rocklin and Roseville leading the way.

Employment

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

TOP 10 EMPLOYERS – SOUTH PLACER COUNTY

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

Source: Sacramento Business Journal, March 11, 2005

Transportation

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard.

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

Community Facilities

Education

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

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

preparatory high school, Aristos Academy, is proposed on Technology Way in Rocklin.

Health Care

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

In response to booming population growth in recent years, many new health care facilities are in the works in the South Placer County area. Kaiser is currently working on a 750,000-square foot expansion at its Roseville site that will house a new women's and children's health center, expanded emergency department, parking garages and other medical buildings. Further, Kaiser has proposed a cancer center near the Galleria Mall in Roseville, and a medical office building in Lincoln. Sutter plans to more than double the size of its Roseville hospital by 2010. UC Davis Health System is planning a new medical campus in Rocklin. Catholic Healthcare West is planning a new medical campus just outside Lincoln, which would include a 200-bed hospital, skilled-nursing facility and medical offices.

Recreation

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

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

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

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

New Construction

Auburn

Unlike the other cities in South Placer, Auburn's rate of growth has been relatively slow. Residential development in Auburn has grown slowly, and most new subdivisions are much smaller in scale compared to those seen in Lincoln, Roseville and Rocklin. Some custom lot subdivisions have been developed along Auburn-Folsom Road. Some new office development has occurred in recent years, particularly in the area near the intersection of Bell Road and Professional Drive, just west of Highway 49 in northern Auburn. However, growth overall in the city has been slow over the years and the city is mostly built-out. Any additional expansion will likely occur outside the city boundaries, predominantly in areas west and north of the city center. Some redevelopment of existing properties is also expected to occur.

Granite Bay

One of South Placer's wealthiest communities, Granite Bay, has retained the characteristics of a semi-rural community with minimal commercial development. Residential development in Granite Bay has continued at a slow to moderate pace. Most development in this area consists of custom

homes on acreage lots. Additional residential growth is expected in the coming years, as rural/agricultural properties continue to be converted to custom-lot subdivisions. In terms of commercial development, the Granite Bay Business Park at Douglas and Sierra College Boulevards was developed over the past few years, and consists of several small, high-end office buildings. The Granite Bay Village shopping center at Douglas Boulevard and Auburn-Folsom Road was recently renovated and Ace Hardware and Sacramento Natural Foods have signed on as new tenants. To our knowledge, no new major projects are planned in the community.

Lincoln

Within the last five to ten years, Lincoln has shown explosive growth and surpassed Roseville and Rocklin in terms of growth rates in population and residential development. Lincoln has been the fastest-growing city in California every year since 2001. In the last decade, most of Lincoln's growth occurred in the master-planned communities of Sun City Lincoln Hills (an age-restricted senior community) and Twelve Bridges. Currently, the Lincoln Crossing master-planned community in the southwest portion of the city represents the hub of growth. Lincoln Crossing will add 2,900 new homes to the city at build-out.

The Twelve Bridges master planned community has been developed by Placer Holdings, Inc., and has more than 30,000 mature oak trees, creating a serene community within South Placer County's natural foothill beauty. Anchored by the acclaimed 18-hole Catta Verdera Golf Club, approximately half of the community's 3,000 acres will remain open and natural space. A combination of single and multi-family homes balances retail and neighborhood commercial uses. JTS Communities, Richmond American and Centex Homes acquired the last remaining lots designated for production homes (Village 18), which is positioned along the north end of Twelve Bridges Golf Course and is surrounded by open space and view amenities. The remaining lots available in Twelve Bridges are designated for custom home development. Community services, such as an existing fire station, a medical plaza currently under construction, four schools, a library and more, bring into focus the community's master plan.

In response to the rapidly growing population, several commercial developments are under construction or proposed in southern Lincoln. At the intersection of Sterling Parkway and East Lincoln Parkway, two significant retail/office centers are planned. At the northeast corner of Highway 65 and Sterling Parkway, construction is underway on a 133,000 square foot retail center that will be anchored by a Raley's supermarket. Just south of the Raley's site is another commercial site proposed for a 73,200 square foot center to be known as Lincoln Square. Across Highway 65 from these developments, developer John Saca has obtained approval for a Home Depot along Ferrari Ranch Road. Another recent major commercial development in the area is the Thunder Valley Casino, located about two miles south of Lincoln in an unincorporated area of Placer County. A 412-acre industrial park is planned near the casino.

The Downtown Lincoln area is experiencing several redevelopment projects along the Highway 65/G Street corridor. Lincoln Plaza, a new 3-story retail/office building, is currently under construction at 6th and G Streets.

In addition to residential and commercial development, Lincoln is seeing expansion in public facilities as well. Sierra College and the Western Placer Unified School District are considering a shared campus within the Twelve Bridges development. Just south of Lincoln Crossing is land owned by developer Angelo Tsakopoulos, who is negotiating to sell or donate land for a Catholic Healthcare West (Mercy) hospital. In addition, the City of Lincoln is developing its own business park adjacent to the city airport, creating yet another sign that the region's path of mainstream development has reached the city.

Loomis

Like Granite Bay, the town of Loomis has remained mostly rural residential in nature and growth has been very slow. Town officials seek to retain rural traits by closely monitoring developers' interest in the community. Most land in Loomis is zoned for minimum lot sizes of 2.3 to 4.6 acres, which prevents production builders from entering the area. Some new subdivisions have been developed in recent years, including Sterling Pointe and Clos Du Lac. Most new projects consist of custom estate lots. Currently there is one active subdivision in Loomis, Hunter Oaks by R.A.H. Development. This project offers 37 total lots, with a typical lot size of 6,500 square feet.

Rocklin

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

Another area seeing new development in Rocklin is the Granite Drive corridor, adjacent to Interstate 80. Granite Creek Business Park on Granite Drive near Sierra College Boulevard is a 22.5-acre center that began development in late 2001 and will contain 200,000 square feet of concrete tilt-up office/tech buildings at build-out. A retail strip center was completed in 2004 at the northeast corner of Granite Drive and Sierra Meadows Drive. At the northwest corner of Granite Drive and Rocklin Road, a two-story office/medical/retail building was erected in 2004-2005. The Niello Porsche auto dealership is currently under construction and should be completed by spring or summer of 2005.

One of Rocklin's main industrial/business park areas is the Atherton Center, located near Highway 65 and Sunset Boulevard. The Rocklin Corporate Center is being developed on 125 acres adjacent to the Atherton Center. A group of developers has plans for 27 acres that include commercial and office space. The property owner is retaining 98 acres to build a 680,000 square foot business park. Nearby, Oracle Corp. has completed construction of the second of four office buildings at its Rocklin campus.

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

A couple of sizable vacant buildings in Rocklin now have new tenants. The former Wal-Mart store on Five Star Boulevard, south of Stanford Ranch Road, has been remodeled and leased to four new home furnishings-related tenants – American Furniture, Bellach's, RoomSource and Your Home Resort. On Sunset Boulevard, United Natural Foods, Inc. purchased the former Ace Hardware distribution center. UNFI is the largest publicly-traded wholesale distributor to the natural and organic foods industry, and will employ about 500 people at the Rocklin facility.

Construction is scheduled to begin in mid-2005 on the Blue Oaks Town Center at Highway 65 and Blue Oaks Boulevard. This 165,000 square foot center will be anchored by RC Willey, a home furnishings and electronics store, and should open in 2006. This will be RC Willey's first California store.

Roseville

The largest city in South Placer, Roseville has experienced tremendous growth in all segments of real estate and has achieved a good balance between residential, commercial and industrial development. Like Rocklin and Lincoln, residential development in Roseville has been among the strongest in the greater Sacramento region. Within the last decade, the communities of Woodcreek Oaks and Highland Reserve have been developed in west Roseville, and the Crocker Ranch and Diamond Creek areas are continuing to be built-out. In east Roseville, the newest master-planned community is Stoneridge, which offers some of the largest and most expensive homes in the city.

The city of Roseville is increasingly becoming a hub for office development in the region. New office development has been concentrated along the Douglas Boulevard and Highway 65 corridors. The Stone Point office complex will add 1.8 million square feet of office space on Eureka Road. Just west of the Galleria, Shea Properties is constructing an upscale, 600,000 square foot office park on approximately 37 acres of land along Gibson Drive.

In terms of retail development, the opening of the Galleria, a 1.1 million square foot regional mall, in 2000 has added to the area's growth by creating approximately 2,500 new jobs. Additionally, Creekside Town Center, across Galleria Boulevard from the mall, has added thousands of square feet in retail space, both big-box and in-line space. Other recent projects include the Renaissance Creek center on Sierra College Boulevard and Highland Crossing on Pleasant Grove Boulevard. Another area of major new retail development is Fairway Drive, between Stanford Ranch Road and Blue Oaks Boulevard. This corridor has been developed over the last couple years with Lowe's, The Home Depot, Kohl's, Sport Chalet, WinCo Foods, Target Greatland, Costco, Staples, Toys R Us, Cost Plus, Ross, and Linens 'n Things. Directly across Highway 65 at Pleasant Grove Boulevard, are a new Wal-Mart and Sam's Club.

The Morgan Creek master planned community is located just outside the city limits of Roseville. At the center of the community is a 184-acre, 18-hole championship golf course, measuring 7,143 yards. At build-out, the community will consist of 449 detached, single-family residences with a recreational center, open-space pedestrian trails, parks, nature preserves and multiple lakes, along with the golf course. The overall project is separated into five villages, with William Lyon Homes, JMC Homes and Lakemont Homes, constructing detached, single-family residences targeted towards upper-income homebuyers. In addition, Village 3, comprised of 78 lots with a minimum lot size of 20,000 square feet, is designated for various developers and individuals seeking to construct custom residences. This master planned community has minimum lot sizes from 5,000 to 20,000 square feet, with a number of lots that are significantly larger and have premiums relating to positioning contiguous to the golf course, views, and desirable locations such as cul-de-sacs and corners.

In August 2004, the city of Roseville annexed 3,162 acres west of the city limits comprising the Westpark and Fiddyment Ranch master planned communities, which will create room for another 8,430 homes and apartment units, as well as industrial projects, and vast areas of open space. Development on this project, referred to as the West Roseville Specific Plan, is expected to commence within the next two years and should serve as competition for the Placer Vineyards Specific Plan (discussed below). The area is expected to accommodate about 21,000 residents. One of the most prominent planned projects for the area is for a 600-acre development to house a private university near Baseline Road. The push westward has been boosted by an emerging plan to build a four to six-lane expressway, referred to as Placer Parkway, from Roseville to Highway 99.

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

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

Placer Vineyards (Unincorporated Area)

In the southwestern corner of Placer County is the Placer Vineyards Specific Plan Area. This area is bounded by the Sutter County Line on the west, Baseline Road on north, the Sacramento County Line on the south, and Walerga Road on the east. This area encompasses 5,158 acres of land area that will be developed with a mix of residential, commercial and community uses, as well as open space. More than 14,000 homes are proposed for the area, with construction estimated to begin in 2006. The project also includes plans for a 100-acre town center with public services and retail facilities, plus an additional 88 acres for retail development and 257 acres for office and industrial development.

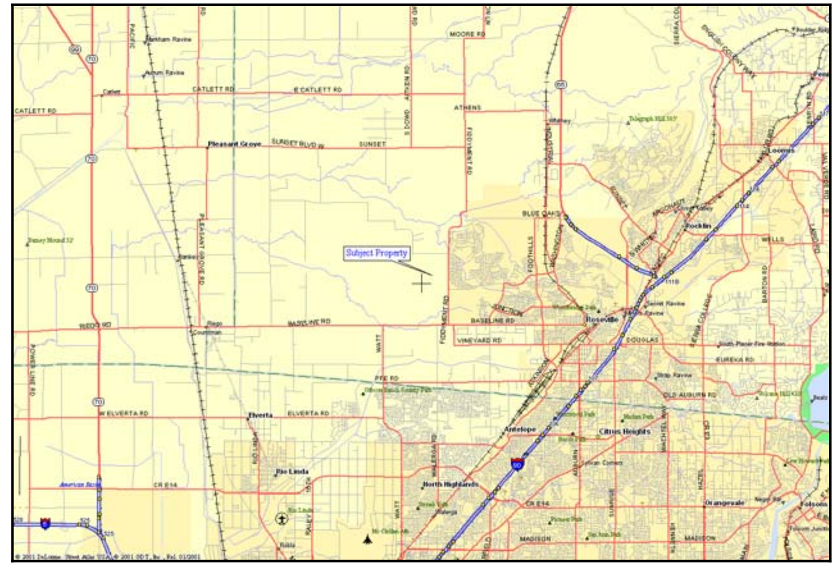
Bickford Ranch (Unincorporated Area)

For the past decade, Lennar Corporation has been working toward approval for this project, which would add nearly 5,000 residents in the hills between Penryn and Lincoln. The development plan calls for 1,890 homes, a private golf course, public parks, a commercial center and 720 acres of open space. The project was originally approved in 2001 but had to be reconsidered by supervisors because a judge ruled in early 2004 that the planning document was too difficult to interpret. In October 2004, the Placer County Board of Supervisors approved the Bickford Ranch development, and the developer began grading the site. However, in November 2004 development was halted when a state appeals court granted a stay of construction requested by environmental groups opposed to the project. In early 2005, a Placer County judge dissolved the court order, allowing site work to resume. Lennar maintains that the first homes could come online as early as 2006. The Bickford Ranch master planned community recently transferred in bulk from Lennar Corporation to another large land development company; however, the details relating to this transaction are confidential.

Summary

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

NEIGHBORHOOD OVERVIEW



Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises." [3]

Neighborhood Boundaries

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

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

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

Demographics

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

Transportation

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

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

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

Land Uses

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

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

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

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

Community Uses

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

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

West Roseville Specific Plan

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

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

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

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

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

Westpark Master Planned Community

Owned by PL Roseville, LLC, the Westpark master planned community will include the development of the following components: 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a

combined 18.4 acres, a business professional (office) site measuring 10.5 acres, three industrial sites totaling 108.5 acres, three schools (elementary, middle and high school), a church and numerous neighborhood parks, as well as open space. The centerpiece of the Westpark master planned community is the Village Center, which is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high-density residential, community commercial, parks and recreation and public/quasi-public uses. An artist rendering of the Village Center is presented below:

Fiddyment Ranch

The Fiddyment Ranch master planned community is owned by Signature Properties. The development encompasses 1,678± acres of land and, at completion, will include 3,165 single-family residences, 1,005 multifamily units, 30.1 acres of retail development, an office site containing 9.1 acres of land area, two schools, a fire station and several parks and open space areas. The project will be developed in three phases. Several of the villages within Phase I are currently under contract to various merchant builders, including Shea Homes, KB Homes, Meritage Homes and Christopherson Homes. Two regional parks are located within the Fiddyment Ranch development and are identified as Fiddyment Park and Regional Sports Park. Fiddyment Park (Parcel F-54) encompasses 91± acres of land area located west of Fiddyment Road and south of Blue Oaks Boulevard. As proposed, this park will include bike and pedestrian paths, activity greens, a frisbee (disc) golf course, and a multi-purpose center. The Regional Sports Park (Parcels F-55 and F-56) is a proposed 75.6 acre city-wide park that is proposed as a regional facility for tournaments and local league events. Proposed improvements include lighted soccer fields, swimming pool, tennis courts, softball diamonds, picnic areas, and pathways.

Conclusion

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

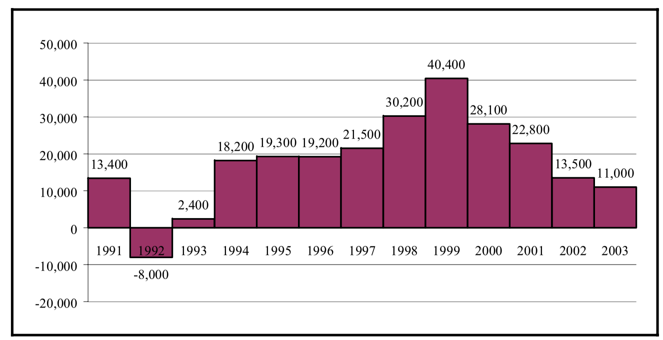
SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

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

Employment & Economy

During the latter part of the 1980s, the Sacramento Region was creating almost 28,000 new jobs per year, which stimulated the boom in housing demand during that period. Following the onset of the recession in 1990, employment growth turned negative in 1992, with corresponding declines in new home and resale home values. The region began a slow climb back to producing positive employment gains in 1993, which greatly contributed to the increase in housing demand during the latter part of the 1990s. The following chart illustrates total non-farm employment growth in the Sacramento Region from 1991 through 2003.

EMPLOYMENT GROWTH (NON-FARM)
SIX-COUNTY REGION



Source: The Gregory Group

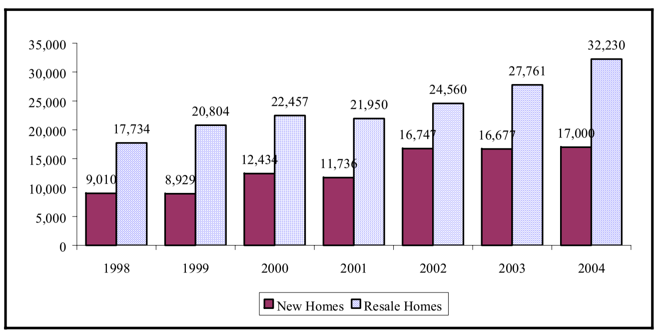
Since peaking in 1999, job growth in the region has gradually decreased each year. Some local analysts, economists and industry experts have cited concerns about the slowdown in job growth and its ultimate impact on the housing market. However, job growth has remained positive and the housing market has continued to show solid growth over the past few years.

Based on information provided by The Gregory Group, a local enterprise tracking the regional housing market, and the California Employment Development Department (EDD), between September 2003 and September 2004, the total number of non-farm jobs in the Sacramento Region decreased by a slight 0.1%, to 883,900. The Construction industry recorded an increase of 5,100 jobs (+7.1%) and the Services industry grew by 1,200 jobs (+0.2%), while the Manufacturing industry saw little change in the number of jobs. The Government industry posted a loss of 6,900 (-2.9%) jobs between September 2003 and September 2004. The unemployment rate in the Sacramento MSA was 5.2% as of September 2004 according to EDD, which is down slightly from the year-ago estimate of 5.6%.

In 2005, most experts predict moderate job growth of about 1% in the Sacramento Region. Further, the long-term outlook for employment in the region is good. According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

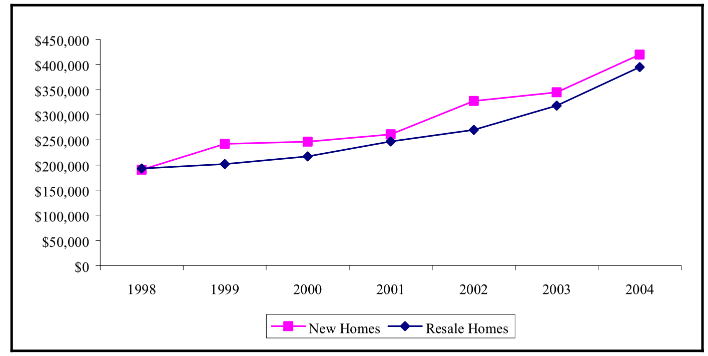
Historical Trends

The following chart exhibits the number of home sales in the Sacramento Region, both resale and new, between 1998 and 2004.



Source: Meyers Group; Lyon Real Estate

The following chart exhibits average home prices in the Sacramento Region, both resale and new, between 1998 and 2004.



Source: Meyers Group; Lyon Real Estate

Housing Permits

An operative measure of the condition of the region's housing market is the number of housing permits issued over time. New residential permit activity has steadily increased in the Sacramento Region since 1995. For the year 2002, a total of 23,177 single- and multifamily permits were issued, which represented a gain of 22.8% over 2001. In 2003, 24,419 permits were issued during the year, reflecting an increase of 5.4% over 2002. Annual building permit information for 2004 was not yet available due to lags in compiling data for Fourth Quarter 2004.

A total of 6,385 building permits were issued during Third Quarter 2004 in the Sacramento Region, which represents a 4.9% decrease from a year ago, when 6,711 permits were issued. Of the 6,385 total permits, 5,431 were single-family and 954 were multifamily. Compared to one year ago, the single-family segment showed a gain of 6.2%, while the number of multifamily permits declined by 46%. The multifamily market appears to have softened following significant new construction in the past few years.

The following table reflects new permit activity for the Sacramento Region from 1990 through 2004 (projected).

BUILDING PERMIT ACTIVITY
SIX-COUNTY REGION

Year	Single-family	Multifamily	Total
1990	14,551	2,613	17,164
1991	8,467	2,231	10,698
1992	8,781	1,251	10,032
1993	8,823	742	9,565
1994	9,233	721	9,233
1995	7,951	645	9,954
1996	8,470	881	8,538
1997	8,898	1,270	9,351
1998	11,035	3,659	11,535
1999	11,212	2,729	14,694
2000	13,744	3,481	14,876
2001	15,256	3,615	18,871
2002	18,665	4,512	23,177
2003	19,606	4,823	24,429
2004 Proj.	22,303	2,512	24,774

Source: The Gregory Group

E/P Ratio Trends

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

The following table illustrates E/P ratio trends in the Sacramento Region since 1991.

E/P RATIO – SIX-COUNTY REGION

Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1991	13,400	10,698	1.25	8,467	1.58
1992	-8,000	10,032	-0.80	8,781	-0.91
1993	2,400	9,565	0.25	8,823	0.27
1994	18,200	9,233	1.97	9,233	1.97
1995	19,300	9,954	1.94	7,951	2.43
1996	19,200	8,538	2.25	8,470	2.27
1997	21,500	9,351	2.30	8,898	2.42
1998	30,200	11,535	2.62	11,035	2.74
1999	40,400	14,694	2.75	11,212	3.60
2000	28,100	14,876	1.89	13,744	2.04
2001	22,800	18,871	1.21	15,256	1.49
2002	13,500	23,177	0.58	18,665	0.72
2003	11,000	24,419	0.45	19,631	0.56

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between 1996 and 2001. In 2002 and 2003, the E/P ratio declined; however, market evidence suggests there is still significant pent-up demand for housing from the high job growth in previous years. Despite rises in building permits issued, recent construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. It appears the market has been attempting to meet the demand for new housing in the region. However, it will take several more years of below 1.2 ratios to balance the undersupply of new homes in this region.

Population Trends

Another significant factor with direct influence on the region's housing market is population. Since the mid-1980s, the Sacramento Region has been significantly impacted by migration from the San Francisco Bay Area and Southern California urban centers, as well as areas outside the state of California. Reportedly, 21% of new homebuyers in the Sacramento Region are from the Bay Area, with another 9% coming from other California cities. In contrast to the Los Angeles and San Francisco regions, most new Sacramento area residents come from within California seeking job opportunities, lower costs of housing and a less congested living environment.

The following table illustrates the total population of the Sacramento Region from 1990 through 2020 (projected), with corresponding growth for the periods noted. During the 1990-2003 period, the population in Placer County grew by 59%, El Dorado by 32%, Yolo by 28%, and Sacramento by 26%. The four-county region experienced a 30% increase in population over this period.

POPULATION TRENDS

Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento-Yolo CMSA	Population Growth
1990	126,000	172,800	1,041,200	141,200	1,481,200	N/A
1991	130,200	179,200	1,063,400	143,800	1,516,600	2.4%
1992	134,900	187,200	1,088,400	147,200	1,557,700	2.7%
1993	138,800	194,000	1,103,800	149,000	1,585,600	1.8%
1994	141,800	200,000	1,113,800	150,400	1,606,000	1.3%
1995	143,900	207,200	1,118,600	152,900	1,622,600	1.0%
1996	145,900	215,000	1,127,700	155,700	1,644,300	1.3%
1997	148,400	222,300	1,141,900	158,300	1,670,900	1.6%
1998	150,900	229,700	1,157,400	160,700	1,698,700	1.7%
1999	153,200	238,300	1,185,100	163,500	1,740,100	2.4%
2000	156,299	248,399	1,223,499	168,660	1,796,897	3.3%
2001	159,600	260,300	1,249,200	172,500	1,841,600	2.5%
2002	162,800	272,100	1,282,600	177,300	1,894,800	2.9%
2003	165,900	283,500	1,311,700	181,100	1,942,200	2.5%
2004	168,100	292,100	1,335,400	184,500	1,980,100	2.0%
2010*	212,000	339,300	1,486,500	205,000	2,242,800	13.3%
2015*	232,900	373,400	1,591,100	219,500	2,416,900	7.8%
2020*	252,900	406,900	1,707,600	236,400	2,603,800	7.7%

*Projected
Source: California Department of Finance

New Home Sales and Submarket Analysis

A total of 3,621 new homes were sold during Fourth Quarter 2004 in the six-county Sacramento Region. This represents a 5.5% decrease compared to a year ago, when 3,831 units sold during Fourth Quarter 2003. Pricing has increased from an average sale price of $386,883 in Fourth Quarter 2003 to $471,987 in Fourth Quarter 2004, an increase of 22.00%.

The Elk Grove/Laguna area combined accounted for 27.4% of the market, while the tri-city South Placer County area (Rocklin, Roseville and Lincoln) captured 12.2% of the market. In terms of future developing areas, large-scale new development in the region is planned in the city of Rancho Cordova (Anatolia I and II), Sutter and Yuba Counties (Plumas Lakes) and Rocklin (Sunset Ranchos).

New home sales activity comparisons from Third Quarter 2004 to Fourth Quarter 2004 for the six counties, as well as other areas, are detailed in the following table.

NEW HOME SALES ACTIVITY

County	3rd Qtr. 2004	4th Qtr. 2004	% Change
Sacramento	1,729	2,112	22.2%
El Dorado	167	204	22.2%
Placer	773	489	-36.7%
Yolo	354	291	-17.8%
Yuba	283	375	32.5%
Sutter	136	150	10.3%
Submarket	**3rd Qtr. 2004**	**4th Qtr. 2004**	**% Change**
Natomas	456	480	5.3%
Laguna	531	690	29.9%
El Dorado Hills	135	195	44.4%
Elk Grove	296	301	1.7%
Roseville	428	189	-55.8%
Rocklin	68	28	-58.8%
Lincoln	270	225	-16.7%
Folsom	130	132	1.5%
West Sacramento	273	215	-21.2

Source: The Gregory Group

The table above indicates new home sales throughout the Sacramento Region are mixed; areas with diminishing levels of supply are experiencing negative sales rates, while other areas are either maintaining the same number of sales occurred last quarter or growing as new projects come online.

New Housing Trends

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

NEW HOME TRENDS –SIX-COUNTY REGION*

Category	2nd Qtr. 2003	3rd Qtr. 2003	4th Qtr. 2003	1st Qtr. 2004	2nd Qtr. 2004	3rd Qtr. 2004	4th Qtr. 2004
Avg. Price	$366,429	$385,028	$393,405	$403,927	$439,407	$460,734	$471,987
Median Price	$344,695	$360,900	$366,945	$379,990	$419,990	$444,990	$459,990
Avg. Home Size	2,578 SF	2,605	2,572	2,551	2,551	2,541	2,506
Avg. Price/SF	$145.71	$151.21	$156.54	$161.96	$156.54	N/A	$193.37
Quarter Sales	4,078	4,312	3,651	5,178	4,901	3,455	3,621
Qtr. Weekly Sales	1.28	1.48	1.23	1.61	2.10	1.20	1.28
Unsold Inventory	2,036	1,737	1,642	884	875	1,221	1,460
Weeks of Inventory	5	5	4	2	2	3	N/A

*Prior to 2004, data is for the four-county region (excludes Yuba and Sutter Counties).
Source: The Gregory Group

Developer Market Share

During Fourth Quarter 2004, the five most active homebuilders in the region, in terms of sales, were Beazer Homes, JTS Communities, US Home, KB Homes and Centex Homes. For the year 2003, the most active homebuilders in the Sacramento Region were as follows: Lennar Corporation (US Home, Renaissance Homes and Winncrest Homes) with 1,849 sales, Beazer with 1,022 sales, Del Webb with 986 sales, Elliott Homes with 867 sales and KB Homes with 781 sales. Elliot is the only Sacramento based builder in the group. The following table illustrates the top 20 developers within the Sacramento Region, ranked by Fourth Quarter 2004 sales, as reported by The Gregory Group. The table also includes total sales and corresponding market shares for the years 2002 and 2003.

TOP 20 DEVELOPERS – SIX-COUNTY REGION

Developer	4th Qtr. 2004 Sales	4th Qtr. 2004 Market Share	Year 2003 Sales	Year 2003 Market Share	Year 2002 Sales	Year 2002 Market Share
Beazer Homes	557	10.8%	1,022	6.8%	1,182	7.4%
JTS Communities	380	7.3%	609	4.0%	557	2.6%
US Home	268	5.2%	N/A	N/A	N/A	N/A
KB Homes	252	4.9%	781	5.2%	1,441	9.1%
Centex Homes	246	4.8%	698	4.6%	604	3.5%
Forecast Homes	223	4.3%	651	4.3%	731	3.9%
Elliott Homes	217	4.2%	867	5.7%	1,099	6.9%
JMC Homes	169	3.3%	490	3.2%	738	4.6%
Reynen & Bardis Devel.	168	3.2%	138	0.9%	148	0.8%
Del Webb	145	2.8%	986	6.5%	991	6.2%
Richmond American Homes	142	2.7%	358	2.4%	284	1.5%
Pacific West	140	2.7%	35	0.2%	N/A	N/A
Meritage Homes	130	2.5%	397	2.6%	353	2.1%
Renaissance Homes	127	2.5%	497	3.3%	N/A	N/A
Morrison Homes	125	2.4%	444	2.9%	416	2.5%
Dunmore Homes	125	2.4%	376	2.5%	363	2.2%
DR Horton	120	2.3%	686	4.5%	612	3.8%
California Homes	100	1.9%	175	1.2%	209	1.3%
Winncrest Homes	99	1.9%	603	4.0%	N/A	N/A
Ryland Homes	91	1.8%	377	2.5%	203	1.2%

Source: The Gregory Group

Attached Housing Market

As prices for new and resale single-family homes in the Sacramento Region have escalated, the cost of ownership has increased. According to information presented at Grubb & Ellis' 2005 Real Estate Forecast, only 12% of Sacramento area households can afford the area's median-priced new home (and only about 25% can afford an existing home). As a result, demand has increased for more affordable alternatives such as condominiums, half-plexes and homes on very small lots. Developers have quickly responded to this trend and several attached residential projects have recently been completed and are in the pipeline throughout the region. According to the Meyers Group, as of March 2004 there were 6,095 attached units in the planning pipeline in the six-county region. This figure is almost three times higher than in December 2002. Grubb & Ellis estimates 7 out of 10 of the new homes under construction or planned in this region represent attached or high-density projects.

As of Fourth Quarter 2004, there were 12 active developments offering attached units in the Sacramento Region, according to The Gregory Group's quarterly report. The following table summarizes the active and planned condominium projects in the Sacramento Region.

ATTACHED HOUSING PROJECTS

Project & Developer	No. of Units	Sales Began	SF Range	Price Range	Weekly Sales Rate
Alder Grove, North Highlands (Alder Grove LLC)	116	3rd Qtr. 2004	880 - 1,025	$146,900 – $185,900	2.96
Campania, Roseville (John Laing Homes)	166	4th Qtr. 2004	1,050 – 1,681	$237,990 - $322,990	1.92
Rivage at Esplanade, Folsom (John Laing Homes)	70	4th Qtr. 2003	1,313 - 1,747	$309,990 - $332,990	1.05
Harriet Lane, West Sacramento (Sacramento SBB Associates)	34	4th Qtr. 2004	1,450	$329,990	1.33
Park River Oaks, Sacramento (River City Construction)	64	3rd Qtr. 2004	1,346 - 1,593	$300,000 - $350,000	1.00
Sunrise Village Townhomes, Citrus Heights (Sunrise)	22	4th Qtr. 2004	1,319 – 1,381	$217,000 - $250,000	1.36
Providence at Esplanade, Folsom (John Laing Homes)	185	4th Qtr. 2003	1,050 - 1,681	$270,990 - $333,990	2.10
Bella Rose Villas, Natomas (Inland Construction)	200	2nd Qtr. 2004	667 - 1,035	$176,900 - $263,900	5.00
The Villas, Roseville (Brenson Communities)	200	3rd Qtr. 2004	758 - 1,261	$222,000 - $313,000	4.00
The Phoenician, Roseville (Phoenician LLC)	327	3rd Qtr. 2004	751 - 1,142	$239,990 - $299,990	3.76
Amherst Place, Sacramento (Pacifica Enterprises)	136	3rd Qtr. 2004	795 - 1,050	$188,500 - $252,500	2.96
West Lake Villas, Natomas (Meer Capital Partners)	285	4th Qtr. 2004	840 - 1,382	$250,000 - $350,000	3.46

Source: The Gregory Group

Another condominium project is proposed for construction in the Highland Park area of Roseville. WL Homes plans 166 units ranging in size from 1,059 to 1,681 square feet.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, has improved each year since 1995, when sales were the lowest since 1991. A slowing national economy resulted in a temporary decrease in sales rates observed in the region during 2001. However, many analysts believe the Fourth Quarter 2001 marked the beginning of renewed growth. The years 2002

and 2003 represented near-record years for the Sacramento housing market. Local experts attribute gains in sales activity and home prices to historically low interest rates, coupled with pent-up demand for housing created by robust job growth around the turn of the century. Further, buyers are drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, stable employment base, variety of housing products, healthy local economy and good climate.

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

The general consensus among local experts is that the Sacramento housing market will continue to see increases in home sales and prices in 2005, despite predictions by most for slightly increasing interest rates and modest job growth. Many market participants forecast single-digit price appreciation for the coming year. That level of growth would still represent a strong market, but not as strong as the 20%+ price increases seen in many submarkets in recent years. The attached housing market is expected to remain very strong, as is the market for more affordable homes, particularly those priced under $300,000. Areas of future development include the city of Rancho Cordova (Anatolia I and II), Sutter and Yuba Counties (Plumas Lakes), West Sacramento (Southport), Roseville (West Roseville annexation), south Folsom and Rocklin (Sunset Ranchos).

RETAIL MARKET OVERVIEW

Introduction

First Quarter 2005 represented another solid quarter for the retail market in the Sacramento region. The overall vacancy rate of 4.2% was down slightly from 4.5% in Fourth Quarter 2004. Lease rates were stable to rising in most submarkets, with the average asking lease rate in the Sacramento area at $1.76 per square foot per month, triple net. Net absorption was positive for the 7th consecutive quarter, with over 340,000 square feet of space absorbed during the First Quarter. Roseville/Rocklin and Auburn/Loomis achieved the highest net absorption during the quarter. The submarkets seeing most of the region's new construction activity are Roseville/Rocklin, Northgate/Natomas and Laguna/Elk Grove. These areas have seen significant residential growth in recent years, which has triggered demand for supporting retail uses.

Overall, 2004 marked a very strong year for the Sacramento retail market. The region continued to attract local, regional and national retailers. In 2004, Kohl's opened four department stores in Natomas, West Roseville, Folsom and Elk Grove. Mid-year, Sport Chalet entered the region and added four sporting goods stores in the area. IKEA will enter the market in 2005 with a home furnishings store in West Sacramento. Beck's Furniture plans two additional stores in south Sacramento and Roseville. The Sacramento retail market is expected to experience steady growth for the near term.

Lease Rates

Lease rates were stable to slightly rising for most product types during First Quarter 2005. The average asking lease rate for the region was $1.76 psf/month (triple net) during the quarter, the same as it was during the previous two quarters. In high-growth submarkets, the average rates for shop space typically range from $2.45 to $3.00 psf/month (triple net). In some areas, such as Roseville/Rocklin and Laguna/Elk Grove, in-line space within anchored shopping centers is now garnering upwards of $3.00 psf/month. It is anticipated lease rates will continue to rise in 2005.

Vacancy

The overall retail market vacancy rate in the Sacramento Region as of First Quarter 2005 was 4.2%, down slightly from 4.5% in the Fourth Quarter. The submarkets with the lowest vacancy rates are Northgate/Natomas, Folsom/El Dorado Hills, Laguna/Elk Grove, Auburn/Loomis and Roseville/Rocklin. All of these areas posted vacancy rates under 3% for the quarter. Developers have been quick to respond to these low vacancy rates, with new construction planned or underway in most of these areas.

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

Submarket	1st Qtr. 2005 Vacancy Rate
Northgate/Natomas	0.9%
Folsom/El Dorado Hills	0.9%
Laguna/Elk Grove	1.2%
Auburn/Loomis	1.2%
Roseville/Rocklin	1.9%
Arden/Watt/Howe	2.9%
Carmichael	3.0%
South Sacramento	3.4%
Greenhaven/Pocket	3.5%
North Highlands	3.8%
South Natomas	4.5%
West Sacramento/Davis	5.9%
Downtown/Midtown/East Sac	8.0%
Citrus Heights/Fair Oaks	9.5%
Hwy 50/Rancho Cordova/Rosemont	14.1%
Market Total	**4.2%**

Source: CB Richard Ellis

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

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

Property Type	1st Qtr. 2005 Vacancy Rate
Strip Centers	1.6%
Power Centers	1.6%
Specialty Centers	3.1%
Community Centers	3.7%
Neighborhood Centers	5.2%
Freestanding Buildings	6.3%
Market Total	**4.2%**

Source: CB Richard Ellis

Absorption

Net absorption for the retail market in the Sacramento area was positive 343,019 square feet during First Quarter 2005, which represents the 7th consecutive quarter of positive absorption. For the year 2004, the region had positive absorption of 2,056,539 square feet, which was higher than 2003. The leading submarkets in the First Quarter were Roseville/Rocklin and Auburn/Loomis.

The following table shows the quarterly and year-to-date net absorption totals by submarket. The submarkets are listed in descending order by total year-to-date net absorption.

Submarket	1st Qtr. 2005 Net Absorption (SF)	Year-to-Date Net Absorption (SF)
Roseville/Rocklin	121,060	121,060
Auburn/Loomis	112,054	112,054
Downtown/Midtown/E. Sac	47,819	47,819
Hwy 50/Rancho/Rosemont	42,021	42,021
South Sacramento	32,240	32,240
Northgate/Natomas	9,979	9,979
Arden/Watt/Howe	8,184	8,184
South Natomas	6,222	6,222
Carmichael	2,263	2,263
Folsom/El Dorado Hills	2,117	2,117
Greenhaven/Pocket	0	0
West Sacramento/Davis	(3,095)	(3,095)
Laguna/Elk Grove	(3,263)	(3,263)
Citrus Heights/Fair Oaks	(13,728)	(13,728)
North Highlands	(20,854)	(20,854)
Market Total	**343,019**	**343,019**

Source: CB Richard Ellis

New Construction

Approximately 267,000 square feet of retail space was completed in First Quarter 2005 in the Sacramento region. Sterling Pointe Shopping Center, located at Highway 65 and Sterling Parkway in Lincoln, added over 112,000 square feet. Gold's Gym opened in the Foothill Village Shopping Center on Foothills Boulevard in Roseville, adding over 87,000 square feet. In Downtown Sacramento, a Safeway-anchored center on R Street opened with 68,000 square feet.

There are currently 12 retail projects under construction totaling over 2.4 million square feet in the Sacramento market. Roseville/Rocklin has the bulk of this figure, with over 1 million square feet

underway, mostly in neighborhood and community shopping centers. Following Roseville/Rocklin are Northgate/Natomas (663,000 SF), Laguna/Elk Grove (449,837 SF), Auburn/Loomis (112,201 SF), North Highlands (80,200 SF) and Downtown/Midtown/East Sac (68,049 SF). Most of these projects are due for completion in late 2005 and early 2006.

Notable projects under construction include Promenade at Natomas with 663,000 square feet and Elk Grove Marketplace with 200,000 square feet. In South Placer, Fairway Commons I and II are under construction in Roseville. Future development will include the Blue Oaks Town Center at Blue Oaks Boulevard and Highway 65. The center will contain approximately 450,000 square feet of retail space, two hotels, and additional office space. In El Dorado Hills, Village Green is a proposed 27-acre center for commercial, retail, restaurant and office development within the Serrano master-planned community.

Historical Trends

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

Year	Vacancy Rate	SF Net Absorption	Average Lease Rates
1990	8.7%	1.7 million	\$1.35 - \$2.50/SF
1991	10.0%	1.1 million	\$1.35 - \$2.50/SF
1992	9.4%	1.2 million	\$1.15 - \$2.25/SF
1993	10.4%	1.6 million	\$1.35 - \$1.85/SF
1994	8.6%	1.2 million	\$1.35 - \$1.85/SF
1995	7.2%	N/A	\$1.20 - \$1.65/SF
1996	11.7%	N/A	\$0.80 - \$2.35/SF
1997	10.1%	509,545	\$0.90 - \$2.15/SF
1998	7.1%	532,171	\$1.00 - \$1.76/SF
1999	6.5%	944,840	\$1.00 - \$2.13/SF
2000	6.0%	1.1 million	\$1.00 – \$2.28/SF
2001	5.8%	1.4 million	\$1.00 – \$2.50/SF
2002	6.9%	402,374	\$1.40 – \$2.60/SF
2003	5.6%	522,534	\$1.40 – \$2.60/SF
2004	4.5%	2.1 million	\$1.40 – \$2.60/SF
2005 YTD	4.2%	343,019 SF	\$1.05 – \$2.45/SF

Source: CB Richard Ellis

Forecast – Next 12 Months

The Sacramento area retail market is expected to remain strong over the course of the next year. Certain areas are poised for significant growth, including Roseville/Rocklin, Northgate/Natomas and Laguna/Elk Grove. Vacancy rates are expected to remain low, but could increase slightly from 2004 due to new construction projects coming online in late 2005 and early 2006. Demand for retail development should remain high as the area's housing market continues to expand. Retail lease rates and sale prices are expected to rise in 2005.

National retailers will continue to enter the Sacramento market in the coming year. In 2005 West Sacramento will begin its first power center, Riverpointe Marketplace, a 700,000-square foot development that will include an IKEA home furnishings store, Wal-Mart and Home Depot. Another major retailer, RC Willey, has announced plans to bring a store to Rocklin. The Promenade at Natomas, with 663,000 square feet, will become the area's largest non-mall retail development.

OFFICE MARKET OVERVIEW

Introduction

During First Quarter 2005, the office market in the Sacramento region continued to show signs of improvement. The average market vacancy rate dropped slightly to 13.7% from 13.9% in the previous quarter, and net absorption was over 120,000 square feet for the quarter. The average asking lease rate in the region has slowly inched upward over the past several quarters, and now stands at $1.68 per square foot per month (full service). The submarkets achieving the highest rents are Downtown (average $2.25 psf/month), Roseville/Rocklin ($2.10) and Elk Grove ($2.00).

Overall, the year 2004 was sluggish for the Sacramento office market, as job growth was relatively flat and companies had little need for more space. Vacancy rates were historically high and absorption of space was weaker than in previous years. Nevertheless, lease rates were stable to slightly rising in most areas, and sales activity remained strong, with rising prices. These factors indicate investors see a strong long-term outlook for the Sacramento office market. Further, the cities of Roseville and Rocklin in South Placer County performed very well, and Elk Grove was also strong in 2004. These areas are expected to continue to see the most new construction and absorption in the coming quarters.

Vacancy

Office vacancy rates in the Sacramento Area reached a low in the year 2000, and steadily increased through the year 2004. Fourth Quarter 2004 and First Quarter 2005 represent the first declines in vacancy in recent years. The average market vacancy rate reached a high of 14.0% in Third Quarter 2004, inched down in the Fourth Quarter to 13.9%, and fell slightly more to 13.7% in First Quarter 2005.

The submarkets experiencing the lowest vacancy rates are the suburban areas of Carmichael/Fair Oaks, East Sacramento and Campus Commons. Northgate/Natomas, Elk Grove and West Sacramento continue to post the highest vacancy rates in the market. Vacancy has been high in Northgate/Natomas due to new construction of large buildings and the conversion of portions of McClellan Air Force Base to general office space. The high vacancy rates in West Sacramento and Elk Grove are the result of significant new construction coming online in recent months.

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

Submarket	1st Qtr. 2005 Vacancy Rate
Carmichael/Fair Oaks	4.2%
East Sacramento	6.8%
Campus Commons	7.1%
Roseville/Rocklin	8.1%
Citrus Heights/Orangevale	8.6%
Watt Avenue	8.8%
Point West	9.1%
South Sacramento	9.3%
Howe/Fulton	13.0%
Downtown	13.2%
Midtown	13.9%
Highway 50 Corridor	14.2%
South Natomas	16.0%
Folsom	16.4%
West Sacramento	26.6%
Elk Grove	28.6%
Northgate/Natomas	30.4%
Market Total	**13.7%**

Source: CB Richard Ellis

This recent survey demonstrates many submarkets are performing reasonably well, with nearly half of the submarkets exhibiting vacancy rates below 10%. It should be noted the above rates include single- and multi-tenant office buildings, as well as office space for buildings located within industrial parks. Government-owned and medical buildings are not included in the survey. Additionally, the above statistics do not include office buildings with fewer than 10,000 square feet. In general, smaller properties with good quality improvements typically experience vacancy rates close to 5%.

Absorption

Net absorption for the office building market in the Sacramento Area was positive 121,496 square feet during First Quarter 2005. For the year 2004, the region had positive absorption of 291,027 square feet, which was higher than 2003. The leading submarkets in the first quarter were Roseville/Rocklin (75,765 SF), Downtown (35,886 SF) and Midtown (24,656 SF).

The following table shows the quarterly and year-to-date net absorption totals by submarket. The submarkets are listed in descending order by total year-to-date net absorption.

Submarket	1st Qtr. 2005 Net Absorption (SF)	Year-to-Date Net Absorption (SF)
Roseville/Rocklin	75,765	75,765
Downtown	35,886	35,886
Midtown	24,656	24,656
Northgate/Natomas	21,178	21,178
Campus Commons	16,458	16,458
Watt Avenue	11,699	11,699
South Natomas	10,594	10,594
West Sacramento	5,400	5,400
Folsom	3,319	3,319
Carmichael/Fair Oaks	(338)	(338)
East Sacramento	0	0
Elk Grove	0	0
South Sacramento	(10,826)	(10,826)
Highway 50 Corridor	(11,821)	(11,821)
Citrus Heights/Orangevale	(13,762)	(13,762)
Point West	(22,817)	(22,817)
Howe/Fulton	(23,895)	(23,895)
Market Total	**121,496**	**121,496**

Source: CB Richard Ellis

New Construction

One new office building was completed in the Sacramento area during the first quarter. This new project is located on Iron Point Road in Folsom and includes 50,000 square feet of rentable area.

At the end of First Quarter 2005, there were 34 office buildings under construction in the Sacramento market area, totaling nearly 1.3 million square feet of space. Construction activity is occurring in Roseville/Rocklin (933,557 SF), Elk Grove (141,080 SF), Folsom (70,000 SF), South Natomas (68,654 SF), Point West (54,551 SF), Highway 50 Corridor (50,000 SF), Northgate/Natomas (39,736 SF) and Campus Commons (12,000 SF). All of these projects are expected to be complete by the end of 2005. About 14% of the space under construction has been pre-leased. The California Franchise Tax Board is close to finishing its 1-million-square-foot expansion in Rancho Cordova. The agency will move into the building in 2005, leaving about 500,000 square feet of vacant space in buildings it now occupies.

According to an October 2004 article in *The Sacramento Bee*, Placer County had over 777,000 square feet of office space under construction at that time, which represented 55% of office construction for the entire Sacramento region. The *Sacramento Business Journal* reported, also in

October 2004, that the Roseville/Rocklin area had leased more than double the amount of office space in 2004 than the next-strongest submarket in the region. The Roseville/Rocklin area is clearly the hot spot for office development and leasing in the region. Many experts attribute this activity to executives wanting to locate their companies near their homes in South Placer. Market participants envision Roseville becoming a suburban hub for offices much like Walnut Creek in the Bay Area.

Historical Trends

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

Year	Vacancy Rate	Absorption (SF)	Average Lease Rates	Total Inventory (SF)
1990	13.3%	3,000,000	$1.10 - $2.50/SF	30,000,000
1991	13.0%	1,800,000	$1.00 - $2.50/SF	32,000,000
1992	16.3%	1,600,000	$0.75 - $2.65/SF	33,500,000
1993	16.0%	750,000	$0.85 - $2.40/SF	33,448,000
1994	12.5%	739,132	$0.85 - $2.40/SF	33,178,000
1995	12.3%	1,053,918	$0.90 - $2.40/SF	33,636,714
1996	9.8%	531,914	$0.85 - $2.40/SF	33,949,837
1997	9.5%	540,458	$0.85 - $2.60/sf	34,359,435
1998	8.3%	805,951	$1.00 - $2.60/sf	33,493,847
1999	7.9%	2,589,228	$1.18 - $2.05/sf	36,170,683
2000	5.9%	2,650,077	$1.35 - $2.25/sf	38,241,913
2001	7.5%	131,263	$1.35 - $2.30/sf	40,148,489
2002	10.1%	474,137	$1.35 - $2.30/sf	41,539,830
2003	12.7%	277,007	$1.35 - $2.25/sf	43,021,484
2004	13.9%	291,027	$1.35 - $2.25/sf	44,074,260
2005 YTD	13.7%	121,496	$1.35 - $2.25/sf	44,250,260

Source: CB Richard Ellis and Grubb & Ellis

Employment Conditions

Economic conditions in the Sacramento Area remained relatively steady during First Quarter 2005. The overall unemployment rate in the region was 5.3%, up slightly from 4.8% in the previous quarter and 5.2% a year ago. The region still has lower unemployment compared to the state, which had an unemployment rate of 6.1% during the first quarter. During the past year, job growth in the Sacramento area was about 1.7%. New jobs have been added in the construction, manufacturing, and professional and business services industries. Growth in these private industries has outweighed job losses in the government and information sectors. Modest employment growth (around 1-2%) is expected in 2005.

Forecast – Next 12 months

Over the course of the next year, it is expected Roseville and Rocklin will continue to lead the Sacramento office market in terms of new construction and absorption of space. Other areas that will see completion of new office buildings include Elk Grove, Folsom and South Natomas. The Highway 50 Corridor will see a large increase in vacancy as the California Franchise Tax Board moves into a new facility and vacates about 500,000 square feet of space it now occupies.

Market participants expect noticeable improvement in the Sacramento office market in 2005 as private employment sectors shift into growth mode, led by gains in professional and business services. Health care companies are also expected to expand this year, particularly in the growing suburban areas. Significant job cuts in State government should come to a halt at least for the time being. Some government agencies may still be consolidating locations, which could impact office vacancy in the market in the short term.

Investment activity is forecasted to remain strong, especially for small and medium-sized assets. Sale prices should continue to increase in 2005. Lease rates are expected to be stable to rising in most submarkets. Absorption should continue to be positive. No significant changes are forecasted in the overall market vacancy rate during the next year, although vacancy rates could inch upward in those submarkets with significant new construction.

INDUSTRIAL MARKET OVERVIEW

Introduction

The Sacramento industrial market was very strong in the First Quarter of 2005. The overall region experienced positive net absorption of over 1.7 million square feet during the quarter, which was comparable to the entire year of 2004. This marks the 11th consecutive quarter of positive absorption in the region. The overall region's vacancy rate dropped slightly from 10.7% in Fourth Quarter 2004 to 10.5% in First Quarter 2005. The immediate Sacramento area experienced an 8.9% vacancy rate in First Quarter 2005, excluding the outlying area's 3.3 million square feet of vacant space.

In recent years, historically low interest rates have encouraged high demand for owner-user buildings, prompting the construction of several small- to medium-sized industrial projects throughout the region. This trend is expected to continue in 2005.

Lease Rates

The average asking lease rate in the region is about $0.28 per square foot per month (triple net) for existing light industrial and distribution buildings above 100,000 square feet. This is up from $0.26 in Fourth Quarter 2004. For buildings less than 100,000 square feet, the average lease rate is $0.34 psf/month, and for flex/R&D properties the average is about $0.75 psf/month. Overall, lease rates were fairly steady throughout most of 2004, and have been rising since Fourth Quarter 2004.

Vacancy

The overall vacancy rate in the Sacramento market area, including Auburn/Newcastle and McClellan Park, was reported at 10.5% in First Quarter 2005, down slightly from 10.7% in Fourth Quarter 2004. The immediate Sacramento area (excluding outlying areas) experienced a vacancy rate of 8.9%, down from 9.1% last quarter. The outlying areas include McClellan Park and Auburn/Newcastle. Vacancy in these areas is heavily skewed by McClellan Park's 3.3 million square feet of vacant space (56% vacancy). Excluding McClellan Park, average vacancy rates in the area's submarkets ranged from as low as 0.3% in South Sacramento to a high of 13.5% in Power Inn and Woodland/Davis.

It is important to note the average market vacancy rates are skewed upward by some very large vacant buildings. According to information presented at Grubb & Ellis' 2005 Real Estate Forecast, the Sacramento region's average industrial vacancy rate is about 7-10% if buildings over 100,000

square feet are excluded; and if buildings over 50,000 square feet are also excluded, the average market vacancy is around 4-6%. This indicates most smaller buildings are performing at or near stabilized occupancy.

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

Submarket	1st Qtr. 2005 Vacancy Rate
Immediate Area:	
South Sacramento	0.3%
Downtown/Midtown/E. Sac	1.2%
Northeast Sacramento	2.5%
Richards Boulevard	3.3%
Folsom/El Dorado Hills	4.3%
I-80/Roseville Road	5.5%
Rancho Cordova/Hwy 50	6.1%
West Sacramento	8.0%
Northgate/Natomas	9.5%
Elk Grove/Laguna/Galt	12.4%
Roseville/Rocklin/Lincoln	12.5%
Woodland/Davis	13.5%
Power Inn	13.5%
Subtotal	**8.9%**
Outlying Areas:	
McClellan Park	56.0%
Auburn/Newcastle	1.1%
Subtotal	**39.2%**
Market Total	**10.5%**

Source: CB Richard Ellis

Absorption

The Sacramento region posted 1,712,073 square feet of positive net absorption in the First Quarter 2005, which was comparable to the entire year 2004. All but one submarket in the region (Folsom/El Dorado Hills) experienced positive absorption during the quarter. The Sacramento market area has exhibited 11 consecutive quarters of positive net absorption of industrial space.

The following table shows the quarterly and year-to-date net absorption totals by submarket. The submarkets are listed in descending order by total year to date net absorption.

Submarket	1st Qtr. 2005 Net Absorption (SF)	Year-to-Date Net Absorption (SF)
Immediate Area:		
Roseville/Rocklin/Lincoln	741,265	741,265
West Sacramento	180,643	180,643
Rancho Cordova/Hwy 50	162,554	162,554
Woodland/Davis	162,089	162,089
Northgate/Natomas	126,358	126,358
Power Inn	110,000	110,000
Northeast Sacramento	66,002	66,002
Elk Grove/Laguna/Galt	24,908	24,908
I-80/Roseville Road	24,274	24,274
Richards Boulevard	22,036	22,036
South Sacramento	21,574	21,574
Downtown/Midtown/E. Sac	20,333	20,333
Folsom/El Dorado Hills	(1,313)	(1,313)
Subtotal	**1,660,723**	**1,660,723**
Outlying Areas:		
McClellan Park	15,000	15,000
Auburn/Newcastle	36,350	36,350
Subtotal	**51,350**	**51,350**
Market Total	**1,712,073**	**1,712,073**

Source: CB Richard Ellis

The submarkets with the highest net absorption during First Quarter 2005 were Roseville/Rocklin/Lincoln, West Sacramento, Rancho Cordova/Highway 50 and Woodland/Davis.

Leasing activity picked up momentum in First Quarter 2005, totaling nearly 2.4 million square feet. Buildings over 50,000 square feet contributed over 527,000 SF of leasing transactions, and about 538,000 SF of owner/user sales. Buildings under 50,000 SF experienced even greater activity, with about 962,000 SF of leases and 370,000 SF of owner/user sales during the quarter. Significant transactions during First Quarter 2005 include: United Natural Foods purchased 478,468 square feet at 1101 Sunset Boulevard in Roseville; Sutter Health leased 107,715 square feet on Cebrian Street in West Sacramento; and Exel Inc. leased 64,800 square feet at 1600 Tide Court in Woodland.

New Construction

First Quarter 2005 saw an increase in overall construction activity in the Sacramento region. There is currently over 1.2 million square feet of industrial space under construction in the region. The Northgate/Natomas submarket has by far the largest portion of this amount, with nearly 585,000 square feet under construction. Other large contributors of new construction are West Sacramento, Roseville/Rocklin/Lincoln and Rancho Cordova/Highway 50. There are currently 65 buildings under construction in the region.

During First Quarter 2005, 24 buildings larger than 4,000 square feet were completed in the Sacramento region. Bell Industrial Park, located in the I-80/Roseville Road area, was completed and consists of twelve 5,000-square foot light industrial buildings.

Historical Trends

The following table exhibits historical industrial market statistics for the Sacramento region.

Year	1998	1999	2000	2001	2002	2003	2004	2005 YTD
Vacancy Rate	4.5%	5.7%	6.8%	9.5%	11.5%	10.9%	10.7%	10.5%
Net Absorption (million SF)	2.5	3.4	7.1	6.6	0.5	2.0	1.8	1.7
Avg. Warehouse Lease Rate	$0.31	$0.32	$0.32	$0.33	$0.32	$0.32	$0.26	$0.28
Total Inventory (million SF)	149	155	165	168	154	155	158	159

Source: CB Richard Ellis

Note: Data prior to 2002 include Vacaville and Fairfield submarkets

Employment Conditions

Economic conditions in the Sacramento Area remained relatively steady during First Quarter 2005. The overall unemployment rate in the region was 5.3%, up slightly from 4.8% in the previous quarter and 5.2% a year ago. The region still has lower unemployment compared to the state, which had an unemployment rate of 6.1% during the first quarter. During the past year, job growth in the Sacramento area was about 1.7%. New jobs have been added in the construction, manufacturing, and professional and business services industries. Growth in these private industries has outweighed job losses in the government and information sectors. Modest employment growth (around 1-2%) is expected in 2005.

Forecast – Next 12 Months

Over the course of the next year, most market participants expect to see continuing improvement in the local industrial market. Vacancy rates should remain fairly stable, as they have been over the last four years. Lease rates and sale prices are expected to be stable to rising. Demand for smaller, owner-user buildings will continue to be strong; as a result, most new construction and sales activity in the region will likely be focused on buildings under 50,000 square feet. With 3.3 million vacant square feet, McClellan Park will continue to be a priority and a challenge for the Sacramento industrial market.

APARTMENT MARKET OVERVIEW

Introduction

Since the late 1990s, the Sacramento apartment market has flourished in terms of increasing demand, average rents, average sale prices and new construction. The growth seen in recent years came after a sluggish period during the early and mid 1990s, when there was little new development in the market because it was overbuilt, under-occupied and plagued by low rents. However, the economic expansion during the late 1990s reversed that trend. With rising population and income levels in the region, and the increasing cost of home buying, the demand for multifamily projects in the region has increased dramatically during the past few years.

In response to rising demand, there has been significant construction of new apartment projects in recent years, most notably in the growth areas of Roseville, Rocklin, Folsom, North Natomas and Elk Grove. Many of these new projects represent Class-A properties with relatively high rental rates. As a result of all the new construction, some of these areas have seen climbing vacancy rates during the past year, and there has been some softening in the apartment market. According to Grubb & Ellis, the average apartment vacancy rate in the Sacramento region was 7.7% during 2004, up slightly from 6.3% in 2003. Grubb & Ellis predicts this rate will drop slightly to 6.5% in 2005.

New Construction

A significant amount of new construction has been completed in recent years, and several additional projects are currently proposed or under construction. The following chart indicates the number of multifamily permits issued in past years in the six-county Sacramento Region.

Year	Multifamily Permits (No. of Units)
1997	1,270
1998	3,615
1999	3,653
2000	3,327
2001	3,721
2002	4,493
2003	4,823
2004 (projected)	2,512

Source: SOCDS Building Permits Database (1994-2003); The Gregory Group (2004 projected)

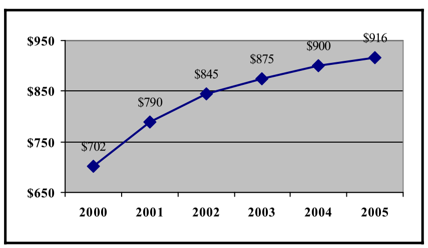
According to Marcus & Millichap, about 3,000 new apartment units were delivered in the Sacramento region during 2003, and about 6,500 new units were completed during 2004. Marcus & Millichap predicts 5,000 new units will be completed in 2005.

From the late 1990s through the early 2000s, the areas of Roseville/Rocklin and Folsom experienced rapid growth in high-tech employment, where employees typically earn high salaries but are often mobile enough that they rent instead of purchase housing. Because of the high-paying jobs associated with these companies, many of the newer projects in these areas represent Class-A or luxury complexes. As a result of recent and proposed construction, some analysts suggest the apartment market for new Class-A construction is beginning to saturate. In fact, many projects completed in recent years and those under development are being considered for conversion to attached residential housing versus multifamily rentals. This trend puts downward pressure on the supply of apartment units, which could bode well for the apartment market.

In the near term, several multifamily rental projects are under way or proposed in the region. USA Properties Fund Inc. is building the 158-unit Vintage Laguna, and the 168-unit Silverado, both of which are affordable projects located in Elk Grove. AG Spanos Co., a Stockton-based apartment builder, intends a project of 168 deluxe apartments just south of Arco Arena in North Natomas. Spanos also has plans for a 244-unit complex at Interstate 5 and Florin Road in the Greenhaven/Pocket neighborhood of South Sacramento, and a 208-unit project at Highway 50 and Mather Field Drive in the Rancho Cordova area.

Rental Rates

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



Source: RealFacts via *The Sacramento Bee*, 4/21/2005

Asking rents are expected to continue to rise at a moderate pace in the Sacramento region in 2005. However, it is also expected rent concessions will remain necessary in order to lure renters into

upscale apartment projects in high-growth areas like Elk Grove, Roseville, Rocklin and North Natomas.

Besides general inflation, one explanation for rising rents is the increase in the number of new Class-A apartments in the region, which generally have above-average rents. Also, while asking rents have increased, it is important to note that during the year 2004, concessions also increased. Concessions primarily include free or reduced rent for an initial period after move-in with a signed lease. In early 2003, it was common to see one month of free rent with a 12-month lease, but many properties are now offering two or more months of free rent, and some are even offering signing bonuses, appliance give-a-ways, etc. Because of the increase in concessions in the market, the average *effective* rent may not have increased, but in fact may have even decreased.

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

Community	1st Qtr. 2005 Average Rent	% Change Past Year
Davis	$1,216	8.7%
Elk Grove	$1,102	-1.3%
Folsom	$1,087	1.3%
Rocklin	$1,041	-0.1%
Roseville	$1,034	-0.8%
Fair Oaks	$889	2.4%
Sacramento	$872	1.9%
Citrus Heights	$829	0.2%
Rancho Cordova	$776	-1.1%
Carmichael	$762	-0.3%
West Sacramento	$699	1.7%
Market Total	**$916**	**1.7%**

Source: RealFacts via *The Sacramento Bee*, 4/21/2005

Vacancy

Presented in the following table are historical vacancy rates in the Sacramento market for the past decade. This survey includes projects with 70 or more units.

Year	Vacancy Rate
1994	8.3%
1995	6.6%
1996	4.9%
1997	4.1%
1998	4.2%
1999	3.0%
2000	2.0%
2001	4.4%
2002	4.6%
2003	6.3%
2004	7.7%
1st Qtr. 2005	7.9%

Source: CB Richard Ellis (1994-2001)
Grubb & Ellis (2002-2004)
RealFacts (2005)

Historically speaking, apartment owners are enjoying reasonably low vacancy rates. From 1993 through 2000, Sacramento experienced declining vacancy rates, with modest increases from 2000 through 2004. According to information presented at Grubb & Ellis' 2005 Real Estate Forecast, the region's average vacancy rate was 7.7% in 2004, and is expected to drop slightly to 6.5% in 2005. Increasing vacancies in recent years can be attributed in part to the significant amount of new construction that has occurred in the region. Further, with historically low interest rates, many renters have opted to purchase homes. This trend in mortgage rates has led to tremendous increases in home prices. Consequently, the demand for apartments and attached housing is expected to improve.

The following table shows the average vacancy rate for most of the communities within the Sacramento area, based on surveys by RealFacts.

Community	1st Qtr. 2005 Vacancy Rate	% Change Past Year
Fair Oaks	3.8%	-4.3%
Davis	4.2%	2.4%
West Sacramento	6.4%	4.1%
Rancho Cordova	6.6%	1.8%
Roseville	6.7%	-2.3%
Sacramento	7.7%	-0.7%
Citrus Heights	8.1%	0.8%
Rocklin	9.6%	-4.6%
Folsom	9.8%	-1.9%
Carmichael	10.9%	1.2%
Elk Grove	14.4%	7.8%
Market Total	**7.9%**	**-0.2%**

Source: RealFacts via *The Sacramento Bee*, 4/21/2005

It is noted the areas with the highest vacancy are generally those that have had supply increases in the way of new construction in the past couple years. These areas include Elk Grove/Laguna, Roseville/Rocklin, Folsom and North Natomas. The college town of Davis has the lowest apartment vacancy rates.

Sales Activity

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

Overall capitalization rates on apartment sales have steadily fallen over the last few years. This trend can be tied to low interest rates, as well as an increase in the number of Section 1031 exchanges taking place in the market. The following table indicates average overall cap rates in the Sacramento region for the past three years and the projected average rate for 2005.

Year	Average Overall Cap Rate
2002	8.03%
2003	7.28%
2004	6.03%
2005 (proj.)	6.30%

Source: Grubb & Ellis 2005 Real Estate Forecast

Conclusion

The Sacramento area apartment market is strong by most accounts. Although vacancy rates have risen over the past couple years as a result of a large amount of new construction entering the market, rental rates and sale prices have continued to increase and sales activity has been strong. Most market participants agree the Sacramento apartment market should improve in 2005 as new construction subsides and new units are absorbed. Further, the average vacancy in the market is skewed upward by areas with oversupply of high-end units, namely Roseville/Rocklin, Folsom and North Natomas. Investor confidence in the region remains very strong, as evidenced by several recent sales of large apartment projects at record-high prices. The Sacramento area has strong long-term fundamentals and growth is forecasted in both population and employment in 2005. Another trend beneficial to the apartment market is the continuing decline in housing affordability. As the economy improves, interest rates are expected to rise, which means more residents will be priced out of homeownership and forced to rent as a more affordable alternative.

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

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

Assessor's Parcel Number(s)

The subject property is situated within the confines of several assessor's parcels identified as 017-100-046 through –048 and 017-150-041 through -068.

Owner of Record

Title to the subject property is presently vested with PL Roseville, LLC.

Property Taxes

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

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

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the infrastructure and property improvements are completed. Additionally, the definition of market value employed in this appraisal assumes a sale of the appraised property.

According to the Placer County Treasurer-Tax Collector's Office, the subject parcels were recently split from larger parcels; therefore, tax bills for the new parcels have not yet been drafted. The subject property is located in tax rate areas 058-002 and 088-004, which have an annual tax rate of 1.0507% based on assessed value. Additionally, the appraised property will be encumbered by the

Westpark Community Facilities District (CFD) No. 1 bond. With respect to special taxes, we have relied upon the Hearing Report, prepared by Economic and Planning Systems, Inc. (EPS), to determine the annual special tax levy on the subject property. It is the our understanding the annual special taxes under the Westpark CFD No. 1 bond will not exceed the following amounts:

Westpark CFD No. 1 – Public Facilities

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Unit/Acre
Phase I		
Villages W-1 and W-2	LDR (Age-Restricted)	$1,200 per lot
Villages W-3, W-4, W-5 and W-7	LDR	$1,300 per lot
Phase II		
Villages W-6, W-8, W-10, W-11 and W-12	LDR	$1,300 per lot
Villages W-21, W-22 and W-24	VC-MDR	$1,000 per lot
Villages W-25 and W-26	VC-HDR	$500 per unit
Villages W-32 and W-33	VC-Commercial	$5,000 per acre
Phase III		
Villages W-13, W-14 and W-15	LDR	$1,300 per lot
Village W-16	MDR	$1,000 per lot
Village W-29	HDR (Affordable)	$250 per unit
Village W-63	Business Professional	$5,000 per acre
Phase IV		
Villages W-9, W-17 and W-18	LDR	$1,300 per lot
Village W-19	MDR	$1,000 per lot
Village W-28	HDR	$500 per unit
Village W-30	Commercial	$5,000 per acre
Villages W-60, W-61 and W-62	Industrial	$3,000 per acre

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

The financing provided through the Westpark CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements to Fiddyment Road, Del Webb Boulevard, Pleasant Grove Boulevard, Village Green Drive, Bob Doyle Drive, Phillip Road, Upland Drive, West Side Drive, Market Street and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

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

Westpark CFD No. 2 – Public Services

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Unit/Acre
Phase I		
Villages W-1 and W-2	LDR (Age-Restricted)	$289 per lot
Villages W-3, W-4, W-5 and W-7	LDR	$289 per lot
Phase II		
Villages W-6, W-8, W-10, W-11 and W-12	LDR	$289 per lot
Villages W-21, W-22 and W-24	VC-MDR	$289 per lot
Villages W-25 and W-26	VC-HDR	$100 per unit
Villages W-32 and W-33	VC-Commercial	$698 per acre
Phase III		
Villages W-13, W-14 and W-15	LDR	$289 per lot
Village W-16	MDR	$289 per lot
Village W-29	HDR (Affordable)	$50 per unit
Village W-63	Business Professional	$698 per acre
Phase IV		
Villages W-9, W-17 and W-18	LDR	$289 per lot
Village W-19	MDR	$289 per lot
Village W-28	HDR	$100 per unit
Village W-30	Commercial	$698 per acre
Villages W-60, W-61 and W-62	Industrial	$698 per acre

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

The bond indebtedness and any direct charges will be accounted for in the valuation.

Conditions of Title

A preliminary title report was not made available for review in our analysis. As a result, the appraiser assumes no negative title restrictions affect the subject property. The client is advised to obtain a preliminary title report to determine any possible conditions of title affecting the property appraised. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

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

Land Use	Applied Zoning Districts
Residential Uses	
LDR – Low Density Residential	R1/DS – RS/DS
MDR – Medium Density Residential	RS/DS
HDR – High Density Residential	R3
Service and Employment Uses	
VC – Village Center	Various
CC – Community Commercial	CC
BP – Business Professional	BP
LI – Light Industrial	M1/SA-WR
IND – General Industrial	M2/SA – WR
Open Space and Public Uses	
OS – Open Space	OS
P/R – Parks and Recreation	P/R
P/QP – Public/Quasi-Public	P/QP

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

RS/DS – Small Lot Residential/Development Standard Overlay: The RS, Small Lot Residential district is intended to allow either attached or detached single-family dwellings, and similar and related compatible uses. The Development Standard Overlay district has been applied to allow variations to development standards for age-restricted housing (Villages W-1 and W-2) and higher densities (5.1 – 6.9 dwelling units/acre).

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

VC – Village Center: The Village Center is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high density residential, community commercial, parks and recreation and public/quasi-public uses.

CC – Community Commercial: The Community Commercial district is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers and other retail and service uses.

BP – Business Professional: The Business Professional district is intended to provide locations for a wide variety of office uses and other uses which are related to and supportive of office uses. Parcel W-63 is zoned BP and is partially encumbered by a power line easement. However, this area may be used for parking.

M1/SA-WR – Light Industrial/Special Area Overlay: The Light Industrial district is intended to designate areas appropriate for light industrial uses such as manufacturing, processing, assembly, high technology, research and development and storage uses. The use types permitted within the M1 district do not include outdoor manufacturing but may include limited outdoor storage and the emission of limited amount of visible gasses, particulates, steam, heat, odor, vibration, glare, dust and noise. These uses may be operating in relatively close proximity to commercial and residential uses.

M2/SA-WR – General Industrial/Special Area Overlay: The General Industrial district is intended to designate areas suitable for a broad range of industrial uses including manufacturing, assembly, wholesale distribution and warehousing.

OS – Open Space: The Open Space district is applied to public and private lands that are environmentally sensitive or otherwise significant due to wildlife habitat, flood hazard or other natural features.

P/R – Parks and Recreation: The Parks and Recreation district may be applied to both public and private recreation facilities. It is intended to be applied to larger parks, especially community wide facilities, but may also be applied to smaller neighborhood facilities.

P/QP – Public/Quasi Public: The Public/Quasi-Public district is applied to land intended for education, religious assembly, governmental offices, municipal corporation yards, water treatment plants, power generating facilities (including privately owned facilities) and other publicly-owned facilities.

The open space, parks and recreation and public/quasi-public land areas are included in, but are not part, of the District. These portions will not be encumbered by special taxes and are excluded from our analysis.

Entitlements

According to the City of Roseville Planning Department, the tentative map for Phase I of the subject development has been approved, while Phase II is scheduled for approval by the fourth quarter of 2005. Although the balance of the Westpark development does not have tentative map approval, a

Development Agreement is in place between the City of Roseville and the developer that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. In light of the fact the submitted maps are consistent with the West Roseville Specific Plan, the City of Roseville Planning Department does not anticipate any impediments in the approval process. The approvals should represent a routine function for the Planning Department.

Flood Zone

The subject property is located in Flood Zone X, described as areas outside of the 100- and 500-year floodplains. This information was determined in accordance with our interpretation of the Federal Emergency Management Agency (FEMA) Map, Community Panel Numbers 060239-0457, -0475 and -0394, dated June 8, 1998.

Earthquake Zone

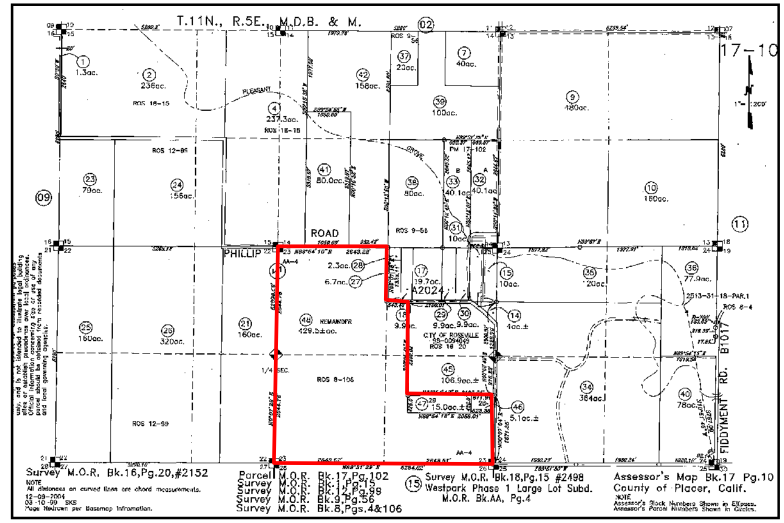
According to the Seismic Safety Commission, the subject property is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo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

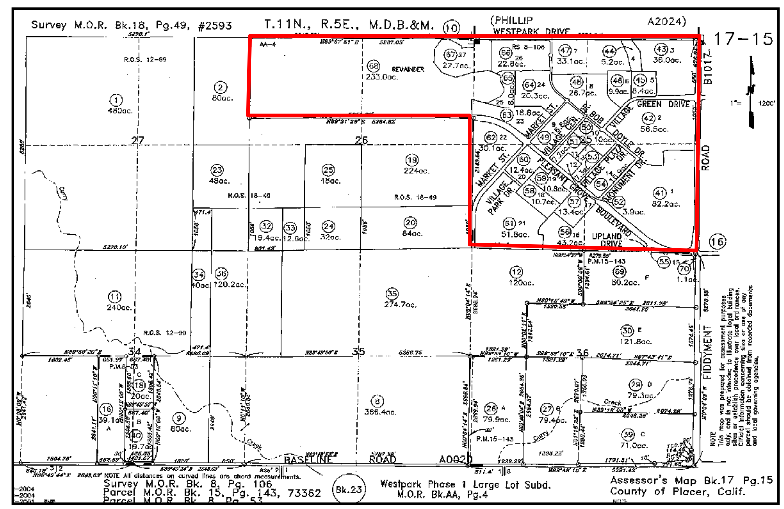
Easements

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

It is worth noting there are overhead power lines throughout the property; however, the subject property is mapped such that the power lines will be situated above open spaces, roads and parking areas upon completion of site development. Thus, the power lines are considered to have nominal, if any, adverse impact on the subject property.

Assessor's Parcel Maps





SITE DESCRIPTION

The subject property represents the land situated within the boundaries of Westpark Community Facilities District No. 1. At completion of development, the subject property will consist of 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site containing 10.5 acres and three industrial sites totaling 108.5 acres. There are also a number of public/quasi-public land areas that are within the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis. The following tables detail the various developable land use components comprising the District.

Westpark Community Facilities District No. 1

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
		Phase I			
W-1	LDR (Age-Restricted)	85.4	398	-	5,200
W-2	LDR (Age-Restricted)	61.5	305	-	5,200
W-3	LDR	38.1	198	-	5,250
W-4	LDR	31.4	147	-	6,300
W-5	LDR	23.0	88	-	7,350
W-7	LDR	28.9	111	-	6,600
Total - Phase I		*268.3*	*1,247*	*0*	
		Phase II			
W-6	LDR	22.8	77	-	7,875
W-8	LDR	42.3	180	-	6,700
W-10	LDR	54.1	261	-	6,000
W-11	LDR	32.3	148	-	6,000
W-12	LDR	18.9	61	-	8,250
W-21	VC-MDR	16.8	144	-	3,850
W-22	VC-MDR	16.8	144	-	3,850
W-24	VC-MDR	12.5	95	-	3,850
W-25	VC-HDR	12.4	-	96	-
	VC-HDR (Affordable)		-	144	-
W-26	VC-HDR	10.0	-	132	-
W-32	VC-Commercial	7.2	-	-	-
W-33	VC-Commercial	7.2	-	-	-
Total - Phase II		*253.3*	*1,110*	*372*	

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

Westpark Community Facilities District No. 1 (Continued)

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)
		Phase III			
W-13	LDR	17.0	60	-	7,000
W-14	LDR	31.7	115	-	6,825
W-15	LDR	27.6	80	-	7,875
W-16	MDR	20.6	118	-	3,850
	MDR (Affordable)		42	-	3,850
W-29	HDR (Affordable)	8.0	-	150	-
W-63	Business Professional	10.5	-	-	-
Total - Phase III		*115.4*	*415*	*150*	
		Phase IV			
W-9	LDR	31.9	95	-	7,000
W-17	LDR	46.0	210	-	5,500
W-18	LDR	71.2	280	-	6,000
W-19	MDR	21.9	122	-	3,850
	MDR (Affordable)		43	-	3,850
W-28	HDR	9.0	-	128	-
	HDR (Affordable)		-	47	-
W-30	Commercial	4.0	-	-	-
W-60	Industrial	34.3	-	-	-
W-61	Industrial	35.9	-	-	-
W-62	Industrial	38.3	-	-	-
Total - Phase IV		*292.5*	*750*	*175*	
Total		**929.5**	**3,522**	**697**	

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

The appraised property is situated west of Fiddyment Road, north of Pleasant Grove Boulevard and south of Blue Oaks Boulevard, within the West Roseville Specific Plan, in a recently annexed (August 2004) area of the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of Westpark and neighboring Fiddyment Ranch master planned communities, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

The subject property is further discussed as follows:

Size and Shape: Westpark Community Facilities District No. 1 contains 929.5 acres, excluding the tax exempt areas, and is situated within the confines of several assessor's parcels that are, for the most part, irregular in shape.

Assessor's Parcel Number(s): The subject property represents several assessor's parcels identified as 017-100-046 through –048 and 017-150-041 through -068.

Topography: The topography of the property is generally level.

Soils: A soils report was not provided for this analysis. However, based on the existence of a number of residential and commercial structures situated on nearby parcels, it appears the subject property possesses adequate load bearing capacity for development.

Drainage: Based on the development plan, our physical inspection of the subject property, and assuming typical grading and paving work will be completed, it is expected the subject property will provide adequate drainage.

Frontage/Access: The Westpark master planned community offers primary frontage along Fiddyment Road and the proposed extension of Pleasant Grove Boulevard. The primary point of entry into Westpark will be from the west line of Fiddyment Road.

Adjacent Uses:

North	Vacant land proposed for mixed-use development
South	Vacant agricultural land
East	Single-family residential development
West	Vacant agricultural land

Utilities: Public utilities, including electricity, natural gas, water and telephone service, are available at the perimeter of the property and will be extended to each of the land components. Public utilities will be served by the following providers:

Water:	City of Roseville
Sewer:	South Placer Waste Water Authority
Natural Gas:	Pacific Gas and Electric
Electricity:	Roseville Electric
Telephone:	SBC Communications, Inc.
Fire:	Roseville Fire Department
Police:	Roseville Police Department

Environmental Issues: At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The

appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

Development Plan: The development plan for the subject property calls for the construction of 3,522 single-family residences (including 703 age-restricted and 85 affordable housing units) on home sites ranging from approximately 3,850 to 8,250 square feet. Also proposed are multifamily residential, retail, office and industrial components. The multifamily component, consisting of several sites, is proposed for the construction of 697 dwelling units, of which 341 units are designated for affordable housing. The commercial component (office and retail) is comprised of four separate sites that have a combined land area of 28.9 acres. Additionally, there are three industrial sites totaling 108.5± acres of land area.

The centerpiece of the Westpark master planned community is the proposed Village Center, which is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high-density residential, community commercial, parks and recreation and public/quasi-public uses.

Functional Adequacy: Development of the single-family residential subdivisions will require an interior street system, which will connect with Fiddyment Road, Pleasant Grove Boulevard (proposed extension), Phillip Road, Bob Doyle Drive (proposed) and West Side Drive (proposed), to serve all of the various components of the subject property. Based upon this plan, overall functional utility is considered to be good.

Offsite Improvements: As of the date of value, the subject required significant offsite improvement work. The financing provided through the bond issuance will be used for improvements to Fiddyment Road, Del Webb Boulevard, Pleasant Grove Boulevard, Village Green Drive, Bob Doyle Drive, Phillip Road, Upland Drive, West Side Drive, Market Street and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

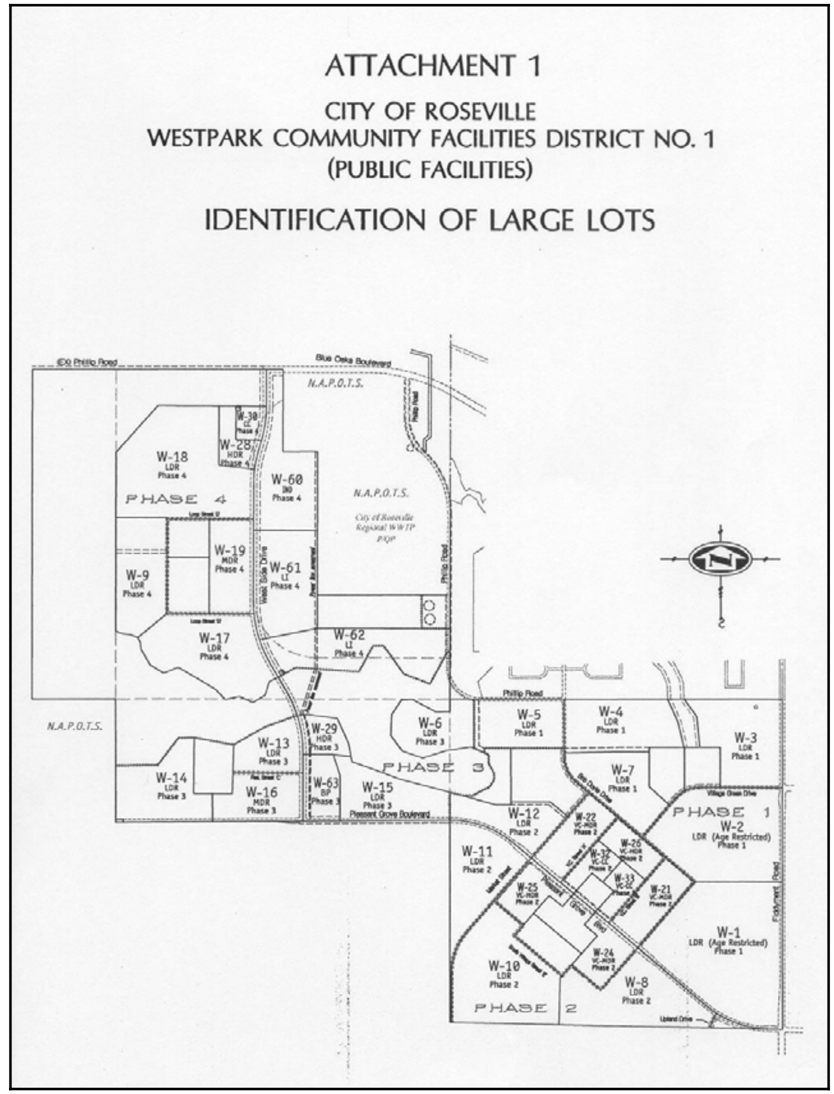
The hypothetical market value estimate contained herein assumes the completion of the public facilities to be financed by the Westpark Community Facilities District No. 1 bond issuance.

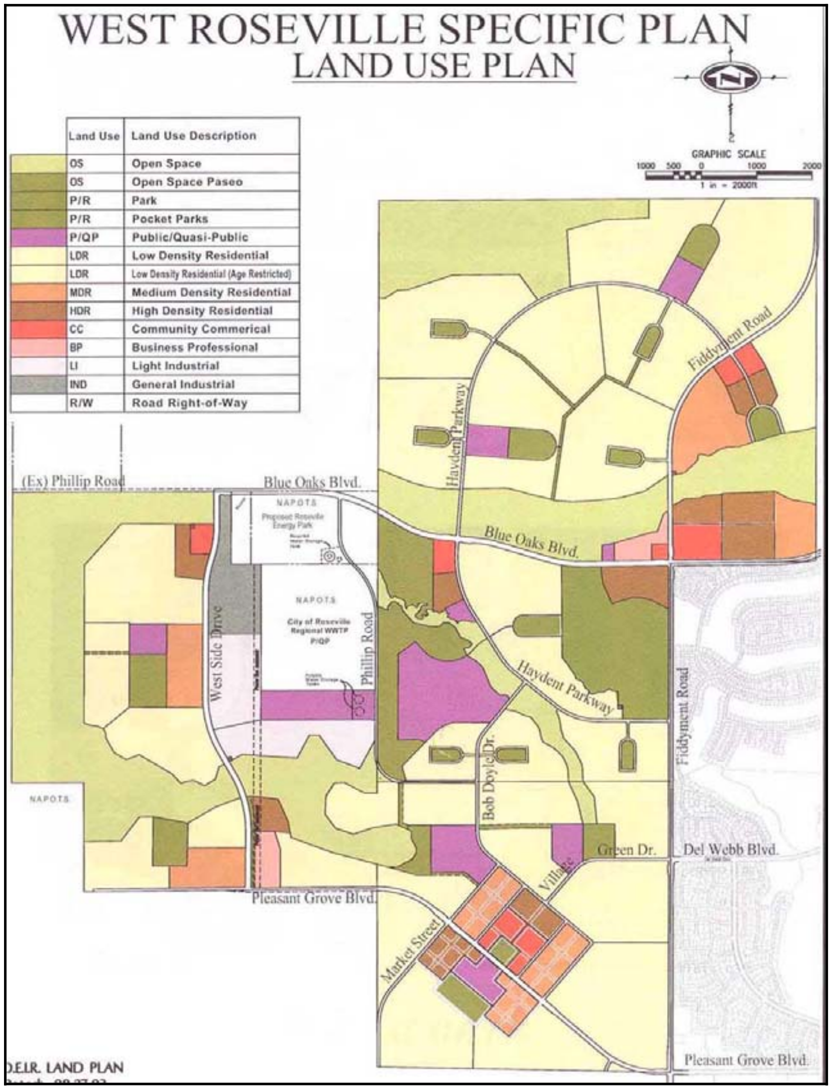
Permits and Fees:

The subject's permits and fees pertaining to the home construction costs are approximately $43,000 per unit, which is similar relative to competing projects located throughout the market area. As noted, there are 703 lots designated for age-restricted housing and the permit and fee schedule is lower for these units relative to the non-restricted units. Total permits and fees for the age-restricted units equate to approximately $24,000 per unit.

Conclusion:

The configuration and size of the subject property are considered adequate for development. The demand for single-family product bodes well for this project and should increase the demand for the complementary land uses within Westpark Community Facilities District No. 1. We expect the subject property to be competitive with the other local developments, as well as projects located elsewhere throughout the Greater Sacramento Region.





FACILITIES TO BE FINANCED BY THE DISTRICT

This report will address the hypothetical market value of the subject property, assuming the completion of the improvements to be financed by the Westpark Community Facilities District No. 1 bond issuance. The improvements authorized to be financed by the District are detailed in the Hearing Report prepared by Economic and Planning Systems Inc. (EPS), a copy of which is included in the Addenda to this report. The primary facilities authorized to be constructed with the bond proceeds will be used for improvements to Fiddyment Road, Del Webb Boulevard, Pleasant Grove Boulevard, Village Green Drive, Bob Doyle Drive, Phillip Road, Upland Drive, West Side Drive, Market Street and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

The cited list of facilities are proposed to include incidental expenses associated with the formation of the Mello-Roos Community Facilities Act of 1982, including - but not limited to - the cost of planning, engineering and designing the facilities, the cost associated with the creation of the District, the issuance of bonds thereof, the determination of the amount of the assessment, the collection of the assessment, the payment of the assessment or costs otherwise incurred in order to carry out the authorized purposes of the District and any other expenses incidental to the construction, completion and inspection of the facilities.

SUBJECT PHOTOGRAPHS

Looking south across the Subject Property from Phillip Road

Looking southwest across the Subject Property from Phillip Road

Looking west from Fiddyment Road

Looking northwest from Fiddyment Road


Looking south along Fiddyment Road (Subject at right)

Looking north along Fiddyment Road (Subject at left)


Looking west from Fiddyment Road


View of the Subject Property from Phillip Road

Looking east along Phillip Road

Looking west along Phillip Road

HIGHEST AND BEST USE ANALYSIS

The term "highest and best use," as used in this report, is defined as follows:

> The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.[4]

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the property as though vacant. The second analysis (highest and best use as improved) is not relevant due to the fact that the subject property represents vacant land. Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report.

Highest and Best Use – As Vacant (Single-Family Residential Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. According to the City of Roseville Planning Department, the single-family residential component has R1/DS or RS/DS zoning, which are designated to provide areas for detached or attached single-family residences. The area has undergone extensive planning and review. Zoning modifications are considered highly unlikely. Additionally, the tentative map for Phase I of the subject property has been approved, while Phase II is scheduled for approval by the fourth quarter of 2005. Although the balance of the Westpark development does not have tentative map approval, a Development Agreement is in place between the City of Roseville and the master developer that grants the right to develop the property, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. Based on the approved development plans for Westpark Community Facilities District No. 1, the various subdivisions will include 3,522 lots, of which 703 lots will be developed into age-restricted units and 85 lots will be designated for affordable housing units. In accordance with the West Roseville Specific Plan, as well as the underlying zoning ordinances, single-family residential development is the only legally permissible use of this component.

[4] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 135.

Physical Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a singular potential use for single-family residential development, at this point the physical characteristics are examined to see if they are suited for the legally permissible use conclusion.

Based on our physical inspection of the subject property, we know of no reason why the property would not support any legal development. The property is located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. In addition, the property is not located within a Fault-Rupture Hazard Zone. All utility services are available, and evidence of residential construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subject's potential for development.

Overall, the subject property has physical characteristics that support the legally permissible uses.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. The subject property is located at the western boundary of the city of Roseville, in an area that is proposed for and in the process of near-term urbanization. After analyzing current absorption rates of residential projects in the Roseville, Rocklin and Lincoln submarkets, it appears single-family residential development will continue to be well received by the marketplace.

Please refer to the *Sacramento Metropolitan Area Housing Market Overview* for a discussion on absorption rates and supply and demand influences. In general, the residential market is strong in the Sacramento market area, with steady to increasing prices and steady absorption rates. With demand and prices steady to rising, land values are also increasing. Even with current land prices, builders are reportedly making sufficient profits to warrant construction of new residential units targeting moderate to upper-income level homebuyers. Homes in the move-up levels generally indicate slower absorption rates, as demand slowly pushes buyers into these levels. However, current pricing and absorption rates for product geared toward the moderate to upper-income earners suggests profit levels and rates of return attractive to builders. Considering the strong demand for new housing in the Sacramento area, as evidenced by the continually increasing median new home price, single-family residential development is considered a financially feasible use of this component.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, single-family residential development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Therefore, considering the subject's specific characteristics, the highest and best use of the subject property is for the orderly development of well balanced single-family residential subdivisions. As noted, there are 85 lots designated for the development of affordable housing units. While affordable housing does not represent the maximally productive use of these sites, it is mandated by the City of Roseville and, therefore, is considered in the valuation.

Highest and Best Use – As Vacant (Multifamily Residential Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The subject is located in the city of Roseville and is encumbered by an R3, Attached Housing zoning ordinance. The types of land uses intended for the R3 zoning district include apartments, condominiums, town homes and similar and related compatible uses. In accordance with the West Roseville Specific Plan, as well as the underlying zoning ordinance, multifamily residential development is the only legally permissible use of this component.

Physical Possibility

The physical characteristics of a property that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a potential use for multifamily residential development, at this point the physical characteristics are examined to see if they are suited for the legally permissible use.

The subject sites range from 8.0 to 12.4 acres in land area, are generally rectangular in shape, and have level topography. The properties are not within a floodplain or an earthquake zone. It appears the physical characteristics of these sites would not prohibit multifamily development and, therefore, the properties are physically suited for this type of development.

The information cited herein enables us to conclude the legally permissible uses are also physically possible on the subject parcels.

Financial Feasibility

At this point in our analysis, it is necessary to consider the financially feasible, or profitable, use of the subject's multifamily residential component. The strong demand for single-family residential product in the Sacramento area has led to increases in the median home price over the past several years. Housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. In the Sacramento Region, home prices have soared and, as a result, demand for multifamily and alternative forms of housing in the area have increased significantly. Furthermore, rental rates in the region have been steadily increasing over the past five years. Considering the demand for multifamily housing in the area, development of this component as multifamily residential projects, consistent with the underlying land use designation, is financially feasible.

Maximum Productivity - Conclusion

Development of multifamily residential projects is the maximally productive land use that is legally permissible, physically possible and financially feasible. Thus, it is our conclusion the highest and best use – as vacant – of the subject property is to maximize the allowable density and develop multifamily projects that would cater to the demands of the market. As with the single-family residential component, the multifamily component has an affordable housing requirement that designates units to be rented at below market rents. Setting rents that are below market is not the maximally productive use of a property; however, it is required by the City of Roseville.

Highest and Best Use – As Vacant (Business Professional Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The business professional (office) component of the subject property consists of one site containing 10.5 acres of land area. According to the City of Roseville Planning Department, the property is zoned BP- Business Professional. This district is intended to provide locations for a wide variety of office uses and other uses which are related to and supportive of office uses. Based on the underlying land use designation, the legally permissible use of the site is limited to office development.

Physical Possibility

The physical characteristics of the site, including size, shape, topography, accessibility and availability of utilities, were given consideration in determining whether legally permissible use is physically possible. The physical and locational characteristics of the subject property have been described in the previous highest and best use analyses. In summary, the physical characteristics of the site are considered suitable for development. While the property is partially encumbered by an overhead power line easement, the area under the power line may be used for parking. Thus, the power lines are considered to have nominal, if any, adverse impact on the subject property. Overall, the subject has physical characteristics that support the legally permissible use.

Financial Feasibility

The determination of financial feasibility is dependent primarily on demand. The subject site will be located along the proposed extension of Pleasant Grove Boulevard and will have adequate frontage along this street. Further, the property is located proximate to State Highway 65 and Interstate 80.

Net absorption statistics and current and historical vacancy statistics indicate that demand for office properties should remain stable over the next several years. Furthermore, as discussed in the *Office Market Overview* section of this report, the subject is located in a stable office market. Rental rates, land prices and building prices have all increased over the last five years. The CB Richard Ellis Office Market Index Brief (First Quarter 2005) reports an office vacancy rate of 13.70% for the Sacramento MSA, while the subject's submarket (Roseville/Rocklin) exhibited an 8.10% vacancy rate. The area has historically exhibited stable office rental rates, indicating a positive demand for new construction, as well as for existing projects.

Demand and vacancy rates for office properties in the Roseville/Rocklin submarket are expected to remain stable over the foreseeable future. The stable demand for commercial properties suggest that some form of office development is the most logical use of the subject property. There is currently limited office development in the subject's immediate area. It is anticipated that as the residential projects become developed, demand for office land in the area will increase.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, office development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Considering the limited amount of office development in the subject's immediate area, the highest and best use of the business professional (office) component is to hold for investment and to develop an office project once the Westpark community becomes more established.

<u>Highest and Best Use – As Vacant (Commercial Component)</u>

In accordance with the definition of highest and best use, it is appropriate to analyze the subject sites as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The commercial (retail) component of the subject property is comprised of three separate sites containing a total of 18.4 acres of land area. The City of Roseville Planning Department indicates the subject property is zoned CC- Community Commercial. This district is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses. Based on the underlying land use designation, the legally permissible use of the sites is limited to commercial development.

Physical Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a potential use for commercial development, at this point the physical characteristics are examined to see if they are suited for the legally permissible use conclusion.

Based on our physical inspection of the subject property, we know of no reason why the property would not support any legal development. The property is located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. In addition, the property is not located within a Fault-Rupture Hazard Zone. All utility services are available and evidence of construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subject's potential for development.

Overall, the subject property has physical characteristics that support the legally permissible uses.

Financial Feasibility

The determination of financial feasibility is dependent primarily on demand. Based on the legal and physical characteristics, it appears as if retail projects are the most logical, permitted use of the subject sites. Given the quality of the area and the demand for retail space in the area, retail use of

the properties could receive adequate demand so as to provide a relatively short absorption period. According to the CB Richard Ellis Retail Market Index, as of the First Quarter 2005, the retail vacancy rate in the subject's market area (Roseville/Rocklin) was 1.9%, which is below the average vacancy rate for the Sacramento Region (4.2%). The subject property will also benefit from its location along main thoroughfares upon completion of off-site development.

Considering the preceding factors, it is our opinion that retail projects are a financially feasible use of the subject sites (as vacant) based on market rental rates, vacancy factors and historical/current retail net absorption within the subject's market area. The subject's proximity to new and proposed residential subdivisions in the area has led to a balanced market and the potential for increased development activity. The development of neighborhood shopping centers or complimentary commercial uses is an integral part of a well-balanced community. There is currently limited retail development in the subject's immediate area. It is anticipated that as the residential projects become developed, demand for retail land in the area will increase.

Maximum Productivity - Conclusion

Based on the preceding discussion, it is our opinion retail development will serve the growing needs of the Westpark development, as well as adjoining and nearby residential developments. Thus, the maximally productive use of this component is for development as retail projects. However, until the community becomes more established, the highest and best use of the commercial sites is to hold for investment and develop at such a time as supporting residential uses are in place.

<u>Highest and Best Use – As Vacant (Industrial Component)</u>

In accordance with the definition of highest and best use, it is appropriate to analyze the subject sites as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The industrial component of the subject property is zoned M1/SA-WR and M2/SA-WR. The M1/SA-WR district is a light industrial district that is intended to designate areas appropriate for light industrial uses such as manufacturing, processing, assembly, high technology, research and development and storage uses. The use types permitted within the district do not include outdoor manufacturing but may include limited outdoor storage and the emission of limited amount of visible gasses, particulates, steam, heat, odor, vibration, glare, dust and noise. These uses may operate in relatively close proximity to commercial and residential uses. The M2/SA-WR district is a general industrial ordinance that is intended to designate areas suitable for a broad range of industrial uses, including manufacturing, assembly, wholesale distribution and warehousing. Considering the subject's zoning ordinances, the legally permissible use of the sites is limited to industrial development.

Physical Possibility

The physical characteristics of the sites, including size, shape, topography, accessibility and availability of utilities, were given consideration in determining whether legally permissible use is physically possible. The physical and locational characteristics of the subject property have been described in the previous highest and best use analyses. In summary, the physical characteristics of the sites are considered suitable for development.

Financial Feasibility

The determination of financial feasibility is dependent primarily upon demand. Net absorption statistics and current and historical vacancy statistics indicate that demand for industrial properties should remain stable over the next several years. Furthermore, as discussed in the *Industrial Market Overview* section of this report, the subject is located in a stable metropolitan statistical area. Rental rates, land prices and building prices have all increased over the last five years. The CB Richard Ellis Industrial Market Index Brief (First Quarter 2005) reports an industrial vacancy rate of 10.5% for the Sacramento MSA, while the subject's Roseville/Rocklin/Lincoln (South Placer County) submarket exhibited a 12.5% vacancy rate. Although the subject's submarket reflected a higher industrial vacancy rate relative to that reported for the Sacramento MSA, the statistics may be skewed considering the amount of new construction in the overall area. Further, the subject benefits from its location in a good community. The Roseville/Rocklin area has historically exhibited stable industrial rental rates, indicating a positive demand for new construction, as well as for existing projects.

Demand and vacancy rates for industrial properties in the South Placer County market are expected to remain stable over the foreseeable future. Thus, industrial development is considered a financially feasible use of the subject sites. However, there is currently limited industrial development in the subject's immediate area. It is anticipated that as the residential projects become developed, demand for industrial land in the area will increase.

Maximum Productivity - Conclusion

As defined, the highest and best use of a vacant site is the use that yields the highest present land value. Given the legal, physical and financial characteristics, the maximally productive use of the subject sites - as though vacant - is for development as industrial projects. However, considering the limited amount of industrial development in the subject's immediate area, the highest and best use of the industrial component is to hold for investment and to develop industrial projects as the Westpark community becomes more established.

APPROACHES TO VALUE

The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property.[5] This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. In the valuation of the subject property, two additional approaches, the extraction technique and the subdivision development method, are also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market.

The definition of the cost approach is offered as follows:

> A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.[6]

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison

[5] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.
[6] The Dictionary of Real Estate Appraisal, 67.

approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

The definition of the sales comparison approach is offered as follows:

> A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.[7]

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

> Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.[8]

> Yield capitalization is the capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.[9]

The definition of the income capitalization approach is offered as follows:

> A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into

[7] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.
[8] The Dictionary of Real Estate Appraisal, 88.
[9] The Dictionary of Real Estate Appraisal, 315.

> property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[10]

Extraction Technique (Residual Analysis)

A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land. [11]

Subdivision Development Method

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of property.[12]

[10] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 143.
[11] The Dictionary of Real Estate Appraisal, 106.
[12] The Dictionary of Real Estate Appraisal, 279.

APPRAISAL METHODOLOGY

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (May 2, 2005). The subdivision development method to value (discounted cash flow analysis) will be relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to estimate value for the typical, or predominate, production residential lot configuration (6,000 square feet) within the subject property. Then, we will utilize the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 6,000 square foot lots. The sales comparison approach will also be employed to estimate revenue for the retail, office and industrial components. With respect to the multifamily component, three sites are encumbered by an affordable housing requirement. Due to the lack of recent sales relating to affordable housing multifamily developments (or sites), the extraction technique will be exclusively relied upon to develop an opinion of hypothetical market value for these parcels. In the application of the extraction technique, the income capitalization approach will be utilized to establish value for hypothetical multifamily housing developments, after which estimated costs of construction will be deducted, resulting in estimates of value for the underlying sites. Finally, the sales comparison approach will be employed once again to estimate the hypothetical market value of the multifamily site that does not have an affordable housing requirement.

The resultant value (revenue) indicators will be incorporated into a discounted cash flow analysis to estimate the hypothetical market value of the subject property (in bulk), assuming the completion of the improvements to be financed by the Westpark CFD No. 1 bond issuance.

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

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subject's single-family residential, multifamily residential, retail, office and industrial revenue components will be estimated in this section of the report. The valuation of the subject property represents the hypothetical component values, assuming the improvements to be financed by the Westpark CFD No. 1 bond issuance are in place. The subdivision development method will be employed and is defined as follows:

SUBDIVISION DEVELOPMENT METHOD

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of the property.[13]

The four main items of the discounted cash flow analysis are listed as follows:

- **Revenue** – the gross income of the individual components is derived in this section.
- **Absorption Analysis** – the time frame required to sell off the components. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off are calculated in this section – including administration, marketing and commission costs, as well as taxes and special assessments.
- **Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Our discussions of these four concepts begin below, with the discounted cash flow analysis offered at the end of this section.

REVENUE

The revenue will be generated by the sale of the subject's single-family residential, multifamily, retail, office and industrial components. In the following section, we begin by estimating revenues for the single-family residential component. Subsequent sections will detail the revenue streams of the other components.

[13] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 279.

In estimating revenues for the single-family residential component, we will derive loaded lot indicators for each residential village by analyzing comparable sales of recent transactions in the market area. As a supporting value indicator, we will use the residual analysis, or extraction technique.

Sales Comparison Approach – Single-Family Residential Component

In the sales comparison approach, the hypothetical market values of the subject's individual villages will be estimated by a comparison to similar properties that have sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 12th Edition, published by the Appraisal Institute, 2001 – "*The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market.*"

We will utilize the sales comparison approach to estimate the expected revenues for the subject's single-family residential component. In the case of land used for production oriented residential development, this process typically entails the analysis of an entitled site on a finished, or fully improved, lot basis. Bulk sales of final mapped and fully improved lots, as well as tentatively mapped unimproved lots will be analyzed. Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because they may have different permits and fees. Lots possessing permits and fees relatively lower than similar comparable lots will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs, special assessments and permits and fees.

After deriving a loaded lot indicator for the subject property from comparable sales data, the permits and fees for a typical lot within the subject property, as well as site development costs, will be subtracted from the derived loaded lot indicator. The site development costs per lot quantifies the amount of development needed to transform the unimproved lots into improved lots. Improved lot status includes the completion of in-tract development. As of the date of our inspection, the subject's residential lots were unimproved. Additionally, the value estimates assume the improvements to be financed by the Westpark Community Facilities District No. 1 bond issuance are in place and available for use.

The subject property and several of the comparables utilized in our analysis have a special assessment (bond) obligation. The comparables will be analyzed to reflect the impact of the bond indebtedness on value. Additionally, there are differences in Homeowner's Association (HOA) dues between the comparable sales and the subject property, with some projects not encumbered by an HOA fee. The projects with HOA dues typically have common area amenities that are maintained by the fees. Therefore, the amount of HOA dues is considered to be offset by the amenities provided by those dues.

Building permit costs can vary substantially between projects, even though they may be located within the same region. Due to differences in building permit costs, all transactions have been analyzed with these costs taken into account.

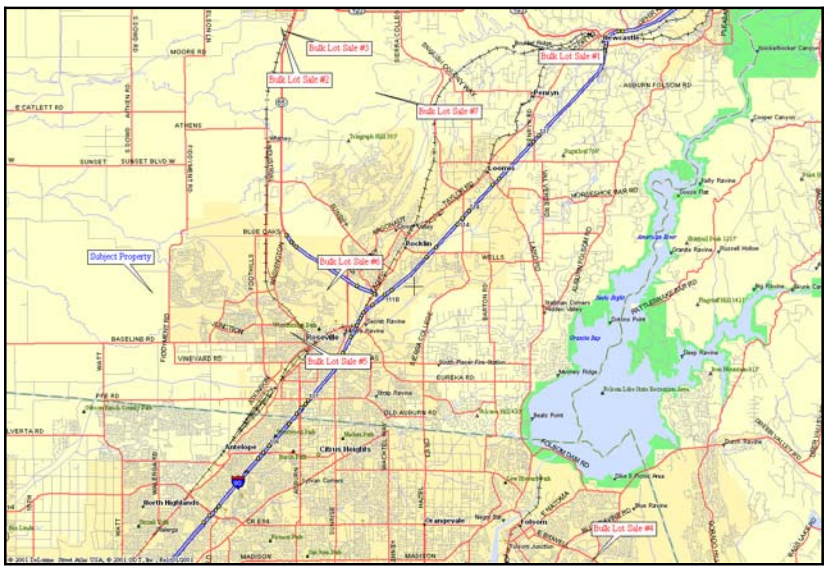
There are approximately 10 different lot size groupings represented by the subject's proposed single-family residential lots, 3,850 square feet, 5,200 - 5,250 square feet, 5,500 square feet, 6,000 square feet, 6,300 square feet, 6,600 – 6,825 square feet, 7,000 square feet, 7,350 square feet, 7,875 square feet and 8,250 square feet. The largest single group of lots, in terms of lot count, is the subject's 6,000 square foot lots. Thus, to facilitate the following analysis, we will use the 6,000 square foot lot grouping as the basis for our valuation. At the end of this section, we will utilize the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 6,000 square foot lots.

The survey of recent transactions revealed seven comparables in the subject's market area and surrounding submarkets that are considered good indicators of hypothetical market value for the subject's single-family residential component. The sales cover the period from January 2004 to April 2005 and range in quantity from 37 to 138 lots. The sales relied upon in this analysis are summarized in the table on the following page, along with a location map. Detailed sales sheets and an adjustment discussion follow the summary table.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	$/Lot	Costs to Complete*	Permits and Fees	PV of Bonds	Loaded Lot Value	Typical Lot Size
1	**Bickford Ranch - Village R16** South of Bickford Ranch Rd. (proposed), east of Sierra College Blvd. Placer County	Apr-05 (LOI)	$22,950,000	102	$225,000	$0	$50,875	$31,879	$307,754	7,150
2	**Lincoln Crossing - Village 7B** South side of Caledon Circle at Earlton Lane Lincoln	Nov-04	$22,642,902	138	$164,079	$18,568	$14,041	$20,647	$217,335	6,825
3	**Lincoln Crossing - Village 6C** SEC of Ferrari Ranch Rd. and Caledon Cir. Lincoln	Nov-04	$19,287,156	138	$139,762	$17,859	$14,003	$20,647	$192,271	6,000
4	**Fieldstone Meadows** South of East Bidwell St., west of Oak Avenue Pkwy. Folsom	May-04	$12,905,000	89	$145,000	$53,450	$35,000	$0	$233,450	5,626
5	**37-Lot Subdivision** South of Junction Ave., north of Lawton Ave. Roseville	Apr-04	$4,070,000	37	$110,000	$33,000	$30,000	$0	$173,000	7,500
6	**Promontory Pointe** South of Roseville Pkwy., east of Chase Dr. Roseville	Feb-04	$9,800,000	56	$175,000	$0	$31,000	$18,280	$224,280	4,560
7	**Twelve Bridges - Village 18 (portion)** South of Twelve Bridges Dr. and Sierra College Blvd. Lincoln	Jan-04	$12,420,000	54	$230,000	$0	$29,709	$8,259	$267,968	13,175 (average)

* Inclusive of a 10% allocation for profit



COMPARABLE BULK LOT SALE NO. 1

Property Identification

Project	Bickford Ranch – Village R16
Location	South of Bickford Ranch Road (proposed), east of Sierra College Boulevard, Placer County, California

Sale Data

Grantor	Lennar Communities, Inc.
Grantee	JTS Communities
Sale Date	April 2005 (Letter of Intent)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$22,950,000
Annual Special Assessments per Lot	$2,316

Land Data

Zoning	Single-family residential
Topography	Rolling
Utilities	Available
Number of Lots	102
Development Status at Sale	Finished lots
Typical Lot Size (SF)	7,150 square feet

Indicators (Per Lot)

Sale Price	$ 225,000
Site Development Costs	$ 0
Profit Allocation at 10%	$ 0
Finished Lot Indicator	$ 225,000
PV of Bonds	$ 31,879
Permits and Fees	$ 50,875
Loaded Lot Indicator	$ 307,754

Remarks

This comparable represents the April 2005 letter of intent from JTS Communities to purchase the 102 lots comprising Village R16 of the Bickford Ranch master planned community. This development is located east of the Lincoln city limits, within an unincorporated community of Placer County. Several of the lots will be positioned contiguous to open space and/or a golf course and, as such, the lot premiums are considered superior when compared to a typical village within Westpark. While site development has not been completed, the purchase price was negotiated on a finished lot indicator of $225,000 per lot.

COMPARABLE BULK LOT SALE NO. 2

Property Identification	
Project	Lincoln Crossing – Village 7B
Location	South side of Caledon Circle at Earlton Lane, Lincoln, Placer County, California
Sale Data	
Grantor	Suncal Development
Grantee	JTS Communities
Sale Date	November 2004 (November 2004 COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$22,642,902
Annual Special Assessments per Lot	$1,500 (on average)
Land Data	
Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	138
Development Status at Sale	Partially improved lots (blue-top)
Typical Lot Size (SF)	6,825 square feet
Indicators (Per Lot)	
Sale Price	$ 164,079
Site Development Costs	$ 16,880
Profit Allocation at 10%	$ 1,688
Finished Lot Indicator	$ 182,647
PV of Bonds	$ 20,647
Permits and Fees	$ 14,041
Loaded Lot Indicator	$ 217,335

Remarks

JTS Communities purchased this property on a loaded lot basis. Loaded lot transactions include all site development costs and permits and fees payable upon obtaining building permit. Additionally, the seller is to receive 3% of gross home sales revenue as part of a profit participation agreement. After including an allocation for profit to the site development costs, as well as the present value amount of the annual bond payment, the estimated loaded lot indicator is $217,335 per lot.

COMPARABLE BULK LOT SALE NO. 3

Property Identification	
Project	Lincoln Crossing – Village 6C
Location	Southeast corner of Ferrari Ranch Road and Caledon Circle, Lincoln, Placer County, California
Sale Data	
Grantor	Suncal Development
Grantee	Hoffman Construction
Sale Date	November 2004 (December 2004 COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$19,287,156
Annual Special Assessments per Lot	$1,500 (on average)
Land Data	
Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	138
Development Status at Sale	Partially improved lots (blue-top)
Typical Lot Size (SF)	6,000 square feet
Indicators (Per Lot)	
Sale Price	$ 139,762
Site Development Costs	$ 16,235
Profit Allocation at 10%	$ 1,624
Finished Lot Indicator	$ 157,621
PV of Bonds	$ 20,647
Permits and Fees	$ 14,003
Loaded Lot Indicator	$ 192,271

Remarks

Hoffman Construction purchased this property on a loaded lot basis. Loaded lot transactions include all site development costs and permits and fees payable upon obtaining building permit. After including an allocation for profit to the site development costs, as well as the present value amount of the annual bond payment, the estimated loaded lot indicator is $192,271 per lot.

COMPARABLE BULK LOT SALE NO. 4

Property Identification	
Project	Fieldstone Meadows
Location	South line of East Bidwell Street, west of Oak Avenue Parkway, Folsom, Sacramento County, California
Sale Data	
Grantor	Schumacher/Folsom East Bidwell, LP
Grantee	Beazer Homes
Sale Date	May 2004 (Contract), June 2004 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$12,905,000
Annual Special Assessments per Lot	None
Land Data	
Zoning	Single-family residential
Topography	Gently sloping
Utilities	Available
Number of Lots	89
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	5,626 square feet
Indicators (Per Lot)	
Sale Price	$ 145,000
Site Development Costs	$ 48,591
Profit Allocation at 10%	$ 4,859
Finished Lot Indicator	$ 198,450
PV of Bonds	$ 0
Permits and Fees	$ 35,000
Loaded Lot Indicator	$ 233,450

Remarks

Beazer Homes acquired the property for $12,905,000, or $145,000 per unimproved lot. Lot sizes generally range from 5,600 to 6,600 square feet, with 5,626 square feet representing the predominant lot size configuration. The buyer projected permits and fees to be approximately $35,000 per lot.

COMPARABLE BULK LOT SALE NO. 5

Property Identification	
Project	37 Single-family residential lots
Location	South of Junction Avenue, north of Lawton Avenue, Roseville, Placer County, California
Sale Data	
Grantor	Sid Dunmore (Dunmore Homes)
Grantee	JMC Homes
Sale Date	April 2004
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$4,070,000
Annual Special Assessments per Lot	None
Land Data	
Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	37
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	7,500 square feet
Indicators (Per Lot)	
Sale Price	$ 110,000
Site Development Costs	$ 30,000
Profit Allocation at 10%	$ 3,000
Finished Lot Indicator	$ 143,000
PV of Bonds	$ 0
Permits and Fees	$ 30,000
Loaded Lot Indicator	$ 173,000

Remarks

This comparable represents the April 2004 sale of 37 lots in Roseville to JMC Homes. The buyer reportedly purchased the property for $110,000 per lot, unimproved. Permits and fees for this project are estimated at $30,000 per lot. Costs to complete were reported at $33,000 per lot, including profit. Typical lot sizes average 7,500 square feet.

COMPARABLE BULK LOT SALE NO. 6

Property Identification	
Project	Promontory Pointe
Location	South line of Roseville Parkway, east of Chase Drive, Roseville, Placer County, California
Sale Data	
Grantor	Jaguar Partnership
Grantee	Parkland Homes
Sale Date	February 2004
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$9,800,000
Annual Special Assessments per Lot	$1,328
Land Data	
Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	56
Development Status at Sale	Finished lots
Typical Lot Size (SF)	4,560 square feet
Indicators (Per Lot)	
Sale Price	$ 175,000
Site Development Costs	$ 0
Profit Allocation at 10%	$ 0
Finished Lot Indicator	$ 175,000
PV of Bonds	$ 18,280
Permits and Fees	$ 31,000
Loaded Lot Indicator	$ 224,280

Remarks

This comparable represents the sale of 56 improved lots to Parkland Homes. The property went into contract in February 2004 for $9,800,000, or $175,000 per lot, and is subject to an inclusionary housing requirement. With a typical lot size of 4,560 square feet, the property is representative of a medium-density development.

COMPARABLE BULK LOT SALE NO. 7

Property Identification	
Project	Twelve Bridges – Village 18 (portion)
Location	South of Twelve Bridges Drive and Sierra College Boulevard, Lincoln, Placer County, California
Sale Data	
Grantor	JTS Communities
Grantee	Richmond American Homes
Sale Date	January 2004
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$12,420,000
Annual Special Assessments per Lot	$600
Land Data	
Zoning	Low density residential
Topography	Generally level to sloping
Utilities	Available
Number of Lots	54
Development Status at Sale	Finished lots
Typical Lot Size (SF)	13,175 square feet (average)
Indicators (Per Lot)	
Sale Price	$ 230,000
Site Development Costs	$ 0
Profit Allocation at 10%	$ 0
Finished Lot Indicator	$ 230,000
PV of Bonds	$ 8,259
Permits and Fees	$ 29,709
Loaded Lot Indicator	$ 267,968

Remarks

This comparable represents the sale of 54 lots comprising a portion of Village 18 of the Twelve Bridges master planned community. The buyer, Richmond American Homes, reportedly purchased the lots for $230,000 per lot, plus the assumption of bonds. At the time of sale, permits and fees averaged $29,709 per lot. Village 18 has extensive lot premium amenities, including oak trees, open space and golf course frontage and views.

Adjustments

Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because of differing permits and fees. Properties possessing a lower permit and fee schedule relative to other properties will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs and permits and fees, plus any differences relating to bonds. These items are discussed in the following paragraphs.

Site Development Costs

The majority of the comparables represents unimproved lot transactions and, as such, site development costs are added to equate these comparables to finished lots for comparison purposes. In order to account for the profit associated with improving the lots, a profit allocation in the amount of 10% of the site development costs is also incorporated.

Permits and Fees (Impact Fees)

The permits and fees are applied on a dollar-for-dollar basis. After the conclusion of loaded lot value (with permits and fees paid), we then subtract the amount of the subject's permits and fees to arrive at our estimate of revenue.

Bonds and Assessments

Mello-Roos districts encumber the comparables utilized for this analysis, as well as the subject property. The comparables are adjusted based on the impact of bond indebtedness on value (included in the loaded lot indicators).

Additional Adjustments

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject property.

Percentage or dollar adjustments are considered appropriate in order to isolate and quantify the adjustments on the comparable sales data. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms

- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Market Conditions (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. While the real estate market went into a period of moderation during the 3rd and 4th quarters of 2001, the residential sector began to rebound after this period, with market conditions steadily improving since. Based on our review of historical pricing for several comparable projects in the Sacramento region, as reported by The Gregory Group, an enterprise that tracks the local and regional housing market, Comparables #2 through #7, which represent early to late-2004 sales, require upward adjustments to account for the improvement in market conditions since the sale dates.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

<u>Location</u>

The subject property is located within the city of Roseville and is considered to have a good overall location. Comparables #2 and #3 are located within the city of Lincoln and are deemed to have an inferior overall location with respect to surrounding land uses, desirability, property values, etc. Upward adjustments are warranted to these comparables for location.

<u>Community Appeal</u>

Unlike the subject property, Comparable #5 represents an in-fill development. Therefore, the community appeal associated with this sale is judged to be inferior in comparison to the subject. This comparable is adjusted upward for this factor.

<u>Number of Lots</u>

Generally, there is an inverse relationship between the number of lots and price per lot such that projects (or phases) with a greater number of lots sell for a lower price per lot compared to projects (or phases) with a fewer number of lots due to the discounting associated with larger transactions. None of the comparables has a lot count that differs enough from the subject's individual villages to warrant an adjustment.

<u>Lot Sizes</u>

In the following analysis, the sales require upward adjustments for inferior (smaller) lot sizes and downward adjustments for superior (larger) lot sizes compared to the subject's 6,000 square foot lot size category. The degree of adjustment is dependent on the size disparity between the comparable and the subject's 6,000 square foot lot size. Due to diminishing marginal returns, a smaller per unit adjustment factor is considered reasonable for Comparable #7 relative to the balance of the sales, since this development has significantly larger lots compared to the subject property.

<u>Site Utility</u>

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the lots. Each of the comparable properties possesses similar site utility as the subject property; no adjustments are necessary.

<u>Lot Premiums and Discounts</u>

This analysis is concerned with the hypothetical market value of the subject property in bulk. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Comparables #1 and #7 offer superior premiums due to golf course orientation and view amenities. As such, these comparables are adjusted downward for this amenity. No other adjustments are necessary for differences in lot premiums.

<u>Zoning</u>

All of the sales have similar zoning compared to the subject property; no adjustments are required.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subject's 6,000 square foot lot category, which forms the basis of our analysis, the data set required adjustments for discrepancy in typical lot size, both larger and smaller than 6,000 square feet. Significant interest in developable residential land throughout the Sacramento region has occurred during the past year; consequently, upward adjustments to account for improvements in market conditions were applied to several of the comparable sales. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject property previously discussed; namely, improvements in market conditions and discrepancies in typical lot size, an indicator of $240,000 per loaded lot for the standard 6,000 square foot lots offered by the subject property is concluded via the sales comparison approach. The estimate of hypothetical market value is inclusive of permits and fees and bonds (present value).

Residual Analysis (Extraction Technique)

As a supporting indication of hypothetical market value, we will utilize the extraction technique. The extraction technique considers the likely selling prices of homes to be offered at the subject developments and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of a home. The result of this analysis represents an estimate of the residual lot value for an improved lot.

Based on the profile of the area residential market, and considering the approved lot sizes, the subject property could be developed with a range of new homes that would target the middle to upper-income buyer segments of the new home market.

Average Home Price

Using the subject's standard lot size (6,000 square feet), we will estimate a typical new production home for the subject property that is based on a survey of active subdivisions within the Roseville market. For the purposes of our extraction technique, we will utilize a 2,500 square foot floor plan, which is considered representative of the average product being offered in similar developments. The following table details several competitive projects in the Roseville market. The data is taken from The Gregory Group 1st Quarter 2005 Housing Report.

Project	Builder	Planned Units	No. of Units Sold	Lot Size (SF)	Total Weekly Sales Rate	Average Floor Plan (SF)	Average Base Price
Villas on the Green	Lakemont Homes	64	64	6,000	0.69	2,885	$648,488
Casa Bella	JMC Homes	91	54	6,600	0.76	2,925	$641,657
Canyon View at Stoneridge	Elliot Homes	482	378	6,500	1.94	2,220	$523,200
Sevilla at Crocker Ranch	JMC Homes	177	116	4,500	1.25	2,021	$481,419
The Marquis Collection	Pulte Homes	93	93	8,800	1.31	3,318	$605,640
Premier Oaks	Premier Homes	45	35	6,500	0.95	2,538	$513,704
Riviera	JMC Homes	110	73	6,000	0.91	2,208	$525,990
Corrente	Syncon Homes	130	119	6,200	1.31	2,227	$498,240
Centro Vita	Parkland Homes	56	28	4,500	1.75	2,493	$494,500

After examination of the active single-family residential developments in the Roseville market, an average base price of $525,000 is concluded for the subject's 2,500 square foot floor plan. The present value of bonds is also included to establish a total consideration base price.

Direct Costs, Indirect Costs and Profit

The direct costs of construction are estimated based on reported costs for residential projects in the Northern California region, with support from the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall and Swift Corporation. Direct cost estimates reported from other projects are tabulated in the following table.

Project / Location	Builder	Effective Date	Floor Plan (SF)	Direct Costs per SF
Sedona at Anatolia	Tim Lewis Communities	2005	2,001	$60.44
Rancho Cordova			2,416	$62.38
			2,544	$58.59
			2,759	$57.11
Morgan Creek Lake Community	Lakemont Homes	2005	2,462	$68.52 - $72.47
Roseville			2,780	$73.73 - $76.23
			3,059	$61.88 - $64.68
			3,576	$60.26 - $63.37
			4,651	$60.58 - $63.24
Serrano, Village J3B	Greenbriar Homes	2004	4,112	$75.00
El Dorado Hills			4,192	$75.00
			4,280	$72.00
			4,974	$72.00
			5,095	$72.00
The Promontory, Village 1	CDB Homes	2004	2,709	$73.49
El Dorado Hills			2,912	$70.62
			3,036	$72.98
			3,218	$70.87
			3,837	$64.13
Morgan Creek Villas	Lakemont Homes	2004	2,654	$75.21
Roseville			2,875	$74.06
			3,128	$69.71

Based on the cost comparables presented, we estimate average direct costs in the amount of $75 per square foot. Indirect costs are estimated at 25% of the direct costs and a profit factor of 12% of the sale price will also be deducted. This factor is considered consistent with profit margins achieved within existing projects offering home product similar to the product expected within residential developments such as the subject projects.

Conclusion

The residual analysis, based upon the cited factors, is presented below:

Living Area (SF)	2,500
Sale Price	**$525,000**
Special Tax	**$17,900**
Total Consideration	**$542,900**
Less:	
Direct costs of construction (2,500 sf x $75 psf)	($187,500)
Indirect costs @ 25% of direct costs	($46,875)
Developer's profit @ 12% of sales price	($63,000)
Loaded Lot Value	$245,525
Rounded	**$245,000**

As discussed under the *Highest and Best Use*, the subject developments are considered most profitable as new home production subdivisions targeted towards middle to upper-income homebuyers. The extraction technique is similar to an analysis performed by a merchant builder and does not require an absorption analysis or any further discounting.

Reconciliation of Loaded Lot Value

The value estimates derived for the predominant, typical lot of the subject property via the extraction technique and the sales comparison approach are presented below.

Sales Comparison Approach	**$240,000**
Extraction Technique	**$245,000**

Generally, the sales comparison approach is deemed the best overall method in the valuation of vacant land. The extraction technique was employed as the supporting indication of value. Under this premise, the land value of the subject property is derived as a remainder amount based on the most likely end product. In the instance of the subject property, the end product could be a variety of product at more than one range of values. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach and is believed to substantiate the sales comparison approach value conclusion. Considering the

information cited above, we have concluded a loaded lot value of **$240,000** per lot for the subject's standard 6,000 square foot lot.

Loaded Lot Indicators

Standard Villages

Using the 6,000 square foot base lot size, which represents the largest single group of lots in terms of lot count, we have made qualitative adjustments to the remaining category of lots to derive final estimates of value for each lot grouping represented within the subject property. In addition to lot size discrepancy, project location and configuration are also considered in the valuation of the residential components. The following table details the hypothetical loaded lot value conclusions for each lot size category.

Typical Lot Size (SF)	Description	Loaded Lot Value
3,850	Standard	$214,000
5,200-5,250	Standard	$234,000
5,500	Standard	$236,000
6,000	**Standard**	**$240,000**
6,300	Standard	$242,000
6,600-6,825	Standard	$245,000
7,000	Standard	$248,000
7,350	Standard	$251,000
7,875	Standard	$255,000
8,250	Standard	$258,000

Affordable Housing Villages

As noted, two of the medium-density residential villages (W-16 and W-19) have an affordable housing requirement. According to the City of Roseville's Housing and Redevelopment Department, the city's affordable housing requirement stipulates that the units are to be affordable to buyers earning 81% to 100% of median income within the four-county Sacramento Region: Sacramento County, Placer County, El Dorado County and Yolo County. The maximum value of an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for all costs related to housing, including any/all bond encumbrances, principle and interest payments on the home loan, taxes and insurance. The interest rate reflects current 30-year fixed interest rates. Based upon the cited factors, the City of Roseville Economic and Community Services Department estimates the average base prices will range from $170,000 to $280,000. For purposes of our analysis, we will utilize a base price of $220,000 (2,000 sf plan) for the affordable housing units.

Once again, the present value of the special assessment obligation is included to reflect the total consideration base price. An additional extraction technique is employed to estimate the market value of the affordable housing lots.

Living Area (SF)	**2,000**
Sale Price	**$220,000**
Special Tax	**$13,800**
Total Consideration	**$233,800**
Less:	
Direct costs of construction (2,000 sf x $75 psf)	($150,000)
Indirect costs @ 25% of direct costs	($37,500)
Developer's profit @ 12% of sales price	($26,400)
Loaded Lot Value	$19,900
Rounded	**$20,000**

Villages W-16 and W-19 have 42 and 43 lots, respectively, designated for affordable housing. Both villages have a typical lot size of 3,850 square feet. To establish a loaded lot indicator for these villages, we will calculate a weighted average of our hypothetical market value conclusions for the standard and affordable housing lots. The weighted average loaded lot indicators for villages W-16 and W-19 are estimated in the following table:

	Typical Lot Size (SF)	No. of Lots	Loaded Lot Value Conclusion		Ratio		Weighted Loaded Lot Value	Conclusion (Rounded)
Village W-16								
Standard Lots	3,850	118	$214,000	x	73.8%	=	$157,825	**$163,000**
Affordable Housing Lots	3,850	42	$20,000	x	26.3%	=	$5,250	
Village W-19								
Standard Lots	3,850	122	$214,000	x	73.9%	=	$158,230	**$163,500**
Affordable Housing Lots	3,850	43	$20,000	x	26.1%	=	$5,212	

Age-Restricted Villages

While villages W-1 and W-2 represent age-restricted properties, discounting is not considered appropriate due to the ample demand for residential lots, regardless of the age-restricted nature of these properties. This is substantiated by the fact that the master developer received several offers from various merchant builders looking to acquire and develop the age-restricted lots. Additionally, in the subject's market area, there appears to be no distinction in home pricing between residences within age-restricted communities and residences within standard (non-restricted) developments. Finally, the subject property is proximate to the Sun City Roseville (Del Webb) age-restricted community, which has experienced steady demand in terms of both sales and re-sales.

Conclusion of Revenue – Single-Family Residential Component

Loaded lot values were previously estimated for each of the separate lot size configurations and/or villages. In order to estimate the total revenue for the subject's single-family residential component, deductions are required for site development costs and permits and fees. The site development costs are based on the developer's budget and appear reasonable relative to comparable projects located throughout the Greater Sacramento Region. We requested site development cost estimates for each of the individual villages; however, the budget was only available for Phase I of the subject development. Therefore, in calculating revenues for the balance of the villages, we analyzed the development budget for Phase I and applied average site development costs. Similar to the profit factor utilized in deriving the finished lot indicator for the comparable sales (unimproved lot comparables), a profit factor is incorporated to the site development costs. We will deduct estimated site development costs from the loaded lot indicators for each of the individual villages.

Revenues are generated by the sale of each of the villages and will be integrated into the discounted cash flow analysis (subdivision development method) in order to reflect the bulk, or wholesale, hypothetical market value of the subject property. The revenue for the single-family residential component is estimated in the following table and is arranged by village.

Phase	Village	No. of Lots	Typical Lot Size (SF)	Concluded Loaded Lot Value	Permits and Fees	Site Dev. Costs	Unimproved Lot Value	Extension	Rounded
Phase I	W-1 (Age-Restricted)	398	5,200	$234,000	($24,000)	($32,990)	$177,010	$70,450,063	**$70,450,000**
Phase I	W-2 (Age-Restricted)	305	5,200	$234,000	($24,000)	($32,679)	$177,321	$54,083,010	**$54,080,000**
Phase I	W-3	198	5,250	$234,000	($43,000)	($21,921)	$169,079	$33,477,677	**$33,480,000**
Phase I	W-4	147	6,300	$242,000	($43,000)	($22,535)	$176,465	$25,940,313	**$25,940,000**
Phase I	W-5	88	7,350	$251,000	($43,000)	($22,594)	$185,406	$16,315,704	**$16,320,000**
Phase I	W-7	111	6,600	$245,000	($43,000)	($22,535)	$179,465	$19,920,581	**$19,920,000**
Phase II	W-6	77	7,875	$255,000	($43,000)	($22,535)	$189,465	$14,588,780	**$14,590,000**
Phase II	W-8	180	6,700	$245,000	($43,000)	($22,321)	$179,679	$32,342,303	**$32,340,000**
Phase II	W-10	261	6,000	$240,000	($43,000)	($22,469)	$174,531	$45,552,464	**$45,550,000**
Phase II	W-11	148	6,000	$240,000	($43,000)	($22,216)	$174,784	$25,868,020	**$25,870,000**
Phase II	W-12	61	8,250	$258,000	($43,000)	($22,535)	$192,465	$11,740,344	**$11,740,000**
Phase II	W-21	144	3,850	$214,000	($43,000)	($19,473)	$151,527	$21,819,917	**$21,820,000**
Phase II	W-22	144	3,850	$214,000	($43,000)	($19,473)	$151,527	$21,819,917	**$21,820,000**
Phase II	W-24	95	3,850	$214,000	($43,000)	($19,473)	$151,527	$14,395,084	**$14,400,000**
Phase III	W-13	60	7,000	$248,000	($43,000)	($22,535)	$182,465	$10,947,880	**$10,950,000**
Phase III	W-14	115	6,825	$245,000	($43,000)	($23,282)	$178,718	$20,552,539	**$20,550,000**
Phase III	W-15	80	7,875	$255,000	($43,000)	($23,341)	$188,659	$15,092,750	**$15,090,000**
Phase III	W-16	160	3,850	$163,000	($43,000)	($19,473)	$100,527	$16,084,352	**$16,080,000**
Phase IV	W-9	95	7,000	$248,000	($43,000)	($23,213)	$181,787	$17,269,721	**$17,270,000**
Phase IV	W-17	210	5,500	$236,000	($43,000)	($22,535)	$170,465	$35,797,586	**$35,800,000**
Phase IV	W-18	280	6,000	$240,000	($43,000)	($22,673)	$174,327	$48,811,460	**$48,810,000**
Phase IV	W-19	165	3,850	$163,500	($43,000)	($19,473)	$101,027	$16,669,487	**$16,670,000**
Totals		**3,522**							**$589,540,000**

Sales Comparison Approach – Multifamily Residential Component

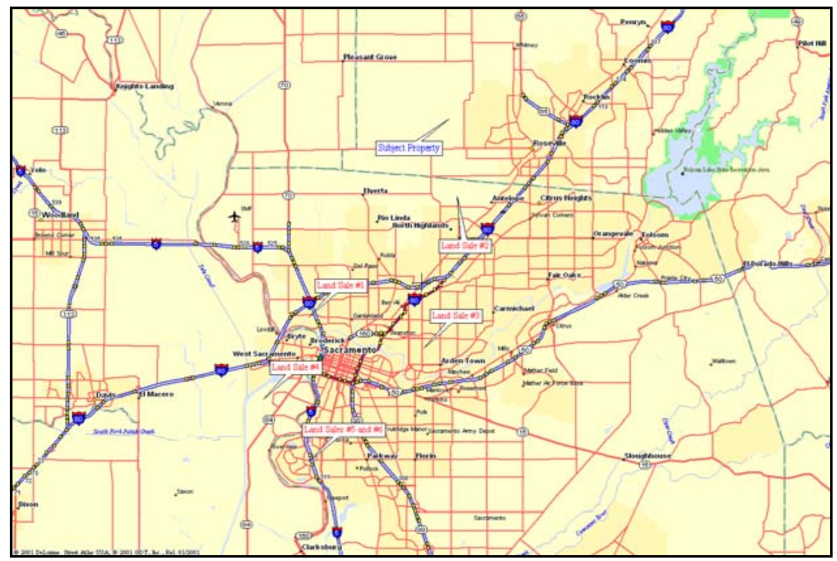
In this section, we will estimate the hypothetical market value of the subject's multifamily revenue component. The sales comparison approach will be employed to estimate value for parcel W-26, which contains 10.0 acres of land area and is proposed for the development of 132 units. Due to the fact the balance of the multifamily sites are encumbered by an affordable housing requirement, the comparable sales utilized in our analysis are not deemed reliable indicators of value. Thus, in order to develop an opinion of hypothetical market value for these sites, we will rely on the extraction technique, which will be presented following the valuation of parcel W-26.

Under the sales comparison approach, consideration is given to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the date of sale. Differences in physical characteristics, such as location, parcel area, shape, topography, onsite and offsite improvements, utilities and zoning, are also considered in the analysis. The basis of comparison is price per developable unit.

The market data investigation considers land sales within several submarkets throughout the Sacramento region. In the analysis that follows, we will present and analyze six comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets are presented after the summary table, followed by a discussion that leads to our conclusion of hypothetical market value for parcel W-26.

MULTIFAMILY LAND SALES

Sale No.	Property Identification	Sale Date	Sale Price + PV Bonds Total Consid.	Land Area (Acres)	No. of Units	Density (Units/Acre)	Price/SF	Price/Unit (Includes Bonds)
1	South of West El Camino Ave., west of Gateway Oaks Dr., Sacramento, Sacramento County APNs: 225-1010-006, -007 and -019	Dec-04	$ 2,895,000 $ - $ 2,895,000	4.92	83	16.87	$13.51	**$34,880**
2	South line of Elverta Rd., east of Walerga Rd. Antelope, Sacramento County APN: 203-0110-143	Apr-04	$ 1,675,000 $ - $ 1,675,000	5.91	118 (estimated)	19.97	$6.51	**$14,195**
3	Northeast corner of Fulton Ave. and Matheson Wy. Sacramento, Sacramento County APN: 286-0712-064	Oct-03	$ 990,000 $ - $ 990,000	2.05	52	25.37	$11.09	**$19,038**
4	East of Village Pkwy., North of Lake Washington Blvd. West Sacramento, Yolo County APN: 46-010-12 (portion)	Sep-03	$ 3,400,000 $ 1,619,067 $ 5,019,067	17.00	252	14.82	$6.78	**$19,917**
5	SWQ Interstate 5 and Florin Road Sacramento, Sacramento County APN: 031-0054-015	Mar-03	$ 2,745,826 $ 810 $ 2,746,636	8.03	169 (estimated)	21.05	$7.85	**$16,252**
6	SWQ Interstate 5 and Florin Road Sacramento, Sacramento County APN: 031-0054-016	Mar-03	$ 1,213,224 $ 810 $ 1,214,034	3.55	75 (estimated)	21.13	$7.85	**$16,187**



MULTIFAMILY LAND SALE NO. 1

Property Identification	
Property Type	Multifamily land
Location	South of West El Camino Avenue, west of Gateway Oaks Drive, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	225-1010-006, -007 and –019
Sale Data	
Grantor	Quon Family Trust
Grantee	Sixells, LLC
Sale Date	December 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$2,895,000
PV of Bonds	$ 0
Total Consideration	$2,895,000
Land Data	
Zoning	R-2B (PUD) – Multifamily (Planned Unit Dev.)
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	4.92 acres
Planned Units	83
Density	16.87 units per acre
Indicators	
Total Consideration per SF	$13.51
Total Consideration per Unit	$34,880

Remarks

The buyer purchased this property with intentions of developing an 83-unit attached housing (half-plex) project rather than a typical apartment complex. The property was originally zoned for retail use but was rezoned prior to the close of escrow.

MULTIFAMILY LAND SALE NO. 2

Property Identification	
Property Type	Multifamily land
Location	South line of Elverta Road, east of Walerga Road, Antelope, Sacramento County, California
Assessor's Parcel Number(s)	203-0110-143
Sale Data	
Grantor	Church Extension Board Presbytery
Grantee	Sierra Antelope, LP
Sale Date	April 22, 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$1,675,000
PV of Bonds	$ 0
Total Consideration	$1,675,000
Land Data	
Zoning	RD-30, Multifamily residential
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	5.91 acres
Planned Units	118 (estimated)
Density	19.97 units per acre (estimated)
Indicators	
Total Consideration per SF	$6.51
Total Consideration per Unit	$14,195

Remarks

This comparable is located in the unincorporated community of Antelope, Sacramento County. Sierra Antelope, LP purchased the property with intentions to hold for residential development. The number of developable units represents an estimated figure.

MULTIFAMILY LAND SALE NO. 3

Property Identification	
Property Type	Multifamily land
Location	Northeast corner of Fulton Avenue and Matheson Way, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	286-0712-064
Sale Data	
Grantor	D and S Partnership
Grantee	Sierra Mills Company
Sale Date	October 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$990,000
PV of Bonds	$ 0
Total Consideration	$990,000
Land Data	
Zoning	RD-30, Multifamily residential
Topography	Level
Utilities & Off-sites	All available
Shape	Rectangular
Land Area	2.05 acres
Planned Units	52
Density	25.37 units per acre
Indicators	
Total Consideration per SF	$11.09
Total Consideration per Unit	$19,038

Remarks

This transfer includes approved development plans for the construction of a 52-unit apartment complex, including site and vertical construction plans. The property is not encumbered by bonds.

MULTIFAMILY LAND SALE NO. 4

Property Identification	
Property Type	Multifamily land
Location	East side of Village Parkway, north of Lake Washington Boulevard, West Sacramento, Yolo County, California
Assessor's Parcel Number(s)	46-010-12 (portion)
Sale Data	
Grantor	Reynen & Bardis
Grantee	Pacific West Homes
Sale Date	September 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$3,400,000
PV of Bonds	$1,619,067
Total Consideration	$5,019,067
Land Data	
Zoning	R-3, Multifamily residential
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	17.00 acres
Planned Units	252
Density	14.82 units per acre
Indicators	
Total Consideration per SF	$6.78
Total Consideration per Unit	$19,917

Remarks

This comparable is generally located east of Jefferson Boulevard and west of South River Road, in an area of new residential development in West Sacramento. The present value of the special taxes encumbering this property is estimated to be $1,619,067 as of the date of sale.

MULTIFAMILY LAND SALE NO. 5

Property Identification	
Property Type	Multifamily land
Location	Southwest quadrant of Interstate 5 and Florin Road, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	031-0054-015
Sale Data	
Grantor	Sacra, LLC
Grantee	The Spanos Corporation
Sale Date	March 13, 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$2,745,826
PV of Bonds	$ 810
Total Consideration	$2,746,636
Land Data	
Zoning	R-2A PUD, Multifamily residential
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	8.03 acres
Planned Units	Approximately 169 (244 combined with adjacent parcel)
Density	21.07 units per acre
Indicators	
Total Consideration per SF	$7.85
Total Consideration per Unit	$16,252

Remarks

The buyer acquired this parcel, as well as an adjacent 3.55-acre parcel (see Comparable #6), with plans to assemble the parcels and construct a 244-unit apartment project.

MULTIFAMILY LAND SALE NO. 6

Property Identification	
Property Type	Multifamily land
Location	Southwest quadrant of Interstate 5 and Florin Road, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	031-0054-016
Sale Data	
Grantor	Greenhaven Senior Housing
Grantee	The Spanos Corporation
Sale Date	March 13, 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$1,213,224
PV of Bonds	$ 810
Total Consideration	$1,214,034
Land Data	
Zoning	R-2A PUD, Multifamily residential
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	3.55 acres
Planned Units	Approximately 75 (244 combined with adjacent parcel)
Density	21.07 units per acre
Indicators	
Total Consideration per SF	$7.85
Total Consideration per Unit	$16,187

Remarks

The buyer acquired this parcel, as well as an adjacent 8.03-acre parcel (see Comparable #5), with plans to assemble the parcels and construct a 244-unit apartment project.

Adjustment Discussion

In order to value the multifamily component of the subject property, the comparable transactions are adjusted based on the profile of the subject with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of aforementioned factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances whereby the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. Each of the comparable sales represents a cash to the seller transaction and, as such, no adjustments are required.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the transaction dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Due to the fact that Comparables #2 through #6 transferred in 2003 to early-2004, upward adjustments are warranted to these comparables to account for the improvement in market conditions since the sale dates.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

<u>Location</u>

Multifamily land sale comparables were analyzed from West Sacramento, Sacramento and Antelope. In general, all of the comparables are similar in location in that they are equal distance from employment, parks, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user in the Sacramento market; therefore, no adjustments are required for location.

Parcel Area

In general, due to economies of scale, the market exhibits an inverse relationship between size and price per unit (acre/sf/unit), such that larger parcels tend to sell for a lower price per unit than smaller parcels, all else being equal. However, with multifamily land, developers are typically willing to pay a higher price per acre for larger parcels in order to ensure synergy with their product, versus a small, in-fill project, which does not enjoy project identity. As such, smaller projects generally incur greater costs per unit for marketing efforts. Therefore, in comparison to the subject property (Parcel W-26), Comparables #1, #2, #3, #5 and #6 require upward adjustments for the discrepancy in land area.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility and positioning. Each of the comparable sales has similar visibility and accessibility characteristics as the subject. Thus, no adjustments are required.

Density

Parcel W-26 is proposed for the development of 132 units on 10.0 acres, which equates to an overall density of 13.2 units per acre. In general, projects with lower densities offer superior appeal due to additional open space associated with them. With the exception of Comparable #4, all of the comparables have a higher project density in comparison to the subject property, warranting upward adjustments.

Utility/Topography

Differences in contour, drainage, or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing the sales with the subject.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue – Parcel W-26

Due to the gradually increasing median new home price in the Sacramento Region, housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. As result, demand for multifamily housing in the area has increased significantly over the past several years.

During our investigation, we identified several multifamily land sales located throughout the Greater Sacramento Region. In total, we have presented six comparables that were analyzed to estimate the hypothetical revenue for Parcel W-26. Based on the indication from the data set, and in consideration of the adjustments detailed on the previous pages, a hypothetical market value of $25,000 per developable unit is considered reasonable for Parcel W-26. Applying this unit indicator yields a revenue conclusion of **$3,300,000** ($25,000 per unit x 132 units).

Extraction Technique

As noted, Parcels W-25, W-28 and W-29 are encumbered by an affordable housing requirement; thus, the comparable sales utilized in our analysis are not deemed reliable indicators of value, as none of the sales have stipulations requiring inclusionary housing. In order to develop an opinion of hypothetical market value for these sites, we will rely on the extraction technique, which considers the most probable selling price of apartment complexes on the sites and then reduces that value by the direct costs, indirect costs and developer's profit associated with construction. The result of this analysis represents an estimate of residual land value for each parcel.

Using the maximum number of developable units approved for each site within the West Roseville Specific Plan, we will estimate the hypothetical market value of apartment complexes by employing the income capitalization approach to value. Considering the lack of recent sales relating to affordable housing apartments (or sites) in the subject's market area, the sales comparison approach is not considered appropriate for this land use component.

Income Capitalization Approach

For income-producing real estate, the future earning power of the property is widely regarded as the single most critical element affecting its value. Additionally, given the fact that each of the sites has a different ratio (or allocation) of market rate units to affordable housing units, the income capitalization approach is deemed the most meaningful indication of value. Based on the inclusionary housing requirement, Parcels W-25, W-28 and W-29 have a designated amount of units with restricted rents at below market rates.

The direct capitalization method will be exclusively relied upon in the income capitalization approach. Direct capitalization converts an estimate of a single year's net operating income into an indication of value in one direct step. This step is accomplished either by dividing the income estimate by the relevant income rate (an overall capitalization rate), or by multiplying the income estimate by a proper factor (such as a gross, effective gross or net income multiplier). In the subject's market area, buyers and sellers typically handle direct capitalization by using an overall rate as opposed to a multiplier. Therefore, this method of direct capitalization will be employed in the analysis.

The components of the direct capitalization method are tabulated as follows:

- Potential Gross Income
- Vacancy and Collection Loss
- Operating Expenses
- Overall Capitalization Rate

These four components are discussed on the following pages and will be combined at the end of this section to provide a hypothetical value estimate of the subject property as improved.

Potential Gross Income

According to the Development Agreement and the West Roseville Specific Plan, a stipulated number of units are to be designated for very low-income and low-income families upon construction of multifamily housing complexes on Parcels W-25, W-28 and W-29. Very-low income families are defined as those earning less than 50% of median income within the four-county Sacramento Region, while low-income families earn 51% to 80% of median income. The maximum rent attributable to an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for any/all bond encumbrances, HOA fees and insurance. In consideration of the cited factors, the City of Roseville Economic and Community Services Department estimates the average rents at $720 per unit for very-low income households and $1,150 per unit for low-income households. These projections are based on three-person families. The following table details the allocation of units for Parcels W-25, W-28 and W-29.

Parcel	Market Rate Units	Low-Income Units	Very Low-Income Units
W-25	96	72	72
W-28	128	23	24
W-29	0	75	75

With respect to the market rate units, we have conducted a rent survey of apartment complexes in the subject's market area to determine market rent for the subject's hypothetical developments. The conclusion of market rent, along with the affordable housing rents, will allow us to establish an estimate of potential gross income for each site. The results of the rent survey are summarized in the following table.

RENT SURVEY

No.	Property Address	Unit Type (Bd./Ba.)	Size (Sq. Ft.)	Avg. Rent per Month	Avg. Rent psf/mo.
1	**The Terraces at Highland Reserve**				
	700 Gibson Drive	1Bd./1Ba.	772	$925	$1.20
	Roseville	2Bd./2Ba.	1,040	$1,125	$1.08
		3Bd./2Ba.	1,170	$1,225	$1.05
	Averages		*994*	*$1,092*	*$1.11*
2	**Trillium at Galleria**				
	301 Gibson Drive	Studio	704	$850	$1.21
	Roseville	1Bd./1Ba.	950	$915	$0.96
		2Bd./2Ba.	1,300	$1,300	$1.00
		3Bd./2Ba.	1,580	$1,700	$1.08
	Averages		*1,134*	*$1,191*	*$1.06*
3	**Haverhill at Highland Reserve**				
	701 Gibson Drive	1Bd./1Ba.	750	$1,000	$1.33
	Roseville	2Bd./1Ba.	970	$1,200	$1.24
		2Bd./2Ba.	1,050	$1,295	$1.23
		3Bd./2Ba.	1,247	$1,500	$1.20
	Averages		*1,004*	*$1,249*	*$1.25*
4	**Pinnacle at Galleria**				
	1100 Roseville Parkway	1Bd./1Ba.	765	$900	$1.18
	Roseville	2Bd./2Ba.	1,100	$1,200	$1.09
		3Bd./2Ba.	1,256	$1,600	$1.27
	Averages		*1,040*	*$1,233*	*$1.18*

Market Rent Conclusion

In order to establish market rent for the subject property, we surveyed a number of comparable apartment properties within the West Roseville area. The comparable properties are considered to be the most similar to the subject that we could accurately confirm. After taking into account the differing characteristics between the comparables and the subject property, market rent for the subject's units is estimated at $1,300 per unit.

Miscellaneous Income

In addition to the rental income, apartment complexes generate miscellaneous income. Miscellaneous earnings include application fees, forfeited security deposits, credit checks and late charges. Additional miscellaneous income at apartment complexes is produced by coin-operated laundry facilities. We have estimated the miscellaneous income to average $10,000 per year, based on the historical experience of similar projects in the area.

Total Potential Gross Income

The total potential gross income for the subject's hypothetical developments consists of market rent, affordable housing rent and miscellaneous income. This income is calculated in the Income Capitalization Approach summary sheets at the end of this section.

Vacancy and Collection Loss

This portion of the analysis considers the valuation of the subject property at stabilized occupancy. Stabilized occupancy is defined as follows:

> Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. [14]

In keeping with the concept of stabilized occupancy, an allowance for vacancy and collection loss must be considered for reductions in potential income attributable to vacancies, tenant turnover and nonpayment of rent. After taking into account all market factors, a stabilized vacancy rate for the subject property of 5% is considered reasonable.

Operating Expenses

Our estimate of pro forma operating expenses for the subject property is based primarily on historical operating expenses reported from similar properties located throughout the subject's market area. Generally, operating expenses for rent-restricted multifamily projects are higher relative to conventional apartment complexes due to higher management, auditing and bookkeeping costs, as well as higher reserve requirements. Only those expenses that are the responsibility of the owner are detailed below and included in the *Income Capitalization Approach* table at the end of this section.

[14] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 274.

Property Taxes and Assessments: The subject property has a tax rate of 1.0507%. We have estimated property taxes by applying this tax rate to our appraised value conclusions via the income capitalization approach, in addition to any direct charges. The special assessments are calculated based on a weighted average special tax between the market rate units and affordable housing units.

Building Insurance: Insurance for similar properties in the subject's market area typically ranges from $100 to $400/unit/year. Based on historical insurance costs for comparable properties, an insurance allowance of $200/unit/year appears reasonable for the subject property.

Utilities: The utilities expense accounts for the owner's responsibility for water, sewer and garbage. In total, these utilities are estimated at $500/unit/year.

Maintenance and Repairs: Maintenance and repair costs include minor repairs and maintenance to the interior and exterior of the property. For purposes of our analysis, we will use a maintenance and repairs allowance of $500/unit/year.

Management: Property management expenses for conventional apartment complexes in the subject's market area are typically between $300 to $400/unit/year. However, as previously noted, subsidized apartments incur higher management fees. Considering this trend, a management fee of $1,000/unit/year is concluded.

Replacement Reserves: As for reserves for replacement, the subject's improvements feature a number of short-lived items, such as concrete and asphalt paving, mechanical systems, paint, flooring, roof surfaces, etc. These items will eventually require replacement during a typical investment-holding period. Property owners typically do not set aside funds each year for the ultimate replacement of such short-lived items. However, since these items generally have a shorter economic life than structures as a whole, and are not subject to recovery under a typical maintenance budget, a reserve account should be considered. Under this methodology, the property owner deposits funds annually so that they earn interest and will ultimately be available to pay for the replacement of the short-lived items. This is also referred to as a sinking fund technique. This type of analysis models cash outflows for replacements as a level annuity. It is our opinion that an annual reserve deposit of $200/unit/year should be considered in the valuation process.

Overall Capitalization Rate

The overall capitalization rate is the ratio between the net operating income as of the date of value and a property's cash equivalent sales price. The overall rate is a reflection of the present value of anticipated future benefits and can reasonably be viewed as a function of risk. For instance the riskier the investment, the higher the overall capitalization rate. Typically, the capitalization rate to be applied to the subject's net operating income is based on an analysis and interpretation of market transactions. However, due to the limited amount of transactions relating to rent restricted projects in the subject's regional area, analysis of comparable sales is not applicable in determining the overall capitalization rate for the subject property. Therefore, we will rely on a band of investment analysis in order to estimate the subject's capitalization rate.

Since most income-producing properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk, or they will invest their funds elsewhere. Band of investment is defined as follows:

> *Band of Investment*: A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.[15]

Financing parameters and equity dividend rates extracted from commercial properties in the Northern California market area are offered in the following tables.

FINANCING PARAMETERS					
Comp No.	Date	Loan Amount	L-T-V	Beg. Interest Rate	Amort. Per. (Yrs.)
1	Apr-05	$600,000	70%	7.50%	20
2	Mar-05	$3,300,000	75%	6.25%	20
3	Mar-05	$1,110,000	60%	6.50%	3
4	Mar-05	$610,000	69%	5.93%	40
5	Mar-05	$250,000	75%	6.25%	25
6	Mar-05	$3,875,400	91%	6.75%	25
7	Feb-05	$2,000,000	69%	6.00%	15
8	Feb-05	$605,000	N/A	6.25%	N/A
9	Feb-05	$800,000	62%	7.50%	15
10	Feb-05	$3,000,000	75%	7.54%	25
11	Jan-05	$2,425,000	71%	6.00%	20
12	Jan-05	$1,662,050	65%	5.99%	10
13	Jan-05	$2,500,000	54%	5.88%	25
14	Jan-05	$286,000	62%	7.62%	20

[15] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 25.

EQUITY PARAMETERS				
Comp No.	Sale Date	Sale Price	Year 1 NOI	Eq. Div. Rate
1	Mar-05	$885,000	$58,254	1.70%
2	Mar-05	$4,270,000	$398,761	10.89%
3	Jan-05	$3,400,000	$305,040	10.12%
4	Jan-05	$2,557,000	$144,726	-0.92%
5	Jan-05	$4,600,000	$276,245	0.23%
6	Nov-04	$1,850,000	$132,597	4.10%
7	Oct-04	$4,750,000	$288,677	0.47%
8	Aug-04	$608,342	$55,154	10.43%
9	Jul-04	$1,131,508	$71,074	1.15%
10	Jul-04	$1,671,713	$110,466	2.24%
11	Jul-04	$2,165,000	$145,385	2.59%
12	May-04	$2,324,886	$175,837	5.42%
13	Feb-04	$5,625,000	$451,988	6.99%
14	Feb-04	$750,000	$70,012	11.33%
15	Jan-04	$2,275,000	$163,919	4.23%
16	Jan-04	$3,050,000	$213,554	3.55%

Based on information contained in the previous tables, we concluded a mortgage interest rate of 6.50%, a loan amortization period of 25 years, and a loan-to-value ratio of 70%. As for the equity dividend rate, the market data indicates a relatively wide range among investors of commercial properties. Equity dividend rates generally reflect the risk associated with an investment; i.e., the higher the risk, the higher the return that would be required by the investor. As a result of the moderate risk associated with the subject, an equity dividend rate toward the middle of the range is deemed appropriate. Specifically, we have concluded an equity dividend rate in the range of 5.00% to 7.00% for the subject property.

Based on our financing and equity conclusions above, the band of investment analysis is presented in the following table. This analysis indicates a reasonable range of overall capitalization rates for the subject property.

BAND OF INVESTMENT												
Mortgage Interest Rate	6.50%											
Amortization Period (Years)	25											
Loan-to-Value Ratio	70%											
Mortgage Constant	0.08102											
Equity Dividend Rate	5.00%	to	7.00%									
Mortgage Requirement	70%	x	0.08102	=	0.05672		70%	x	0.08102	=	0.05672	
Equity Requirement	30%	x	0.05000	=	0.01500		30%	x	0.07000	=	0.02100	
	100%				0.07172		100%				0.07772	
Indicated Overall Cap Rate:			**(Min.)**		**7.17%**				**(Max.)**		**7.77%**	

Based on the band of investment, an overall capitalization rate of 7.50% is selected to apply to the subject's net operating income.

Value Conclusion – Income Capitalization Approach

Applying the components discussed on the preceding pages (potential gross income, vacancy, operating expenses and overall capitalization rate), the hypothetical market value conclusions via the income capitalization approach are offered on the following pages.

HYPOTHETICAL MARKET VALUE AS IMPROVED - PARCEL W-25

POTENTIAL GROSS INCOME CALCULATION					
Income		**No. of Units**	**Rent per Unit**	**Monthly Income**	**Annual Income**
Rent: Market Rate Units		96	$1,300	$124,800	$1,497,600
Rent: Low-Income Units		72	$1,150	$82,800	$993,600
Rent: Very Low-Income Units		72	$720	$51,840	$622,080
Miscellaneous Income					$10,000
Total Potential Gross Income					$3,123,280
VACANCY & COLLECTION LOSS	@	5%			($156,164)
EFFECTIVE GROSS INCOME					$2,967,116
EXPENSES		**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges		$1,181	$283,479	9.6%	
Special Assessments		$350	$84,000	2.8%	
Building Insurance		$200	$48,000	1.6%	
Utilities		$500	$120,000	4.0%	
Maintenance & Repairs		$500	$120,000	4.0%	
Professional Mgmt./Admin.		$1,000	$240,000	8.1%	
Reserves		$200	$48,000	1.6%	
Total Expenses		$3,931	$943,479	31.80%	($943,479)
NET OPERATING INCOME					**$2,023,637**

DIRECT CAPITALIZATION VALUE CONCLUSION				
NOI	**divided by**	**Capitalization Rate**	**=**	**Value**
$2,023,637	÷	7.50%		$26,981,829
CONCLUSION OF VALUE BY DIRECT CAPITALIZATION			**Rd.**	**$26,980,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED - PARCEL W-28

POTENTIAL GROSS INCOME CALCULATION

Income		No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Market Rate Units		128	$1,300	$166,400	$1,996,800
Rent: Low-Income Units		23	$1,150	$26,450	$317,400
Rent: Very Low-Income Units		24	$720	$17,280	$207,360
Miscellaneous Income					$10,000
Total Potential Gross Income					$2,531,560
VACANCY & COLLECTION LOSS	@	5%			($126,578)
EFFECTIVE GROSS INCOME					$2,404,982
EXPENSES					
		$/UNIT	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges		$1,341	$234,621	9.8%	
Special Assessments		$433	$75,750	3.1%	
Building Insurance		$200	$35,000	1.5%	
Utilities		$500	$87,500	3.6%	
Maintenance & Repairs		$500	$87,500	3.6%	
Professional Mgmt./Admin.		$1,000	$175,000	7.3%	
Reserves		$200	$35,000	1.5%	
Total Expenses		$4,174	$730,371	30.37%	($730,371)
NET OPERATING INCOME					**$1,674,611**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$1,674,611	÷	7.50%		$22,328,143

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd. $22,330,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED - PARCEL W-29

POTENTIAL GROSS INCOME CALCULATION

Income		No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Low-Income Units		75	$1,150	$86,250	$1,035,000
Rent: Very Low-Income Units		75	$720	$54,000	$648,000
Miscellaneous Income					$10,000
Total Potential Gross Income					$1,693,000
VACANCY & COLLECTION LOSS	@	5%			($84,650)
EFFECTIVE GROSS INCOME					$1,608,350
EXPENSES					
		$/UNIT	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges		$976	$146,468	9.1%	
Special Assessments		$375	$56,250	3.5%	
Building Insurance		$200	$30,000	1.9%	
Utilities		$500	$75,000	4.7%	
Maintenance & Repairs		$500	$75,000	4.7%	
Professional Mgmt./Admin.		$1,000	$150,000	9.3%	
Reserves		$200	$30,000	1.9%	
Total Expenses		$3,751	$562,718	34.99%	($562,718)
NET OPERATING INCOME					**$1,045,632**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$1,045,632	÷	7.50%		$13,941,766

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd. $13,940,000**

Construction Cost Estimate

The next step in the extraction technique is to estimate typical costs associated with the construction of apartment complexes. In developing the cost estimate, we will rely on the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation. Further, the comparative-unit method will be employed in order to derive replacement costs for the subject's improvements. The definition of this method is as follows:

> Comparative-Unit: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.[16]

The significant factors to address when considering the comparative-unit method are:

- Direct and Indirect Costs
- Accrued Depreciation
- Developer's Overhead and Profit

These components will be presented on the following pages and then reconciled at the end of this section.

Direct and Indirect Costs – Marshall Valuation Service

As previously mentioned, to estimate the replacement cost of the subject improvements, we will use the Residential Cost Handbook to obtain individual cost items on both a per square foot and lump sum basis that apply to a good quality multifamily project.

Before going any further in this analysis, it is imperative to discuss what is included and what is not included in the cost indicator. These items, as stated verbatim in the Marshall Valuation Service, are tabulated as follows:

Included in the Costs

1. In the Calculator Section, the actual costs used are final costs to the owner and will include average architects and engineers fees. These, in turn, include plans, plan check and building permits, and survey to establish building lines and grades.

2. Normal interest on only the actual building funds during period of construction and processing fee for service charges is included. Typically, this will average half of the going rate over the time period plus the service fee.

[16] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 55.

3. All material and labor costs include all appropriate local, state and federal sales or GSE taxes, etc.

4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only.

5. Utilities from structure to lot line figured for typical setback except where noted in some Unit-in-Place cost sections (mobile homes).

6. Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc., are included.

Not Included in the Costs

1. Costs of buying or assembling land such as escrow fees, legal fees, property taxes, right of way costs, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs.

2. Piling or hillside foundations are priced separately in the manual and are considered an improvement to the land. This also refers to soil compaction and vibration, terracing, etc.

3. Costs of land planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developer's overhead and profit are not included, nor is interest or taxes on the land, feasibility studies, certificate of need, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.

4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead for fixture and equipment purchases, etc.

5. Yard improvements including septic systems, signs, landscaping, paving, walls, yard lighting, pool or other recreation facilities, etc.

6. Off-site costs including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc.

7. Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.

8. Marketing costs to create first occupancy including model or advertising expenses, leasing or broker's commissions, temporary operation of property owners' association, fill-up or membership sales costs and fees.

The cost indicators applicable to the subject property are calculated as follows:

Buildings (Good Quality)	
Base cost (psf)	$57.65
Roofing adjustment	+$ 1.12
Subfloor adjustment	+$ 2.45
Floor cover adjustment	+$ 3.40
Floor insulation adjustment	+$ 0.89
Current multiplier	x 1.03
Local multiplier	x 1.14
Indicated replacement cost (psf)	**$76.92**

Exterior Stairways	
Base cost (per flight)	$1,475
Current multiplier	x 1.03
Local multiplier	x 1.14
Indicated replacement cost (per flight)	**$1,732**

Appliances*	
Range & oven	$730
Hood & fan	$550
Microwave	$200
Dishwasher	$500
Garbage disposal	$295
Refrigerator	$730
Washer/dryer	$1,000
Current multiplier	x 1.03
Local multiplier	x 1.14
Indicated replacement cost (per unit)	**$4,703**

* Marshall & Swift does not report cost estimates for microwaves or washer/dryers. These costs have been estimated by the appraiser.

Cost factors must also be considered for a swimming pool and site improvements. According to the cost budgets for comparable developments, the pool is estimated to cost a total of $40,000. The site cost estimate includes site paving, parking and landscaping. Generally, site improvement costs range between $2.00 to $7.00 per square foot. Due to the overall size of the subject sites, a site cost estimate towards the lower end of the range, or $3.00 per square foot, appears reasonable.

In addition to the above costs, additional indirect cost items must be incorporated. These items include the appraisal fee ($5,000), interim property taxes (5% of directs), leasing commissions (3% of directs), loan fees (1% of directs), title and escrow on land closing (0.5% of directs), and a contingency factor for cost and/or construction time overruns (2% of directs). Cost estimates for each of these items are estimated on the cost approach summary sheet at the end of this section.

Accrued Depreciation

Accrued depreciation represents a loss in value from the replacement cost estimate of improvements from any cause, as of the date of the appraisal. A loss to structures or other improvements emanates from one or more of three sources. The sources are physical deterioration, functional obsolescence or external obsolescence.

The five basic elements of accrued depreciation in structures are:

- Curable physical deterioration
- Incurable physical deterioration
- Curable functional obsolescence
- Incurable functional obsolescence
- External obsolescence

Curable physical deterioration refers to items of deferred maintenance; the estimate of curable physical deterioration is applicable only to the items subject to current repair. Thus, the measure of this element of accrued depreciation is the cost of restoring an item to new or reasonably new condition (that is, cost to cure), which may include the cost of exterior painting, roof repair, etc.

Incurable physical deterioration involves an estimate of depreciation that is not practical or currently feasible to correct. It pertains to all structural elements that are not listed in the physically curable category.

Functional obsolescence is the adverse effect on value resulting from defects in design. To be curable, the cost of replacing the outmoded or unacceptable aspect must be at least offset by the anticipated increase in value. Incurable functional obsolescence may be caused by a deficiency or by a superadequacy.

External influences can cause a loss in value to any property. External obsolescence, which is the result of the diminished utility of a structure due to negative influences from outside the property, is almost always incurable.

This valuation assumes proposed construction and is hypothetical in nature. Consequently, the subject is appraised as if new, yielding an effective age of zero years. Additionally, the improvements are assumed to be functional in design, with no forms of external or economic obsolescence. Therefore, no physical, functional or economic depreciation is considered to adversely affect the subject property.

Developer's Incentive

According to industry sources, developer's incentive (overhead and profit) historically has ranged anywhere from 5% to 20% in the Northern California region. For purposes of our analysis, we have utilized a developer's incentive of 10%.

Conclusion

Considering the components discussed on the previous pages, the estimated construction costs for the multifamily residential developments are detailed on the following pages. The specifics of the hypothetical buildings (e.g. total area, stairways, etc.) are estimated based on typical ratios for apartment projects in the Sacramento region. For example, building area is estimated at 1,000 square feet per unit, while a typical stairway to unit ratio is one to four.

CONSTRUCTION COST ESTIMATE – PARCEL W-25

MARSHALL & SWIFT COST INDICATORS					
Buildings	240,000 SF	@ $ 76.92	/ SF =	$ 18,461,242	
Exterior Stairways	60 flights	@ $ 1,732	/ flight =	$ 103,917	
Appliances	240 units	@ $ 4,703	/ unit =	$ 1,128,641	
Swimming Pool				$ 40,000	
Site Improvements	540,144 SF	@ $ 3.00	/ SF =	$ 1,620,432	
Total Direct Costs					$ 21,354,232
ADDITIONAL INDIRECT COSTS					
Appraisal Fee				$ 5,000	
Interim Taxes				$ 1,067,712	
Lease-up Costs				$ 640,627	
Loan Fees				$ 213,542	
Title & Escrow on Land				$ 106,771	
Contingency				$ 427,085	
Total Indirect Costs					$ 2,460,737
Total Direct and Indirect Costs					$ 23,814,968
DEVELOPER'S INCENTIVE	@ 10%				$ 2,381,497
Total Project Costs					$ 26,196,465
TOTAL PROJECT COSTS				**(Rd.)**	**$ 26,200,000**

CONSTRUCTION COST ESTIMATE – PARCEL W-28

MARSHALL & SWIFT COST INDICATORS					
Buildings	175,000 SF	@ $ 76.92	/ SF =	$ 13,461,322	
Exterior Stairways	44 flights	@ $ 1,732	/ flight =	$ 75,773	
Appliances	175 units	@ $ 4,703	/ unit =	$ 822,967	
Swimming Pool				$ 40,000	
Site Improvements	392,040 SF	@ $ 3.00	/ SF =	$ 1,176,120	
Total Direct Costs					$ 15,576,182
ADDITIONAL INDIRECT COSTS					
Appraisal Fee				$ 5,000	
Interim Taxes				$ 778,809	
Lease-up Costs				$ 467,285	
Loan Fees				$ 155,762	
Title & Escrow on Land				$ 77,881	
Contingency				$ 311,524	
Total Indirect Costs					$ 1,796,261
Total Direct and Indirect Costs					$ 17,372,443
DEVELOPER'S INCENTIVE	@ 10%				$ 1,737,244
Total Project Costs					$ 19,109,688
TOTAL PROJECT COSTS				**(Rd.)**	**$ 19,110,000**

CONSTRUCTION COST ESTIMATE – PARCEL W-29

MARSHALL & SWIFT COST INDICATORS					
Buildings	150,000 SF	@ $ 76.92	/ SF =	$ 11,538,276	
Exterior Stairways	38 flights	@ $ 1,732	/ flight =	$ 64,948	
Appliances	150 units	@ $ 4,703	/ unit =	$ 705,401	
Swimming Pool				$ 40,000	
Site Improvements	348,480 SF	@ $ 3.00	/ SF =	$ 1,045,440	
Total Direct Costs					$ 13,394,065
ADDITIONAL INDIRECT COSTS					
Appraisal Fee				$ 5,000	
Interim Taxes				$ 669,703	
Lease-up Costs				$ 401,822	
Loan Fees				$ 133,941	
Title & Escrow on Land				$ 66,970	
Contingency				$ 267,881	
Total Indirect Costs					$ 1,545,317
Total Direct and Indirect Costs					$ 14,939,382
DEVELOPER'S INCENTIVE	@ 10%				$ 1,493,938
Total Project Costs					$ 16,433,321
TOTAL PROJECT COSTS				**(Rd.)**	**$ 16,430,000**

Conclusion of Revenue – Multifamily Residential Component

Due to the lack of comparable land sales with affordable housing requirements, we have relied on the extraction technique to develop an opinion of hypothetical market value for Parcels W-25, W-28 and W-29. The extraction technique considers the most probable selling price of multifamily housing developments and then reduces that value by the direct costs, indirect costs and developer's profit associated with construction. The result of this analysis represents an estimate of residual value for the land.

Using the income approach to value, we estimated the market value of the subject's hypothetical projects as improved. With reference to the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation, total project costs (direct costs, indirect costs and developer's profit) were also estimated. Thus, our final conclusions of hypothetical market value for the vacant sites are as follows:

Parcel	Hypothetical Market Value As Improved		Estimated Construction Costs		Land Value
W-25	$26,980,000	-	$26,200,000	=	$780,000
W-28	$22,330,000	-	$19,110,000	=	$3,220,000
W-29*	$13,940,000	-	$16,430,000	=	$0

As noted, Parcel W-29 will not have any market rate units; they are all to be allocated to affordable housing. The costs associated with constructing a project on Parcel W-29 are estimated to be greater than the capitalized net operating income using the affordable housing rental rates, which ultimately yields a negative land value. However, in general, market participants agree that an owner would not pay a developer to take a site. Thus, it is concluded that Parcel W-29 has no value. This site is deemed a cost to development.

Including Parcel W-26, for which a hypothetical market value estimate of $3,300,000 was derived previously, total revenue for the multifamily residential component equates to $7,300,000.

Phase	Designation	Size (Acres)	Multifamily Revenue (Rd.)
Phase II	W-25	12.4	**$780,000**
Phase II	W-26	10.0	**$3,300,000**
Phase III	W-29	8.0	**$0**
Phase IV	W-28	9.0	**$3,220,000**
		Total	**$7,300,000**

Sales Comparison Approach – Commercial (Retail) Revenue Component

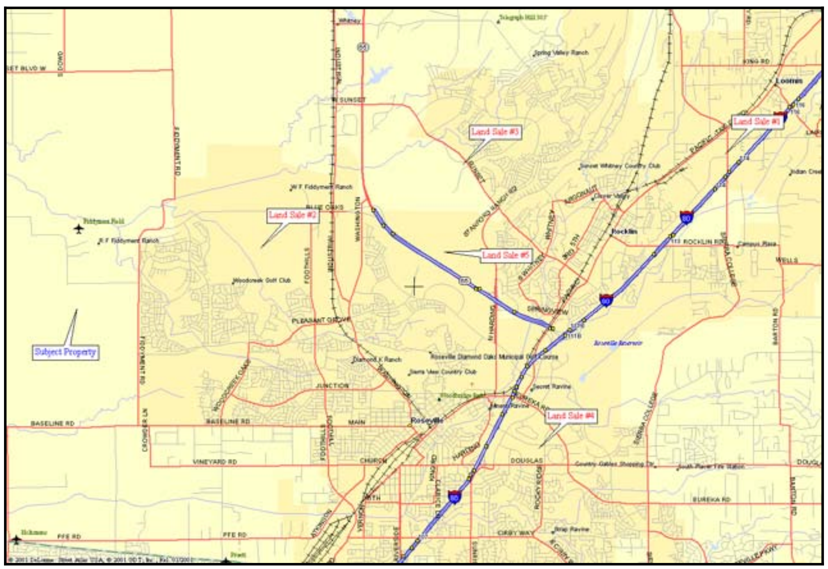
In this section, we will estimate the commercial (retail) revenue component of the subject property. To do so, the subject sites are compared with sales of similar properties on the basis of price per square foot of land area.

The subject's commercial component consists of three separate sites ranging from 4.0 to 7.2 acres. We will give consideration to factors such as property rights conveyed, financing, conditions of sale and changes in market conditions since the sale dates. Further, differences in physical characteristics, including location, parcel area, visibility/accessibility, orientation and topography/shape will be considered in the analysis. At the end of the section, we will then utilize the data set and other market indicators to establish the price per square foot value attributable to each site.

The market data investigation considers land sales within the Roseville/Rocklin submarket. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

RETAIL LAND SALES

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Parcel Size Acre / Sq. Ft.	$ / Sq. Ft.	Zoning / Land Use
1	NWC of Sierra College Blvd. and Granite Dr. Rocklin, Placer County APN: 045-041-016	Jan-05	$3,572,266	9.10 396,467	$9.01	C2
2	NWC of Parkside Way and McCloud Way Roseville, Placer County APN: 017-115-033 (portion)	Sep-04	$2,428,676	4.29 186,872	$13.00	CC
3	SWC of West Oaks Blvd. and Sunset Blvd. Rocklin, Placer County APN: 017-280-082	May-04	$1,009,834	1.10 47,925	$21.07	PD-C
4	SWC of Lead Hill Blvd. and Rocky Ridge Dr. Roseville, Placer County APN: 048-520-030	Jan-04	$1,282,307	1.60 69,696	$18.40	CC
5	E/S Pleasant Grove Blvd., south of State Hwy. 65 Roseville, Placer County APN: 363-020-042	Sep-03	$4,068,166	9.50 413,820	$9.83	PD-C



RETAIL LAND SALE NO. 1

Property Identification

Property Type	Commercial land
Address	Northwest corner of Sierra College Boulevard and Granite Drive, Rocklin, Placer County, California
Assessor's Parcel Number(s)	045-041-016

Sales Data

Grantor	Rocklin of Redding
Grantee	Hanzlick Family Partnership, LP
Sale Date	January 2005
Property Rights	Fee simple
Conditions of Sale	Assemblage
Financing	All cash to seller
Sale Price	$3,500,000
Bond Indebtedness	$ 72,266
Total Consideration	$3,572,266

Land Data

Size in Acres	9.10 acres
Size in Square Feet	396,467 square feet
Front Feet	449 linear feet along Granite Drive and 883 linear feet along Sierra College Boulevard
Zoning	C2

Price Indicators

Total Consideration/Acre	$392,486
Total Consideration /SF	$9.01

Remarks

This comparable land sale is located at the northwest corner of Sierra College Boulevard and Granite Drive in Rocklin. The parcel sold in January 2005 for $9.01 per square foot, inclusive of bond indebtedness. It is noted that the buyer owns 36.00 acres adjacent to this property and purchased the site for assemblage and eventual commercial development.

RETAIL LAND SALE NO. 2

Property Identification

Property Type	Commercial land
Address	Northwest corner of Parkside Way and McCloud Way, Roseville, Placer County, California
Assessor's Parcel Number(s)	017-115-033 (portion)

Sales Data

Grantor	Diamond Creek Partners, Ltd.
Grantee	Confidential
Sale Date	September 2004 (Contract – Pending Sale)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 2,242,469
Bond Indebtedness	$ 186,207
Total Consideration	$ 2,428,676

Land Data

Size in Acres	4.29 acres
Size in Square Feet	186,872 square feet
Front Feet	Along Parkside Way and McCloud Way
Zoning	CC

Price Indicators

Total Consideration/Acre	$566,125
Total Consideration /SF	$13.00

Remarks

This comparable is located in Roseville. The parcel is to be developed with a 41,145± square foot fitness center that will be known as Paradigm Sports Club. The property is only accessible via McCloud Way, because an extension of Parkside Way is currently under construction.

RETAIL LAND SALE NO. 3

Property Identification

Property Type	Commercial land
Address	Southwest corner of West Oaks Boulevard and Sunset Boulevard, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-280-082

Sales Data

Grantor	OCC Fund, LP
Grantee	Dillon Real Estate Co., Inc.
Sale Date	May 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 980,000
Bond Indebtedness	$ 29,834
Total Consideration	$ 1,009,834

Land Data

Size in Acres	1.10 acres
Size in Square Feet	47,925 square feet
Front Feet	231 liner feet along West Oaks Boulevard and 225 linear feet along Sunset Boulevard
Zoning	PD-C

Price Indicators

Total Consideration/Acre	$917,859
Total Consideration /SF	$21.07

Remarks

This comparable was purchased in May 2004 and is proposed for commercial development. The present value of the property's total bond indebtedness is estimated to be $29,834. Adjacent to the south of the site is a retail strip center containing a Starbucks.

RETAIL LAND SALE NO. 4

Property Identification	
Property Type	Commercial land
Address	Southwest corner of Lead Hill Boulevard and Rocky Ridge Drive, Roseville, Placer County, California
Assessor's Parcel Number(s)	048-520-030
Sale Data	
Grantor	Wal-Mart Stores, Inc.
Grantee	Andrew Jin-Chan Cheng (et al)
Sale Date	January 2004
Property Rights	Fee Simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$1,260,000
Bond Indebtedness	$ 22,307
Total Consideration	$1,282,307
Land Data	
Size in Acres	1.60 acres
Size in Square Feet	69,696 square feet
Front Feet	182 linear feet along Lead Hill Boulevard and 200 linear feet along Rocky Ridge Drive
Zoning	CC
Indicators	
Total Consideration/Acre	$801,442
Total Consideration/SF	$18.40

Remarks

The buyer reportedly intends to construct a restaurant on the site. This comparable is located at the southwest corner of Lead Hill Boulevard and Rocky Ridge Drive and sold in January 2004. Adjacent development includes both residential and office properties. The present value of the property's total bond indebtedness is approximately $22,307.

RETAIL LAND SALE NO. 5

Property Identification	
Property Type	Commercial land
Address	East side of Pleasant Grove Boulevard, south of State Highway 65, Roseville, Placer County, California
Assessor's Parcel Number(s)	363-020-042
Sales Data	
Grantor	Roseville Investments, LLC
Grantee	Pleasant Grove Investors, LLC
Sale Date	September 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 3,591,086
Bond Indebtedness	$ 477,080
Total Consideration	$ 4,068,166
Land Data	
Size in Acres	9.50 acres
Size in Square Feet	413,820 square feet
Front Feet	793 linear feet along Pleasant Grove Boulevard
Zoning	PD-C
Price Indicators	
Total Consideration/Acre	$428,228
Total Consideration /SF	$9.83

Remarks

This comparable land sale is located just south of State Highway 65, along the east side of Pleasant Grove Boulevard in Roseville. The parcel sold in September 2003 for $9.83 per square foot, inclusive of bond indebtedness. The property is located just east of a Sam's Club/Wal-Mart retail complex.

Adjustment Discussion

In order to value the commercial component of the subject property, the comparable transactions are adjusted based on the profile of the subject sites with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of the aforementioned factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where by the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be

adjusted to a cash equivalent basis. The comparable sales represented cash to the seller transactions and, as such, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All but one of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment. A downward adjustment is warranted to Comparable #1 because the property was purchased for site assemblage and may have been buyer-motivated.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. In this analysis, properties that transferred over 12 months ago require upward adjustment to reflect the subsequent improvement in market conditions.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

Commercial land sale comparables were analyzed from the Roseville/Rocklin submarket. In general, all of the comparables are similar in location in that they are equal distance from employment, parks, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user; therefore, no adjustments are required for location.

Parcel Area

The subject's commercial sites range from 4.0 to 7.2 acres. The market generally exhibits an inverse relationship between parcel area and price per square foot, such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. This trend is substantiated in examining the array of comparable sales utilized for our analysis. We are evaluating the subject's commercial sites in two categories based on acreage. The comparables that have more acreage relative to the subject's sites are adjusted upward, while the comparables that are smaller than the subject's sites receive downward adjustments.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be in an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. The visibility and accessibility of the comparable sales are considered similar in comparison to the subject property; therefore, adjustments are not required for this factor.

Utility/Topography

The subject property exhibits average site utility (shape, topography, etc.), with no major impediments to development. It is noted that for commercial land there is typically a premium associated with a corner location. In analyzing the comparables, downward adjustments are applied to several of the sales due to their corner orientations. The subject parcels represent interior sites.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue - Commercial Component

During our investigation, we identified several commercial land sales located throughout Roseville and Rocklin. We have presented five comparables that were analyzed to estimate the hypothetical

market value for the subject's commercial component. As discussed, the market generally exhibits an inverse relationship between land area and price per square foot such that larger sites tend to sell for a lower price per square foot than smaller sites, all else being equal. Therefore, the subject's 4.0-acre site is estimated to have a higher per square foot value relative to the sites that contain 7.2 acres of land area. Using the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject property, as well as the required adjustments previously discussed, our conclusion of revenue for the commercial component of the subject property is presented in the following table.

Phase	Designation	Size (Acres)	Size (SF)	Concluded Value/SF	Commercial Revenue (Rd.)
Phase II	W-32	7.2	313,632	$11.00	**$3,450,000**
Phase II	W-33	7.2	313,632	$11.00	**$3,450,000**
Phase IV	W-30	4.0	174,240	$13.00	**$2,270,000**
				Total	**$9,170,000**

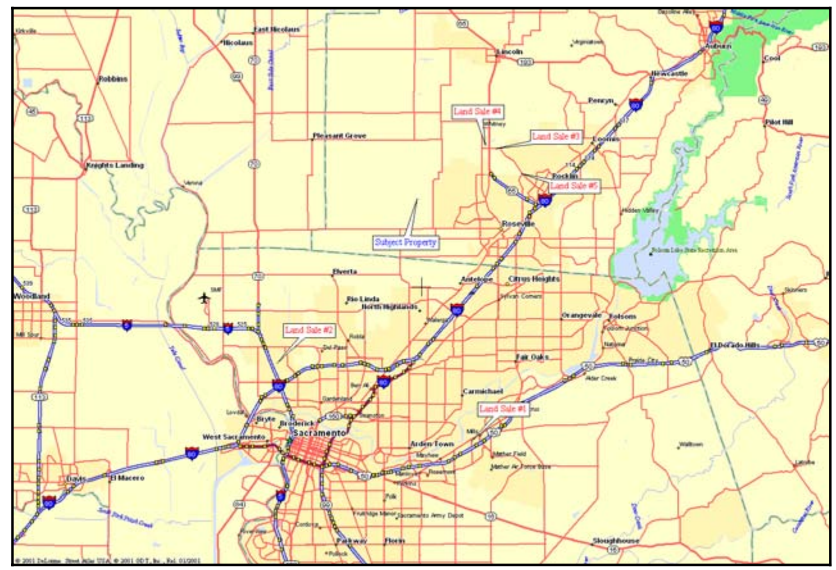
Sales Comparison Approach – Business Professional (Office) Revenue Component

The subject's business professional (office) component consists of one site containing 10.5 acres of land area. We will analyze similar properties on the basis of price per square foot of land area, and give consideration to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the sale dates. Additionally, differences in physical characteristics, such as location, parcel area, visibility/accessibility, orientation and topography/shape, will be considered in the analysis. At the end of the section, we will then utilize the data set and other market indicators to estimate the hypothetical market value of parcel W-63.

The market data investigation considers land sales within several submarkets of Sacramento. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

OFFICE LAND SALES

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Parcel Size Acre / Sq. Ft.	$ / Sq. Ft.	Zoning / Land Use
1	NEC of Routier Road and Systems Parkway Rancho Cordova, Sacramento County APNs: 077-0360-012, -013 and -029	Dec-04	$3,296,000	12.90 561,880	$5.87	MP
2	NWC of Stadium Blvd. and Innovation Dr. North Natomas, Sacramento County APNs: 225-0070-121 through -123	Oct-04	$3,405,149	8.69 378,536	$9.00	EC-40
3	SWC of Atherton Rd. and Sunset Blvd. Rocklin, Placer County APN: 017-280-023	Mar-04	$1,316,000	4.10 178,596	$7.37	MP
4	SEC of Technology Wy. and Placer Corporate Dr. Rocklin, Placer County APNs: 017-270-030, -031 and -035	Jan-04	$2,094,087	8.30 361,548	$5.79	C2/UP/DC
5	SWC of Sunset Blvd. and Stanford Ranch Rd. Rocklin, Placer County APNs: 017-400-004 through -007	Nov-03	$1,830,000	3.51 152,896	$11.97	BP



OFFICE LAND SALE NO. 1

Property Identification	
Property Type	Office land
Address	Northeast corner of Routier Road and Systems Parkway, Rancho Cordova, Sacramento County, California
Assessor's Parcel Number(s)	077-0360-012, -013 and -029
Sales Data	
Grantor	Tulloch Holdings, LLC and DRL, LLC
Grantee	Sacramento City Unified School District
Sale Date	December 2004 (Contract – Pending Sale)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$3,296,000
Bond Indebtedness	$ 0
Total Consideration	$3,296,000
Land Data	
Size in Acres	12.90
Size in Square Feet	561,880
Front Feet	Along Routier Road and Systems Parkway
Zoning	MP
Price Indicators	
Total Consideration/Acre	$255,524
Total Consideration/SF	$5.87

Remarks

Located in the city of Rancho Cordova, this comparable represents the pending sale of a 12.90-acre site. The property is under contract for $3,296,000 and is not encumbered by bonds.

OFFICE LAND SALE NO. 2

Property Identification	
Property Type	Office land
Address	Northwest corner of Stadium Boulevard and Innovation Drive, North Natomas, Sacramento County, California
Assessor's Parcel Number(s)	225-0070-121 through -123
Sales Data	
Grantor	Florian and Lori Barth
Grantee	Spanos Corporation
Sale Date	October 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$2,868,000
Bond Indebtedness	$ 537,149
Total Consideration	$3,405,149
Land Data	
Size in Acres	8.69
Size in Square Feet	378,536
Front Feet	933 linear feet along Stadium Boulevard
Zoning	EC-40
Price Indicators	
Total Consideration/Acre	$391,847
Total Consideration/SF	$9.00

Remarks

This comparable land sale is located in an area of the city of Sacramento known as North Natomas. The parcel sold in October 2004 for $9.00 per square foot, inclusive of bond indebtedness.

OFFICE LAND SALE NO. 3

Property Identification

Property Type	Office land
Address	Southwest corner of Atherton Road and Sunset Boulevard, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-280-023

Sales Data

Grantor	Atherton-SCE, LLC
Grantee	Mark O'Brien
Sale Date	March 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$1,316,000
Bond Indebtedness	$ 0
Total Consideration	$1,316,000

Land Data

Size in Acres	4.10
Size in Square Feet	178,596
Front Feet	694 linear feet along Atherton Road and 480 linear feet along Sunset Boulevard
Zoning	MP

Price Indicators

Total Consideration/Acre	$320,976
Total Consideration/SF	$7.37

Remarks

This comparable is located at the southwest corner of Atherton Road and Sunset Boulevard in Rocklin, within the Atherton Tech Center. This parcel is proposed for office development. The site slopes west to east and is irregular in shape.

OFFICE LAND SALE NO. 4

Property Identification

Property Type	Office land
Address	Southeast corner of Technology Way and Placer Corporate Drive, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-270-030, -031 and –035

Sales Data

Grantor	Sierra Calvine, LLC
Grantee	Kobra Properties, GP
Sale Date	January 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$1,700,000
Bond Indebtedness	$ 394,087
Total Consideration	$2,094,087

Land Data

Size in Acres	8.30
Size in Square Feet	361,548
Front Feet	520 linear feet along Placer Corporate Drive and 450 linear feet along Technology Way
Zoning	C2/UP/DC

Price Indicators

Total Consideration/Acre	$252,300
Total Consideration/SF	$5.79

Remarks

Located in the city of Rocklin, this comparable represents the sale of an 8.30-acre site designated for the construction of an office project. The property sold for $1,700,000, plus the assumption of bonds.

OFFICE LAND SALE NO. 5

Property Identification	
Property Type	Office land
Address	Southwest corner of Sunset Boulevard and Stanford Ranch Road, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-400-004 through -007
Sales Data	
Grantor	Metropolitan Partners, LLC
Grantee	REP Real Estate Company
Sale Date	November 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$1,750,000
Bond Indebtedness	$ 80,000
Total Consideration	$1,830,000
Land Data	
Size in Acres	3.51
Size in Square Feet	152,896
Front Feet	Along Stanford Ranch Road and Sunset Boulevard
Zoning	BP
Price Indicators	
Total Consideration/Acre	$521,368
Total Consideration/SF	$11.97

Remarks

This comparable represents the transfer of a property located at the southwest corner of Sunset Boulevard and Stanford Ranch Road, within the city of Rocklin. The property consists of four contiguous parcels containing a total of 3.51 acres of land area. The site is situated adjacent to several retail strip centers and freestanding buildings.

Adjustment Discussion

In order to value the office component of the subject property, the comparable transactions are adjusted based on the profile of the subject sites with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of aforementioned factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where by the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales represented cash to the seller transactions and, as such, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Upward adjustments are required to Comparables #3 through #5 because they transferred over 12 months ago and market conditions have since improved. No other adjustments are deemed necessary.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

<ins>Location</ins>

Commercial land sale comparables were analyzed from the Greater Sacramento Region. In general, all of the comparables are similar in location in that they are equal distance from employment, services, etc., and have similar economic characteristics. The majority of the comparables has the same overall desirability to the most probable buyer or user in the Sacramento market and, therefore, do no require adjustment for location. Comparable #1 is located in Rancho Cordova, an area that typically features lower overall property values than Roseville. As such, to account for this comparable's inferior location, an upward adjustment is required.

<ins>Parcel Area</ins>

The subject's business professional site contains 10.5 acres of land area. The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. Thus, Comparables #3 and #5 require downward adjustments since these sales represent smaller parcels relative to the subject property.

<ins>Visibility/Accessibility</ins>

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be in an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. The visibility and accessibility of the comparable sales are considered similar in comparison to the subject property; therefore, adjustments are not required for this factor.

<ins>Utility/Topography</ins>

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing these sales with the subject.

<ins>Offsite Improvements</ins>

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue – Business Professional (Office) Component

During our investigation, we identified several office land sales located throughout the Greater Sacramento Region. In total, we have presented five comparables that were analyzed to estimate the hypothetical market value for the subject's business professional (office) site. Based on the indications of the data set, and considering the similarities and dissimilarities between the comparable sales and the subject property, as well as the required adjustments previously discussed, our conclusion of revenue for the business professional (office) component of the subject property is $8.00 per square foot. Applying this unit indicator yields a revenue conclusion of **$3,660,000** ($8.00 per square foot x 457,380 square feet), rounded.

Sales Comparison Approach – Industrial Revenue Component

The sales comparison approach will be utilized once again to estimate the industrial revenue component of the subject property. The subject sites will be compared with sales of similar properties on the basis of price per square foot of land area.

The subject's industrial component consists of three separate sites ranging from 34.3 to 38.3 acres. We will give consideration to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the sale dates. Additionally, differences in physical characteristics, such as location, parcel area, visibility/accessibility, orientation and topography/shape, will be considered in the analysis. At the end of the section, we will then utilize the data set and other market indicators to estimate the hypothetical market value of each site.

The market data investigation considers land sales within several submarkets of Sacramento. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

INDUSTRIAL LAND SALES

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Parcel Size Acre / Sq. Ft.	$ / Sq. Ft.	Zoning / Land Use
1	North side of Nichols Dr., west of Cincinnati Ave. Rocklin, Placer County APN: 017-060-061 (portion)	Jan-05	$4,209,888	25.07 1,092,049	$3.86	IND-DC
2	3830 Cincinnati Avenue Rocklin, Placer County APNs: 017-061-083, 017-070-040 through -042	Jun-04	$4,100,000	23.30 1,014,948	$4.04	IND-DC
3	4150 Cincinnati Avenue Rocklin, Placer County APNs: 017-210-029 and -030	Jan-04	$1,900,000	15.00 653,400	$2.91	IND-DC
4	1890 Parkway Boulevard West Sacramento, Yolo County APN: 067-053-12-1	Oct-03	$3,600,000	27.06 1,178,516	$3.05	M-3
5	918 Del Paso Road Sacramento, Sacramento County APN: 225-0060-034	Jun-03	$5,800,000	45.25 1,971,090	$2.94	M-1

INDUSTRIAL LAND SALE NO. 1

Property Identification

Property Type	Industrial land
Address	North side of Nichols Drive, west of Cincinnati Avenue, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-060-061 (portion)

Sales Data

Grantor	Placer Ranch, Inc.
Grantee	Confidential
Sale Date	January 2005 (Contract – Pending Sale)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 4,200,000
Bond Indebtedness	$ 9,888
Total Consideration	$ 4,209,888

Land Data

Size in Acres	25.07 acres (net)
Size in Square Feet	1,092,049 square feet
Front Feet	Along Nichols Drive
Zoning	IND-DC

Price Indicators

Total Consideration/Acre	$167,925
Total Consideration /SF	$3.86

Remarks

This comparable represents a 35.00 acre (gross) portion of an 89.20 acre parcel. This purchase will close escrow upon recordation of the new 35.00 acre parcel. It is noted that the site contains approximately 6.71 acres of wetlands and 3.22 acres of public right of way land. As such, the total developable or net acreage is approximately 25.07 acres. It was reported that the buyer intends to subdivide the property into smaller lots upon transfer.

INDUSTRIAL LAND SALE NO. 2

Property Identification	
Property Type	Industrial land
Address	3830 Cincinnati Avenue, Rocklin, Placer County, California
Assessor's Parcel Number(s)	017-061-083, 017-070-040, -041 and -042
Sales Data	
Grantor	Charles M. Somers
Grantee	John L. Sullivan (LP)
Sale Date	June 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 4,100,000
Bond Indebtedness	$ 0
Total Consideration	$ 4,100,000
Land Data	
Size in Acres	23.30 acres
Size in Square Feet	1,014,948 square feet
Front Feet	Along Cincinnati Avenue
Zoning	IND-DC
Price Indicators	
Total Consideration/Acre	$175,966
Total Consideration /SF	$4.04

Remarks

This comparable represents the sale of 23.30 acres of vacant industrial land located in the city of Rocklin. The property sold for $4.04 per square foot and, according to the Placer County Treasurer-Tax Collector's Office, the property is not encumbered by bonds.

INDUSTRIAL LAND SALE NO. 3

Property Identification	
Property Type	Industrial land
Address	4150 Cincinnati Avenue, Rocklin, Placer County, California
Assessor's Parcel Number(s)	17-210-029 and –030
Sales Data	
Grantor	Douglas M. Hanzlick
Grantee	Pacific Gas and Electric Company
Sale Date	January 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 1,900,000
Bond Indebtedness	$ 0
Total Consideration	$ 1,900,000
Land Data	
Size in Acres	15.00 acres
Size in Square Feet	653,400 square feet
Front Feet	Along Cincinnati Avenue
Zoning	IND-DC
Price Indicators	
Total Consideration/Acre	$126,667
Total Consideration /SF	$2.91

Remarks

Located in proximity to Comparable #2, this parcel sold in January 2004 for $1,900,000, or $2.91 per square foot. According to the Placer County Treasurer-Tax Collector's Office, the property is not encumbered by bonds.

INDUSTRIAL LAND SALE NO. 4

Property Identification	
Property Type	Industrial land
Address	1890 Parkway Boulevard, West Sacramento, Yolo County, California
Assessor's Parcel Number(s)	067-053-12-1
Sales Data	
Grantor	California Woodfiber Corporation
Grantee	KMS, LP
Sale Date	October 2003
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 3,600,000
Bond Indebtedness	$ 0
Total Consideration	$ 3,600,000
Land Data	
Size in Acres	27.06 acres
Size in Square Feet	1,178,516 square feet
Front Feet	190' along Parkway (est.)
Zoning	M-3
Price Indicators	
Total Consideration/Acre	$133,062
Total Consideration /SF	$3.05

Remarks

This comparable is located in the city of West Sacramento, Yolo County. The parcel contains 27.06 acres of land area and is situated east of Parkway Boulevard, south of Seaport Boulevard, in an area that is primarily industrial in nature.

INDUSTRIAL LAND SALE NO. 5

Property Identification	
Property Type	Industrial land
Address	918 Del Paso Road, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	225-0060-034
Sales Data	
Grantor	CFCD 2002A, LLC
Grantee	Roseville Development Company, Inc.
Sale Date	June 2003
Property Rights	Fee simple
Conditions of Sale	Bankruptcy Sale
Financing	All cash to seller
Sale Price	$ 5,800,000
Bond Indebtedness	$ 0
Total Consideration	$ 5,800,000
Land Data	
Size in Acres	45.25 acres
Size in Square Feet	1,971,090 square feet
Front Feet	1,060' along Del Paso (est.)
Zoning	M-1
Price Indicators	
Total Consideration/Acre	$128,177
Total Consideration /SF	$2.94

Remarks

This 45.25-acre parcel in the city of Sacramento sold at a bankruptcy sale in which the buyer bid on the property and purchased it for $5,800,000. The buyer reportedly intends to develop the site as a self-storage facility or some other type of industrial use. While the property was purchased at an auction sale, the transaction price appears to be at market.

Adjustment Discussion

In order to value the industrial component of the subject property, the comparable transactions are adjusted based on the profile of the subject sites with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of the aforementioned factors is presented on the following pages

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where by the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be

adjusted to a cash equivalent basis. The comparable sales represented cash to the seller transactions and, as such, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

As noted, Comparable #5 represents a bankruptcy sale in which the buyer purchased the property at an auction. Therefore, this comparable requires an upward adjustment for conditions of sale. All of the other comparable transactions were arms-length market transactions and do not require a conditions of sale adjustment.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Upward adjustments are required for Comparables #3 through #5 because they transferred over 12 months ago. No other adjustments are deemed necessary.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

Location

Industrial land sale comparables were analyzed from the Greater Sacramento Region. In general, all of the comparables are similar in location in that they are equal distance from employment, parks, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user in the Sacramento market; therefore, no adjustments are required for location.

Parcel Area

The subject's industrial sites range from 34.3 to 38.3 acres. The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. Thus, Comparables #1 through #4 require downward adjustments since these sales represent smaller properties in comparison to the subject property. Conversely, Comparable #5 receives an upward adjustment due to the fact that it represents a larger parcel.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be in an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. The visibility and accessibility of the comparable sales are considered similar in comparison to the subject property; therefore, adjustments are not required for this factor.

Utility/Topography

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing these sales with the subject.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue - Industrial Component

During our investigation, we identified several industrial land sales located throughout the Greater Sacramento Region. In total, we have presented five comparables that were analyzed to estimate the hypothetical market values of the subject's industrial sites. Using the indications of the data set, and considering the similarities and dissimilarities between the comparable sales and the subject property, as well as the required adjustments previously discussed, our conclusion of revenue for the industrial component of the subject property is $3.50 per square foot. The hypothetical market values for each site are detailed in the table below:

Phase	Designation	Size (Acres)	Size (SF)	Concluded Value/SF	Industrial Revenue (Rd.)
Phase IV	W-60	34.3	1,494,108	$3.50	**$5,230,000**
Phase IV	W-61	35.9	1,563,804	$3.50	**$5,470,000**
Phase IV	W-62	38.3	1,668,348	$3.50	**$5,840,000**
				Total	**$16,540,000**

Conclusion – Revenue Component

To restate, the total revenue component for the subject property, which will be incorporated into the discounted cash flow analysis, is as follows:

Component	Revenue
Single-Family Residential	$589,540,000
Multi-Family Residential	$7,300,000
Commercial (Retail)	$9,170,000
Business Professional (Office)	$3,660,000
Industrial	$16,540,000
Total Revenue	**$626,210,000**

ABSORPTION ANALYSIS

In this section of the report, we will discuss the absorption period (time) and summarize the annual disposition of the revenue components. Absorption statistics for each of the individual components are also located in the *Market Overview* sections of this report. The following discussions provide supplemental information utilized to project sell-off of the components.

Single-Family Residential Component

In attempting to estimate the marketing time that would be required for the disposition of the single-family residential lots, we have looked at both the historical marketing times of a number of sales, as well as current and projected economic conditions. For the most part, the sales, which have been used in this report, sold within a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject property, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast and project specific demand over a projected absorption period.

Estimating absorption is based on several factors. One consideration is the past experience of local residential developers that are marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The recent level of demand for single-family homes in the Sacramento Region, as well as the limited supply of entitled land near ready for development, should bode well for the subject property.

California's Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential land. For instance, in the city of

Lincoln, in south Placer County, is the Lincoln Crossing master planned community. This development is located just west of State Highway 65, south of Moore Road, and incorporates 1,066 acres of land. Lincoln Crossing is being developed in two phases, bisected by the proposed State Highway 65 Bypass, scheduled to begin this year. Phase I includes 541 acres north of the State Highway 65 Bypass and will include 1,138 single-family residential lots, two school sites, 10 acres of multifamily residential land, 17.9 acres of commercial land and 8 acres of office land. Development of Phase I was recently completed. Phase II, which includes 525 acres south of the proposed State Highway 65 Bypass, contains an additional 1,555 single-family residential lots, 17.6 acres of commercial land, and an 8-acre school site. The balance, 54 acres, will be used as right-of way to support the Bypass. Phase II development began in Summer 2003, with completion in late-2004. Shortly after entering the market, 828 lots within Phase I of Lincoln Crossing were sold to merchant builders, including KB Homes, Centex Homes and Morrison Homes.

Further illustrating the demand for developable residential land throughout the Central Valley, in the city of Lathrop, in San Joaquin County, just south of the city of Stockton, Pacific Union Homes is developing the Mossdale Landing master planned community, which, at build-out, will include 998 detached single-family residences. In terms of market acceptance, all of Phase I of the Mossdale Landing development, which includes 550 proposed single-family lots, had sold to merchant builders within one year, and development is currently underway.

In western Stanislaus County, in the city of Patterson, the Keystone Corporation, a North Carolina developer, is developing the Patterson Gardens master planned community, a 985-lot residential community with adjoining commercial component. The demand for the single-family residential lots within the Patterson Gardens development is illustrated by the fact Keystone Corporation has a signed purchase agreement or letter of intent to sell five of the six residential villages comprising the development, which totals 938 of the 985 proposed single-family residential lots. The buyers include Grupe Homes, Ranchwood Homes and William Lyon Homes.

In the city of Rancho Cordova is the Anatolia master planned community, which encompasses approximately 1,214 gross acres designated for the development of 3,112 single-family residential lots, a multifamily site, commercial parcels, parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. The 16 villages within Anatolia I and II were met by overwhelming demand from merchant builders, even at a time when litigation was ongoing and the future of the development was uncertain. The lawsuits have since been resolved and each of the villages transferred within one year.

One of the more convincing observations suggesting strong demand for residential land in the subject's market area is the sale of the subject development. The entire Westpark development (in bulk) transferred from Westpark Associates to PL Roseville, LLC for $410 million in March 2005. The project was marketed for less than one year.

The preceding discussion suggests there is strong demand for developable residential land in the region. Even with the overall number of lots slated for development, it appears demand for residential land in the subject's immediate area outweighs current and projected supply. Considering the development timeline and scope of the project, it is estimated the residential villages could transfer within two years of exposure to the market. Thus, the discounted cash flow analysis will reflect sales of residential lots over a two-year period.

For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Sacramento Metropolitan Area Housing Market Overview*. In general, demand for new residences over the past several years has been stable to increasing and, given the limited supply of entitled residential land, new home sales are not expected to diminish over the near-term. Further, the median new home price continues to escalate at a steady pace. Demand for new housing in the Sacramento Region has been very strong over the past several years, a trend that has sustained in the current market environment.

Multifamily Residential Component

In recent years, demand for multifamily residential product in the Sacramento region has been stable to increasing, particularly in light of the escalating median home price, which forces entry-level homebuyers to seek housing in outlying areas or find alternate forms of housing. Generally, as single-family residential prices continue to increase, the affordability of the entry-level housing market decreases, creating a demand for multifamily housing. Considering the vast single-family residential development proposed for the subject property, and taking into account the lack of multifamily product in the immediate area, it is anticipated the multifamily component of the subject property will sell in the third year.

Commercial, Office and Industrial Components

The proposed residential development in the immediate area will generate the need for supporting uses. There are currently no neighborhood shopping centers or complimentary commercial uses in proximity to the subject property. As residential development expands, so does the demand for commercial-oriented uses. Considering the limited supply and anticipated demand for commercial uses in the immediate area, it is projected the commercial (retail) land areas could sell in years two and three. Similarly, the office land component is estimated to transfer by year three. Finally, with respect to the industrial sites, demand for industrial uses in the subject's market area is more moderate relative to retail and office uses. Thus, we project the industrial sites would sell in the year four.

Annual Appreciation

As discussed throughout this report, the real estate market in the region is strong. The activity over the past 24 months has been good over the past few years. Although the activity over the past two years has been at levels not commonly experienced, it is reasonable to assume as the area develops, and commercial services become more readily available, the subject's location will continue to enjoy upward movement in prices. To account for the potential of future increases, we will apply an annual increase at a rate of 5% per year to all land uses (components).

EXPENSES

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the transfer of the properties are estimated at 4% of total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends. Further, this estimate includes closing costs.

The administrative expense category covers the various administrative costs associated with managing the overall development, including management, legal and accounting fees and other professional services common to a large-scale development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds.

In total, we have included an allowance of 6% for marketing costs, commissions, closing costs and administrative expenses.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.0507%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory. Direct charges are also included in the estimate of property taxes.

Mello-Roos Community Facilities District (CFD)

With respect to special taxes, the appraised property is located within the boundaries of Westpark Community Facilities District (CFD) No. 1. We have relied upon the Hearing Report, prepared by Economic and Planning Systems, Inc., for determining the annual special tax levy on the appraised property. The schedule of projected annual debt service for the subject property is detailed in the following table.

Westpark CFD No. 1 – Public Facilities

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Unit/Acre
Phase I		
Villages W-1 and W-2	LDR (Age-Restricted)	$1,200 per lot
Villages W-3, W-4, W-5 and W-7	LDR	$1,300 per lot
Phase II		
Villages W-6, W-8, W-10, W-11 and W-12	LDR	$1,300 per lot
Villages W-21, W-22 and W-24	VC-MDR	$1,000 per lot
Villages W-25 and W-26	VC-HDR	$500 per unit
Villages W-32 and W-33	VC-Commercial	$5,000 per acre
Phase III		
Villages W-13, W-14 and W-15	LDR	$1,300 per lot
Village W-16	MDR	$1,000 per lot
Village W-29	HDR (Affordable)	$250 per unit
Village W-63	Business Professional	$5,000 per acre
Phase IV		
Villages W-9, W-17 and W-18	LDR	$1,300 per lot
Village W-19	MDR	$1,000 per lot
Village W-28	HDR	$500 per unit
Village W-30	Commercial	$5,000 per acre
Villages W-60, W-61 and W-62	Industrial	$3,000 per acre

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

It should be noted the proposed Westpark Community Facilities District will retain one year's capitalized interest to pay the special tax obligations for this period. Therefore, the first year of the discounted cash flow analysis will not include a special assessment deduction. Additionally, the hypothetical market valuation assumes a 2.0% annual escalating debt service.

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

Westpark CFD No. 2 – Public Services

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Unit/Acre
Phase I		
Villages W-1 and W-2	LDR (Age-Restricted)	$289 per lot
Villages W-3, W-4, W-5 and W-7	LDR	$289 per lot
Phase II		
Villages W-6, W-8, W-10, W-11 and W-12	LDR	$289 per lot
Villages W-21, W-22 and W-24	VC-MDR	$289 per lot
Villages W-25 and W-26	VC-HDR	$100 per unit
Villages W-32 and W-33	VC-Commercial	$698 per acre
Phase III		
Villages W-13, W-14 and W-15	LDR	$289 per lot
Village W-16	MDR	$289 per lot
Village W-29	HDR (Affordable)	$50 per unit
Village W-63	Business Professional	$698 per acre
Phase IV		
Villages W-9, W-17 and W-18	LDR	$289 per lot
Village W-19	MDR	$289 per lot
Village W-28	HDR	$100 per unit
Village W-30	Commercial	$698 per acre
Villages W-60, W-61 and W-62	Industrial	$698 per acre

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

The bond indebtedness and any direct charges will be accounted for in the valuation.

Major Infrastructure Development (Offsite Improvements)

The developer has provided a cost budget indicating $101,220,129 in total infrastructure costs, excluding in-tracts, or on-site improvement costs. Based on the projected special taxes and bonded indebtedness for the proposed Westpark Community Facilities District No. 1, prepared by Economic and Planning Systems, Inc., total construction fund proceeds to be funded by the bond issuance equate to $47,610,892. Thus, assuming the public facilities to be financed by the proposed Westpark CFD No. 1 bond are in place as of the date of value, $53,609,237 ($101,220,129- $47,610,892) in infrastructure costs remain to be deducted in the discounted cash flow analysis.

The infrastructure improvements will be installed over a two-year period, with the majority of the costs (75.0%) front loaded in the first year of the absorption schedule.

DISCOUNT RATE

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*[17], discount rates for land development range from 11.00% to 25.00%, with an average of

[17] The Real Estate Investor Survey, Peter F. Korpacz and Associates, Fourth Quarter, 2004, Volume 17, Number 4.

18.05% during the 4th Quarter 2004, a decrease of 40 basis points over the 2nd Quarter 2004 and 220 basis points over the 4th Quarter 2003. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Developer surveys conducted during this economic cycle have elicited the following responses:

John Johnson of Pulte Homes indicated that they used a 7% static profit for starter homes in affordable markets but quickly moved into higher ranges for areas with entitlement risk.

Michael Courtney of Standard Pacific indicated that 8% static profits were tolerable for starter homes and that a 10% figure would be required for high-end homes, even for fast moving markets and product types.

Chris Downey of Hon Development - Minimum IRR requirements are 20-25%. For an 8 to 10 year cash flow, the return would be higher - say in the mid to upper 20's. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.

Lyle McCullogh of California Pacific Homes - No less than 20% IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development arm for the Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.

Terry Ruckle of Grubb and Ellis - Mr. Ruckle is a broker involved in the sale of Northlakes, a 1,300-acre proposed master planned community in Castaic, Los Angeles County. Mr. Ruckle stated that the undisclosed buyer's IRR requirement was approximately 30%. He stated that this is fairly typical of the market for partially entitled master planned community land of this size and development range.

Gary Gorian of Dale Poe Development - Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian said 25% IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separately from the unentitled land.

David Pitts of Newhall Land and Farming - IRR's for land development deals should be in the low 20% range to 30% on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia. Additionally, Newhall Land has gained approvals for a new community that will be a larger master planned community in California.

Mark Palkowitsh of MSP California, LLC - This company is based in Denver, Colorado. They purchase unentitled and partially entitled land and take it to entitlements and sell it. They are currently involved in several Southern California large land deals, most in Riverside County and a few in Santa Clarita. They consider themselves risk takers and expect the higher returns for entitling properties. For large land deals from raw unentitled to tentative map stage, he would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

Rick Nieman of GFC - Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlements is 18% to 22%, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30% for raw unentitled land with some entitlement "clean-up" involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec - Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for The Irvine Co. and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20% to 30%. The lower end of the range would reflect those properties close to tentative maps.

Lin Stinson of Providence Realty Group - Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates that a yield rate in the low 20% range is required to attract capital to longer-term land holdings.

Gordon MacKenzie, formerly of Brookfield Development - Mr. MacKenzie has been directly involved with La Costa land holdings in San Diego County through two ownership's since the 1970's, up to the foreclosure with the Fieldstone Venture. When typical entitlement risk exists, he feels the IRR should be no less than 30%.

Dan Boyd of ESE Land Company and formerly of James Warmington Development indicated that merchant builder yield requirements were in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30% depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35% IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Higher profits are generally required for longer construction and sellout periods, as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements

- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the adoption of the West Roseville Specific Plan and approved Development Agreement for the subject property, 2) the stable market acceptance exhibited by sales within other developments in the area, and 3) the population and employment trends for the area. All of these factors tend to lessen the perceived risk of the subject development.

Based on the specifics of the Westpark master planned community discussed throughout the report, a discount rate towards the middle of the range reflected by the survey respondents appears reasonable. Thus, a discount factor of 18%, inclusive of developer's profit, will be utilized in this analysis.

CONCLUSION

After deriving the four components of the subdivision development approach, the discounted cash flow and hypothetical market value conclusion of the subject property is offered on the following page.

Assumptions:

Component	No. of Lots/ Acres	Average Value Per Lot/Acre	Aggregate Value
Single-family Residential (SFR)	3,522	$167,388	$589,540,000
Multifamily Residential (MFR)	39.40	$185,279	$7,300,000
Commercial (Retail)	18.40	$498,370	$9,170,000
Business Professional (Office)	10.50	$348,571	$3,660,000
Industrial	108.50	$152,442	$16,540,000
		Total	**$626,210,000**

Administrative Expense (% sales)	2.0%
Marketing and Commissions	4.0%
Annual Increase in Property Tax	2.0%
First Year Taxes/Lot (SFR)	$1,192
First Year Taxes/Acre (MFR)	$1,320
First Year Taxes/Acre (Retail)	$3,550
First Year Taxes/Acre (Office)	$2,483
First Year Taxes/Acre (Industrial)	$1,086
Avg. CFD Payments/Lot (SFR)	$1,482
CFD Payments/Acre (MFR)	$8,018
CFD Payments/Acre (Retail)	$5,698
CFD Payments/Acre (Office)	$5,698
CFD Payments/Acre (Industial)	$3,698
Major Infrastructure Costs	$53,609,237
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	**1**	**2**	**3**	**4**	**5**	Total
Inflation Factor:	1.000	1.050	1.103	1.158	1.216	
Sales (SFR Lots):	2,357	1,165	0	0	0	3,522
Inventory (SFR Lots):	1,165	0	0	0	0	
Sales (MFR):	0.00	0.00	39.40	0.00	0.00	39.40
Inventory (MFR):	39.40	39.40	0.00	0.00	0.00	
Sales (Retail):	0.00	14.40	4.00	0.00	0.00	18.40
Inventory (Retail):	18.40	4.00	0.00	0.00	0.00	
Sales (Office):	0.00	0.00	10.50	0.00	0.00	10.50
Inventory (Office):	10.50	10.50	0.00	0.00	0.00	
Sales (Industrial):	0.00	0.00	0.00	108.50	0.00	108.50
Inventory (Industrial):	108.50	108.50	108.50	0.00	0.00	
Sales Revenue (SFR)	$ 394,533,157	$ 204,757,185	$ -	$ -	$ -	$ 599,290,342
Sales Revenue (MFR)	$ -	$ -	$ 8,048,250	$ -	$ -	$ 8,048,250
Sales Revenue (Commercial - Retail)	$ -	$ 7,535,348	$ 2,197,810	$ -	$ -	$ 9,733,158
Sales Revenue (BP - Office)	$ -	$ -	$ 4,035,150	$ -	$ -	$ 4,035,150
Sales Revenue (Industrial)	$ -	$ -	$ -	$ 19,147,118	$ -	$ 19,147,118
Total Sales Revenue	$ 394,533,157	$ 212,292,533	$ 14,281,210	$ 19,147,118	$ -	$ 640,254,017
Expenses						
Administrative	$ (3,201,270)	$ (3,201,270)	$ (3,201,270)	$ (3,201,270)	$ -	$ (12,805,080)
Marketing/Commissions	$ (15,781,326)	$ (8,491,701)	$ (571,248)	$ (765,885)	$ -	$ (25,610,161)
Real Estate Taxes	$ (4,460,747)	$ (1,683,334)	$ (218,582)	$ (125,033)	$ -	$ (6,487,696)
CFD Special Taxes	$ -	$ (2,660,891)	$ (832,064)	$ (425,792)	$ -	$ (3,918,747)
Major Infrastructure Costs	$ (40,206,928)	$ (14,072,425)	$ -	$ -	$ -	$ (54,279,352)
Total Expenses	$ (63,650,271)	$ (30,109,622)	$ (4,823,164)	$ (4,517,979)	$ -	$ (103,101,036)
NET INCOME	$ 330,882,886	$ 182,182,911	$ 9,458,045	$ 14,629,138	$ -	$ 537,152,981
Present Value Factor	0.847458	0.718184	0.608631	0.515789	0.437109	
Discounted Cash Flow	$ 280,409,226	$ 130,840,930	$ 5,756,458	$ 7,545,547	$ -	$ 424,552,161
Net Present Value	$ 424,552,161					
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)						**$ 424,550,000**

FINAL CONCLUSION OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal has been to estimate the hypothetical market value (*fee simple estate*) of the subject property, assuming the completion of the primary infrastructure and facilities to be financed by the Westpark Community Facilities District No. 1 bond issuance. The hypothetical market value estimate also accounts for the impact of the Special Tax securing the bonds. After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 8 through 10), it is our opinion the hypothetical market value of the subject property, as of May 2, 2005, is…

Hypothetical Market Value: **$424,550,000**

EXPOSURE TIME

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The real estate market in the Sacramento region has been very strong for the past several years. A transfer of residential and commercial properties in the region typically occurs within 6 to 12 months of exposure. Please reference the absorption section of the discounted cash flow analysis for information relating to specific projects. It is estimated the exposure time for the subject property would be 12 months on a wholesale basis.

SALES HISTORY

The subject property represents the land areas situated within the Westpark master planned community, which consists of the following components: 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, three industrial sites totaling 108.5 acres, and three school sites, as well as parks, open space and other public/quasi-public uses. In total, the Westpark master planned community contains 1,484± acres of land area located in the West Roseville Specific Plan. According to public records, the entire Westpark development (in bulk) transferred from Westpark Associates to PL Roseville, LLC for $410 million on March 21, 2005. The property was originally placed into contract in August 2004. This was an arm's length transaction with no unusual contingencies. Additionally, based on the valuation contained herein, it appears the purchase was at market. As part of the agreement, the seller carried back $242 million at an 8% interest rate. The balloon payment for the note is due on June 21, 2005. It is noted the appraised property excludes sites (e.g. school sites) that were part of the purchase agreement. Thus, our valuation does not account for the additional revenue (or value) that would be generated by the sales of these sites.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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

Definitions

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

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

"Agreement" means the Fiscal Agent Agreement dated as of August 1, 2005, by and between the City and the Trustee, as it may be amended or supplemented from time to time by any Supplemental Agreement.

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

"Authorized Officer" means the City 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, 2005.

"Bonds" means the City of Roseville Westpark Community Facilities District No. 1 Special Tax Bonds Series 2005 at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

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

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

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

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

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of August 1, 2005, by and among the City and The Bank of New York Trust Company, N.A., 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 Westpark Community Facilities District No. 1 formed pursuant to the Resolution of Formation.

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

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

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

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

"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, 2006.

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

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

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

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

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

which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or *"Bondowner"* means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus an undivided profits of such bank shall be not less than $100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 04-443, adopted by the City Council of the City on September 15, 2004, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 04-439, adopted by the City Council of the City on September 15, 2004, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Administrative Services Director of the City.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

<u>Establishment of Special Tax Fund.</u> There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Westpark Community Facilities District No. 1 Special Tax Bonds, Series 2005, Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal

Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

Moneys in the Surplus Account will be held in trust by the City for the benefit of the City and the Owners of th Bonds, is required to be disbursed as provided above, and, pending any disbursements, shall be subject to a lien in favor of the Owners of the Bonds.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Westpark 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 Westpark 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 Westpark 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 Westpark Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Administrative Services Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Administrative Services Director for payment from amounts on deposit in the Special Tax Fund.

Certain Covenants of the City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Administrative Services Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Administrative Services Director shall in no way affect the obligations of the Treasurer or Administrative Services Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Administrative Services Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Administrative Services Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

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

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Administrative Services Director in writing of the amount of the shortfall and the Administrative Services Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of Fiscal Agent. The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent has be made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

<u>Procedure for Amendment with Written Consent of Owners</u>. 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

<u>Discharge of Agreement</u>. 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.

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 96,900 at January 1, 2004, 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 Surewest Communications 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 City's population has increased substantially over the past five years. The 2005 population estimate represents a 3.85% annual growth rate, just above Placer County's overall annual growth rate of 3.07%. The City's growth in population is shown below.

City of Roseville
Population - 2000 through 2005

Year	City of Roseville	Placer County	State of California
2000	79,300	246,100	33,753,000
2001	82,200	255,100	34,367,000
2002	85,800	265,700	35,000,000
2003	93,300	283,500	35,612,000
2004	96,900	292,100	36,144,000
2005	102,191	305,675	36,810,358

Source: California State Department of Finance.

Employment and Industry

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 and El Dorado Counties) for the years 2000 through 2004.

Sacramento Metropolitan Statistical Area
(Sacramento, Placer and El Dorado Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2000	2001	2002	2003	2004
Civilian Labor Force (1)	906,100	932,300	964,400	990,500	1,000,800
Employment	867,200	890,700	911,500	934,400	950,600
Unemployment	38,900	41,600	52,900	56,100	50,200
Unemployment Rate	4.3%	4.5%	5.5%	5.7%	5.0%
Wage and Salary Employment: (2)					
Agriculture	4,000	4,000	3,400	7,500	7,400
Natural Resources and Mining	900	900	800	700	700
Construction	52,900	59,500	61,300	66,500	70,400
Manufacturing	51,600	49,800	47,000	46,300	47,100
Wholesale Trade	25,000	25,800	25,600	26,300	26,400
Retail Trade	89,600	91,600	92,700	94,900	96,900
Transportation, Warehousing and Utilities	23,500	23,300	22,400	21,900	23,000
Information	18,500	22,300	23,100	21,900	20,900
Finance and Insurance	38,400	38,700	41,300	44,800	45,200
Real Estate and Rental and Leasing	13,600	13,700	13,900	14,600	14,900
Professional and Business Services	105,400	99,300	96,100	95,800	97,500
Educational and Health Services	70,300	75,900	78,000	81,000	84,500
Leisure and Hospitality	70,100	72,200	75,200	77,300	79,400
Other Services	26,700	27,700	28,200	28,000	28,400
Federal Government	15,500	12,800	12,700	12,900	12,400
State Government	101,200	106,200	108,200	106,700	102,300
Local Government	94,000	99,100	105,900	106,600	106,400
Total, All Industries	801,100	822,900	835,600	853,500	863,600

(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.
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.

Construction

The following table shows residential and non-residential building permits issued, for calendar years 2000 through 2004.

City of Roseville
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2000	2001	2002	2003	2004
Permit Valuation					
New Single-family	$943,358.1	$356,214.1	$526,365.7	$384,045.3	$251,956.9
New Multi-family	119,207.0	61,930.6	78,999.5	42,747.2	7,863.7
Res. Alterations/Additions	32,390.0	2,455.9	2,649.5	2,374.4	3,781.0
Total Residential	1,094,955.0	420,600.6	608,014.8	429,166.9	263,601.6
New Commercial	43,818.8	50,213.0	105,953.3	91,323.3	88,982.1
New Industrial	15,237.0	6,214.0	2,922.5	3,883.9	13,600.2
New Other	17,908.4	11,554.4	22,969.7	23,697.7	25,404.3
Com. Alterations/Additions	65,857.6	40,608.4	34,272.8	37,062.9	43,987.8
Total Nonresidential	$142,821.7	$108,589.8	$166,118.3	$155,967.7	$171,974.3
New Dwelling Units					
Single Family	4,745	1,456	2,300	1,467	1,105
Multiple Family	1,634	762	914	474	93
Total New Dwelling Units	6,379	2,218	3,214	1,941	1,108

Source: Construction Industry Research Board, Building Permit Summary.

Residential Development. As of July 1, 2003, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 2,564 building permits, including building permits for 820 apartment units, were issued by the City's Building Division in Fiscal Year 2002-03. The highest monthly total was in April 2003 with 283 single family permits issued. All 820 apartment permits were issued in

October 2002. The North Roseville Specific Plan Area is now the most active location for homebuilders in the City with well over 1,000 permits issued. The Stoneridge Specific Plan is seeing steady growth as well.

Commercial Development. The City's has over 9.8 million square feet of developed commercial space on 1,147 acres as of June 30, 2003. Developers built 895,869 square feet of commercial space in 2002-03. New development activity includes national retailers and grocers. Target opened its second store in Roseville and EXPO Design Center's opening was the third store in Roseville opened by the Home Depot chain. Safeway and Ralph's opened additional stores as well.

The City also has over 5.2 million square feet of developed office space as of June 30, 2003. Included is the Sutter Roseville Medical Center, Secret Ravine Medical/Dental Center and Sutter Roseville Medical Center Ambulatory.

Taxable Sales

During the first two quarters of calendar year 2004, reported total taxable sales in the City were reported to be $1,727,941,000, a 12.7% increase over total taxable transactions of $1,533,549,000 that were reported during the first two quarters of calendar year 2003. Taxable transactions in the City now exceed $2 billion annually. A summary of taxable transactions in the City is shown below. Annual figures for 2004 are not yet available.

City of Roseville
Taxable Transactions
Calendar Years 1999 through 2003
(Dollars in thousands)

	1999	2000	2001	2002	2003
Apparel stores	$ 32,672	$ 67,603	$ 110,463	$ 118,936	128,694
General merchandise stores	216,270	306,446	370,924	418,267	467,494
Food stores	56,650	64,750	66,469	75,978	93,286
Eating and drinking places	114,344	140,862	177,347	195,011	214,558
Home furnishing and appliances.	46,138	59,436	82,000	96,700	108,737
Building material and farm implements	127,130	146,088	174,920	217,298	251,148
Auto dealers and auto supplies	767,375	879,626	938,034	1,026,213	1,125,482
Service stations	60,337	84,345	90,944	89,200	114,336
Other retail stores	187,597	273,708	341,119	376,465	412,610
Retail Stores Totals	1,608,513	2,022,864	2,352,220	2,614,068	2,916,345
All Other Outlets	404,427	372,430	404,367	374,189	372,114
TOTAL ALL OUTLETS	$2,012,940	2,395,294	2,756,587	$2,988,257	3,288,459
TOTAL NUMBER OF PERMITS	2,482	2,637	2,967	3,348	3,909

Source: California State Board of Equalization.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

________________, 2005

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: $57,905,000 City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of $57,905,000 City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (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 August 1, 2005 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Westpark 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 ________________, 2005, is by and between the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and ______________, _____________, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H :

WHEREAS, pursuant to a Fiscal Agent Agreement dated as of August 1, 2005 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as the Fiscal Agent, the City has issued its City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (the "Bonds"), in the aggregate principal amount of $57,905,000; 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 _______________, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated August 10, 2005, 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, 2005 (for the report due January 15, 2006), 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 Bonds outstanding.

2. Balance in the improvement fund or construction account.

3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.

4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.

5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.

7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

8. Most recently available total assessed value of all parcels subject to the special tax or assessment.

9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records , land use classification, assessed value (land and improvements).

(b) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. 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:

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 Westpark Community Facilities District No. 1 (Public Facilities)

By: ___________________________________
Authorized Officer

_________________, as Dissemination Agent

By: ___________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Roseville
Name of Bond Issue:	$57,905,000 City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005
Date of Issuance:	______________, 2005

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of August 1, 2005 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____________.

Dated: _______________

____________, as Dissemination Agent, on behalf of City of Roseville Westpark Community Facilities District No. 1 (Public Facilities)

By: __________________________________
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE AGREEMENT
(Developer)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of __________________, 2005, is by and between PL Roseville, LLC (the "Developer") and ___________, Temecula, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Fiscal Agent Agreement dated as of August 1, 2005 (the “Fiscal Agent Agreement”), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Westpark Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (the "Bonds"), in the aggregate principal amount of $57,905,000; 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 _____________, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Roseville, Placer County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated, August 10, 2005, 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, 2006 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

Additionally, the Developer shall provide to any party that so requests by a written request made within 30 days prior to any July 1, October 1 or January 1, beginning July 1, 2006, a quarterly report which is consistent with the requirements of Section 3 of this Disclosure Agreement, except that the reported information shall cover only the period from the April 1 next preceding the quarterly reporting date. Such quarterly report shall be delivered to the address given in the notice requesting such report, within 30 days after such applicable July 1, October 1 or January 1 requested report date.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) notify the Developer of the final date for providing the Annual Report at least 30 days before such final date; and

(iii) to the extent the Annual Report has been furnished to it, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. 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	PL Roseville, LLC Attn: Greg Ackerman 985 Sun City Lane Lincoln, CA 95648
To the Dissemination Agent:	
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, CA 95678 Attn: CFD Administrator

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 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.

PL Roseville, LLC, a California limited liability company

By: Pulte Home Corporation, a Michigan corporation, its Managing Member

By: ______________________________

Mark Kaushagen,
Its Authorized Agent

________________,
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:	$57,905,000 City of Roseville, Westpark Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2005
Date of Issuance:	____________, 2005

NOTICE IS HEREBY GIVEN that PL Roseville, LLC (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____________.

Dated: _______________

____
on behalf of the Dissemination Agent

By: _________________________________

Its: _________________________________

cc: Developer

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.