

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

**\$8,290,000**  
**CITY OF ROSEVILLE**  
**LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1**  
**(PUBLIC FACILITIES)**  
**SPECIAL TAX REFUNDING BONDS**  
**SERIES 2013**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

**Authority for Issuance.** The City of Roseville (the "City") is issuing the above-captioned bonds (the "Bonds") for its Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (the "District") under the Mello-Roos Community Facilities Act of 1982 (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement, dated as of February 1, 2013 (the "Fiscal Agent Agreement"), by and between the City Council and Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). See "THE Bonds – Authority for Issuance."

**Security and Sources of Payment.** The Bonds are payable from a pledge of proceeds of Special Tax Revenues (as defined in this Official Statement) levied on property within the District according to the rate and method of apportionment of special tax approved by the City Council and the eligible landowner voters in the District. The Bonds are secured by a first pledge of the revenues derived from the Special Tax Revenues and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. No additional bonds will be issued for the District. See "SECURITY FOR THE BONDS."

**Use of Proceeds.** The Bonds are being issued to (i) refund the District's outstanding \$9,165,000 original principal amount of City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds, Series 2005, (ii) establish a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN."

**Bond Terms.** Interest on the Bonds is payable on September 1, 2013, and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE Bonds – General Bond Terms" and "APPENDIX E – DTC and the Book-Entry Only System."

**Redemption.** The Bonds are subject to optional redemption, mandatory sinking fund redemption, and special mandatory redemption from prepaid Special Taxes. See "THE Bonds - Redemption."

The Bonds, the interest thereon, and any premiums payable on the redemption of any Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the "State") or any of their respective political subdivisions. None of the City (except to the limited extent described in this Official Statement), the State or any of its political subdivisions is liable for the Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any of their respective political subdivisions is pledged to the payment of the Bonds. Other than the Special Tax Revenues, no taxes are pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City, but are limited obligations of the City payable solely from the Special Tax Revenues as more fully described in this Official Statement.

**MATURITY SCHEDULE**

(see inside cover)

***This cover page contains certain information for quick reference only. It is not a summary of essential information about the Bonds. Potential investors should read this entire Official Statement to obtain information essential for making an informed investment decision. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.***

The Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, has also served as disclosure counsel to the City. Certain matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about February 14, 2013.

PiperJaffray

## MATURITY SCHEDULE

### \$4,605,000 Serial Bonds (Base CUSIP†: 777870)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2013	\$ 80,000	2.000%	0.700%	100.708%	TW6
2014	250,000	2.000	1.000	101.531	TX4
2015	255,000	2.000	1.390	101.521	TY2
2016	260,000	2.000	1.780	100.752	TZ9
2017	265,000	3.000	2.010	104.280	UA2
2018	275,000	3.000	2.260	103.837	UB0
2019	280,000	3.000	2.550	102.696	UC8
2020	290,000	2.500	2.820	97.837	UD6
2021	295,000	2.750	3.030	97.904	UE4
2022	305,000	3.000	3.210	98.283	UF1
2023	315,000	3.125	3.400	97.578	UG9
2024	325,000	3.250	3.550	97.176	UH7
2025	335,000	3.500	3.730	97.710	UJ3
2026	345,000	3.625	3.860	97.537	UK0
2027	360,000	3.750	3.930	98.018	UL8
2028	370,000	3.750	4.000	97.124	UM6

### \$3,685,000 Term Bonds

\$ 2,135,000 5.000% Term Bond due September 1, 2033, Yield: 3.860%, Price: 109.798% c  
CUSIP† No. 777870UN4

\$ 1,550,000 5.000% Term Bond due September 1, 2036, Yield: 4.040%, Price: 108.176%  
CUSIP† No. 777870UP9

c = price to call at par on September 1, 2023.

† Copyright 2013, American Bankers Association. CUSIP data in this Official Statement are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. None of the District, the City and the Underwriter assumes any responsibility for the accuracy of CUSIP data.

## **CITY OF ROSEVILLE, CALIFORNIA**

### **City Council**

Susan Rohan, *Mayor*  
Carol Garcia, *Vice Mayor*  
Bonnie Gore, *Councilmember*  
Tim Herman, *Councilmember*  
Pauline Roccucci, *Councilmember*

### **City Staff**

Ray Kerridge, *City Manager*  
Russell Cochran Branson, *Assistant City Manager/Treasurer*  
Brita Bayless, *City Attorney*  
Sonia Orozco, *City Clerk*

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## **SPECIAL SERVICES**

### **Bond Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

### **Fiscal Agent**

The Bank of New York Mellon Trust Company, N.A.  
*San Francisco, California*

### **Financial Advisor**

Public Financial Management, Inc.  
*San Francisco, 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. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Authority or the City, in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the City, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions may 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 Authority or the City since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations 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 any of the foregoing. 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. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its 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 or the Authority since the date hereof. All summaries of the Trust Agreement or other 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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.

The City maintains an Internet website, but the information on that website is not incorporated in this Official Statement.

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Limited Obligation of the City to Pay Debt	
FINANCING PLAN .....	4	Service .....	24
Refunding Plan .....	4	Levy and Collection of the Special Tax .....	24
Estimated Sources and Uses of Funds .....	4	Property Tax Delinquencies .....	25
DEBT SERVICE SCHEDULE .....	5	Risks Related to Homeowners With High	
THE BONDS .....	6	Loan-to-Value Ratios .....	26
Authority for Issuance .....	6	Payment of Special Tax is Not a Personal	
Description of the Bonds .....	6	Obligation of the Property Owners .....	26
Redemption .....	7	Property Values .....	26
Transfer or Exchange of Bonds .....	9	Future Property Development .....	28
SECURITY FOR THE BONDS .....	10	Other Possible Claims Upon the Value of	
Special Taxes .....	10	Taxable Property .....	28
Special Tax Methodology .....	11	Exempt Properties .....	28
Levy of Annual Special Tax; Maximum		FDIC/Federal Government Interests in	
Annual Special Tax .....	12	Properties .....	29
Special Tax Fund .....	13	Depletion of Reserve Fund .....	31
Deposit and Use of Proceeds of Bonds .....	14	Bankruptcy Delays .....	31
Delinquent Payments of Special Tax;		Disclosure to Future Purchasers .....	32
Covenant for Superior Court		No Acceleration Provisions .....	32
Foreclosure .....	14	Loss of Tax Exemption .....	32
Reserve Fund .....	15	IRS Audit of Tax-Exempt Bond Issues .....	32
Additional Bonds .....	16	Impact of Legislative Proposals,	
THE DISTRICT .....	17	Clarifications of the Code and Court	
Formation of the District .....	17	Decisions on Tax Exemption .....	33
Location and Description of the District and		Voter Initiatives .....	33
the Immediate Area .....	17	Secondary Market for Bonds .....	34
Environmental Matters .....	18	LEGAL MATTERS .....	34
Development in the District .....	18	Legal Opinions .....	34
Levy of Special Tax; Maximum Special Tax		Tax Exemption .....	34
Revenue .....	19	No Litigation .....	36
Property Ownership .....	20	CONTINUING DISCLOSURE .....	36
Special Tax Collection and Delinquency		RATING .....	36
Rate .....	21	UNDERWRITING .....	37
Direct and Overlapping Governmental		FINANCIAL ADVISOR .....	37
Obligations .....	22	PROFESSIONAL FEES .....	37
BOND OWNERS' RISKS .....	24	EXECUTION .....	38
APPENDIX A – Placer County and City of Roseville Demographic Information			
APPENDIX B – Rate and Method of Apportionment for City of Roseville Longmeadow Parkside Community			
Facilities District No. 1 (Public Facilities)			
APPENDIX C – Form of Continuing Disclosure Agreement			
APPENDIX D – Form of Opinion of Bond Counsel			
APPENDIX E – DTC and the Book-Entry Only System			

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## OFFICIAL STATEMENT

**\$8,290,000**  
**CITY OF ROSEVILLE**  
**LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**  
**SPECIAL TAX REFUNDING BONDS**  
**SERIES 2013**

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**Bonds**") to be issued by the City of Roseville (the "**City**") on behalf of the City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (the "**District**").

Capitalized terms used but not defined in this Official Statement have the definitions given in 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, the inside cover 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.*

**The City.** The City is located in central Placer County (the "**County**") within the greater Sacramento region. It lies on the Highway 80 corridor between the City of Sacramento and the City of Auburn. For economic and demographic information regarding the area in and around the City, see APPENDIX A.

**The District.** The District is in a developing area of the City and is comprised of 579 single family residences, all of which were completed subsequent to formation of the District in 2005. The District was formed and established by the City Council of the City (the "**City Council**"), as legislative body of the District, under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), pursuant to a resolution adopted by the City Council on October 19, 2005 (the "**Resolution of Formation**"), following a public hearing and landowner election at which the qualified electors of the District authorized the City to incur bonded indebtedness for the District and approved the levy of special taxes. The District was formed to finance infrastructure improvements necessary for development. See "THE DISTRICT – Formation and Background."

**Authority for Issuance of the Bonds.** 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 February 1, 2013 (the "**Fiscal Agent Agreement**") between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as fiscal agent (the "**Fiscal Agent**") and Resolution No. 12-453 (the "**Resolution**") adopted on December 19, 2012 by the City Council of the City (the "**City Council**"). The authorized amount of bonds for the District was set at a maximum

of \$11,500,000 however no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement. See "THE Bonds – Authority for Issuance."

**Purpose of the Bonds.** Proceeds of the Bonds will be used primarily to refund the District's outstanding bonds captioned "\$9,165,000 original principal amount of City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds, Series 2005" (the "**2005 Bonds**"), which were issued on November 17, 2005. Proceeds of the 2005 Bonds were used to finance infrastructure improvements in the District, all of which have been completed. The 2005 Bonds have an outstanding aggregate principal balance of \$8,180,000 as of February 1, 2013. Proceeds of the Bonds will also be used to establish a debt service reserve fund for the Bonds, and pay costs of issuance. See "FINANCING PLAN."

**Redemption of Bonds Before Maturity.** The Bonds are subject to optional redemption, mandatory sinking fund redemption, and special mandatory redemption from prepaid Special Taxes. See "THE Bonds – Redemption."

**Security and Sources of Payment for the Bonds.** The City Council annually levies special taxes on the property in the District (the "**Special Taxes**") in accordance with the Rate and Method of Apportionment for City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (the "**Rate and Method**"), which is attached as APPENDIX B to this Official Statement. The Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the "**Special Tax Revenues**"), subject to the conditions contained in the Fiscal Agent Agreement. The Bonds will also be secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

**Property Ownership and Development Status.** Property within the District subject to the Special Tax is comprised of developed residential property. Property within the District subject to the Special Tax comprised 579 single family residence parcels, all are developed and all but one have been sold to individual homeowners by John Mourier Construction, Inc., Roseville, California ("**JMC**" or the "**Developer**"), the original developer of the property in the District. See "THE DISTRICT – Development in the District."

The land in the District is comprises approximately 87 acres and two single-family residential subdivisions commonly known as Longmeadow at Crocker Ranch ("**Longmeadow**") and Parkside Estates ("**Parkside**"). Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside is located at the southeast quadrant of Junction Boulevard and Porter Drive. Both properties are located in the northwestern portion of the City, however they are approximately 3 miles apart. All of the land in the District was master planned and developed by the Developer, a homebuilder. Construction of homes began in March 2005 in Parkside and in August 2005 in Longmeadow. Land in the District also includes public parks not subject to the Special Tax. See "THE DISTRICT."

**Assessed Valuation.** The fiscal year 2012-13 assessed valuation of the property within the District (the most recent assessed valuation available) was \$133,529,867, which did not include the improved value of some parcels on which home construction was underway as of the time of preparation of the tax roll. See "THE DISTRICT – Assessed Value-to-Burden Ratio."

**Debt Service Reserve Fund.** A debt service reserve fund (the "**Reserve Fund**") will be established in connection with the issuance of the Bonds in order to further secure the payment of principal of and interest on the Bonds, in an amount equal to the Reserve Requirement (as defined in



this Official Statement). See "FINANCING PLAN – Estimated Sources and Uses of Funds" and "SECURITY FOR THE BONDS – Reserve Fund."

***Covenant to Foreclose.*** The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

***Risk Factors Associated with Purchasing the Bonds.*** Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

## FINANCING PLAN

### Refunding Plan

The City issued the 2005 Bonds for the purpose of financing a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for the development of property in the District (the "**Facilities**"), primarily for roadway, sewer, water, drainage and parks. See "THE DISTRICT – Formation and Background." The Bonds are being issued to refund in the full the 2005 Bonds and to pay an obligation of the City to the original developer of land in the District to reimburse such developer for a portion of the cost of the improvements financed by the 2005 Bonds and not previously paid from proceeds of the 2005 Bonds. Proceeds of the Bonds will also be used to fund a reserve fund and pay costs of issuance of the Bonds.

The 2005 Bonds are currently outstanding in the aggregate principal amount of \$8,180,000, which will be redeemed in full, on a current basis, on March 1, 2013 (the "**Redemption Date**"), at a redemption price equal to 102% of the principal amount thereof, together with interest coming due and payable on the Redemption Date.

In order to accomplish the refinancing plan, proceeds of the Bonds, together with certain other funds on hand with respect to the 2005 Bonds in a total amount sufficient to redeem the 2005 Bonds, will be transferred to Bank of New York Mellon Trust Company, N.A., as escrow agent for the 2005 Bonds (the "**Escrow Agent**"), for deposit in an escrow fund (the "**Escrow Fund**") to be established under an Escrow Agreement dated as of February 1, 2013, by and between the City and the Escrow Agent. These funds, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to pay and redeem the 2005 Bonds in full on the Redemption Date.

Amounts on deposit in the Escrow Fund are not available to pay debt service on the Bonds.

### Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the Bonds will be deposited into the following funds established under the Fiscal Agent Agreement:

<u>Sources</u>	
Principal Amount of Bonds	\$8,290,000.00
<i>Plus:</i> Original Issue Premium	307,140.20
<i>Plus:</i> Funds Related to 2005 Bonds	919,922.00
<i>Total Sources</i>	\$9,517,062.20
 <u>Uses</u>	
Deposit into Escrow Fund [1]	\$8,545,028.75
Deposit into Reserve Fund [2]	573,500.00
Deposit into Improvement Fund	198,475.00
Deposit into Costs of Issuance Account [3]	125,448.45
Underwriter's Discount	74,610.00
<i>Total Uses</i>	\$9,517,062.20

[1] Will be used to defease and refund the 2005 Bonds. See "-Refunding Plan" above.

[2] Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery.

[3] Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the Fiscal Agent, the Financial Advisor, the Special Tax Consultant, as well as the cost of printing the preliminary and final Official Statements.

## DEBT SERVICE SCHEDULE

The annual debt service on the Prior Bonds and the Bonds based on the interest rates and maturity schedule set forth on the cover of this Official Statement is shown below, followed by a table showing projected debt service coverage.

### Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Refunding Bonds Series 2013 Debt Service

Period Ending (September 1)	Principal	Interest	Bonds Total
2013	\$ 80,000	176,356.04	256,356.04
2014	250,000	320,675.00	570,675.00
2015	255,000	315,675.00	570,675.00
2016	260,000	310,575.00	570,575.00
2017	265,000	305,375.00	570,375.00
2018	275,000	297,425.00	572,425.00
2019	280,000	289,175.00	569,175.00
2020	290,000	280,775.00	570,775.00
2021	295,000	273,525.00	568,525.00
2022	305,000	265,412.50	570,412.50
2023	315,000	256,262.50	571,262.50
2024	325,000	246,418.76	571,418.76
2025	335,000	235,856.26	570,856.26
2026	345,000	224,131.26	569,131.26
2027	360,000	211,625.00	571,625.00
2028	370,000	198,125.00	568,125.00
2029	385,000	184,250.00	569,250.00
2030	405,000	165,000.00	570,000.00
2031	425,000	144,750.00	569,750.00
2032	450,000	123,500.00	573,500.00
2033	470,000	101,000.00	571,000.00
2034	490,000	77,500.00	567,500.00
2035	515,000	53,000.00	568,000.00
2036	545,000	27,250.00	572,250.00

## THE BONDS

*This section generally describes certain of the terms of the Bonds contained in the Fiscal Agent Agreement.*

### **Authority for Issuance**

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by a resolution adopted by the City Council on December 19, 2012, and the Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$11,500,000 at a special election in the District held on October 19, 2005 pursuant to the Act.

Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at any point during the 90-day period preceding the adoption of the City's resolution to form the District on October 19, 2005, the qualified electors was the landowner Developer, who was entitled to cast one vote for each acre or portion of an acre of land owned within the District. The landowner voted to incur the indebtedness and approve the annual levy of Special Taxes, to be collected within the District, for the purpose of paying for the Facilities, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" in this Official Statement. After issuance of the Bonds, the City will have remaining bond authorization for the District however no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

### **Description of the Bonds**

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**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. 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 in APPENDIX E to this Official Statement.

The Bonds will be dated as of, and bear interest from, the date of their delivery at the rates contained, and mature in the amounts and years shown on the inside cover page of this Official Statement.

The principal of, and any redemption premium due with respect to, the Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds. Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America

semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2013.

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 Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the calendar month preceding the Interest Payment Date (the "**Record 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 by the Fiscal Agent, to DTC. See "APPENDIX E – DTC and the Book-Entry Only System."

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 E – DTC and the Book-Entry Only System."

## **Redemption**

***Optional Redemption.*** The Bonds will be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among series and maturities as will be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2023, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

***Special Mandatory Redemption From Prepaid Special Taxes.*** The Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among series and maturities as will be specified by the City and by lot within a maturity, on September 1, 2013 or on any Interest Payment Date thereafter, at a redemption prices equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

***Mandatory Sinking Fund Redemption.*** The Bonds maturing September 1, 2033 and September 1, 2036 (the "**Term Bonds**") are subject to mandatory sinking payment redemption in part on September 1, 2029 and September 1, 2034, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of their principal amount to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bonds of 2033

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2029	\$385,000
2030	405,000
2031	425,000
2032	450,000
2033 (maturity)	470,000

Term Bonds of 2036

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2034	\$490,000
2035	515,000
2036 (maturity)	545,000

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

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of their principal amount, 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 MSRB, 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 will not be 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.

The 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. Any notice of redemption may indicate that such

redemption will be conditional upon the Fiscal Agent having sufficient moneys available on the date specified to cause the redemption to occur as provided in the notice.

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 will deem 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 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.

The City shall have the right to rescind any notice of prepayment delivered by the Fiscal Agent prior to the date fixed for prepayment.

***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 will have been deposited in the Bond Fund, the 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 on the called Bonds on or after the redemption date specified in the 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 E." 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(s) will be surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond(s), for a like aggregate principal amount of Bond(s) of authorized denominations and of the same maturity. The City will pay the cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange. 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 that Bond has been selected for redemption.

## SECURITY FOR THE BONDS

The Bonds are secured by and payable from a first pledge of the proceeds of the Special Tax Revenues. The Special Tax Revenues and all moneys deposited into the Bond Fund and the Reserve Fund are pledged 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 the Bonds have been paid and retired, or until moneys or Federal Securities have been set aside irrevocably for that purpose.

The Facilities are not in any way pledged to pay the debt service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any Facilities are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

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

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the annual "**Maximum Annual 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 Annual 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 Annual Special Tax rate, which has been authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at



least sufficient to pay the Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the annual Maximum Annual 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 Annual Costs.** Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The "**Annual Costs**" include the following items:

- (i) debt service on the Bonds;
- (ii) administrative expenses and County fees;
- (iii) 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 and development-related fees.

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

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

**Classification of Parcels.** The Special Tax Formula provides that the Special Tax will be levied against property in the District up to the maximum in an amount and in the order set forth in the Special Tax Formula, which varies based on the parcel's classification as a an Original Parcel or Successor Parcel. Each Original Parcel or Successor Parcel is classified as a "Developed Parcel" or a "Large Lot Parcel." Within the Developed Parcel classification, each parcel will be classified as a "Market Rate Unit" or an "Affordable Unit"; 28 (of the 32 total) of the Affordable Units in the District are assigned a reduced Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Annual Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each Taxable Parcel as an Original Parcel or a Successor Parcel and the Special Tax assigned in the amount shown in a schedule attached to the Special Tax Formula. See "Levy of Annual Special Tax; Maximum Annual Special Tax."

**Annual Special Tax Levy.** The Special Tax will be levied each year by comparing the Annual Costs to the Maximum Special Tax Revenue to be generated by all Taxable Parcels; if the Annual Costs are less than the Maximum CFD Revenue, the Special Tax levy will be decreased proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Costs. During the first five fiscal years in which the Special Tax is levied, the Maximum Annual Special Tax will be levied for all Taxable Parcels and Annual Costs during this period will include the maximum amount which may be levied for pay-as-you-go expenditure reimbursement to the Developer for Authorized Facilities not financed from proceeds of the Bonds.

**Termination of the Special Tax.** The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the authorized District-funded facilities and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2039-40. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

**Prepayment of the Special Tax.** The Special Tax Formula provides that landowners may permanently satisfy the Special Tax by a cash settlement with the City, subject to the conditions set forth in the Special Tax Formula: (i) the prepayment is based on the Maximum Annual Special Tax for the prepaying parcel at the time of prepayment, and (ii) the City determines that the prepayment does not jeopardize its ability to make timely payments of debt service on the Bonds. The prepayment amount will be established using the formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment.

#### **Levy of Annual Special Tax; Maximum Annual Special Tax**

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

The Special Tax will be levied in an amount at least equal to the Annual Costs as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The total Maximum Annual Special Tax levy for the District is \$653,344. The Developer utilized the pay-as-you-go component to pay for and/or reimburse the Developer the cost of improvements related to certain development fees authorized to be funded by the District but which were not funded from proceeds of the Bonds but such Developer reimbursements have been completed and the City does not currently expect to levy for pay-as-you-go expenditures.

The following table shows the Maximum Annual Special Tax for the single family homes in the District as shown in the Special Tax Formula, calculated based upon the 579 units in the District. The Maximum Annual Special Tax does not escalate. See "THE DISTRICT."

**City of Roseville**  
**Longmeadow Parkside Community Facilities District No. 1**  
**Maximum Annual Special Tax Per Single-Family Lot**

	<b>No. of Lots</b>	<b>Max. Annual Special Tax</b>
Longmeadow Village 1	144	\$1,584/lot
Longmeadow Village 2: Market Units	368	1,104/lot
Longmeadow Village 2: Low & Middle Income Units	32	120/lot <sup>(1)</sup>
Parkside Estates	<u>35</u>	320/lot
	579	

<sup>(1)</sup> Four of the 32 low- and middle-income lots bear the Special Tax at the \$1,104/lot levy amount.

**Special Tax Fund**

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

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

## **Deposit and Use of Proceeds of Bonds**

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Reserve Fund, Bond Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. The Fiscal Agent Agreement includes direction on the use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See "Reserve Fund" below.

## **Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure**

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

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

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

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

#### **Additional Bonds**

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

## **THE DISTRICT**

### **Formation of the District**

On August 17, 2005, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on October 19, 2005, the City Council adopted the Resolution of Formation, which established Longmeadow Parkside 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 \$11.5 million. On the same day, an election was held within the District in which John Mourier Construction, Inc. (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

### **Location and Description of the District and the Immediate Area**

The District consists of two non-contiguous single-family residential subdivisions identified as Longmeadow at Crocker Ranch ("Longmeadow") and Parkside Estates ("Parkside"). Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive, approximately 3 miles from the Longmeadow area. Both properties are located in the western portion of the City, approximately 20 miles northeast of the central business district of Sacramento. The Longmeadow community offers frontage along Blue Oaks Boulevard and Woodcreek Oaks Boulevard. The primary point of entry into Longmeadow is from the east line of Woodcreek Oaks Boulevard. Blue Oaks Boulevard is a primary east-west traffic arterial which connects to State Highway 65 and ultimately to the Interstate 80 freeway system. Interstate 80 freeway is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system. Parkside Estates has frontage along Junction Boulevard and Porter Drive, with the primary entrance point along Porter Drive.

Longmeadow is situated within the confines of four assessor's parcels identified (or prior to recent final maps identified) as 017-115-083 through -086. As final maps are approved new assessor's parcel numbers will be assigned to individual lots and some new parcel numbers have been recently assigned. Parkside represents assessor's parcels 011-270-001 through -020 and 011-280-002 through -016.

The District is located in a developing area of the City and new home construction and sales are still underway in the vicinity of the District. 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 several years until the nationwide real estate slowdown. The predominant approved suburban land use within the City limits in the vicinity of the Longmeadow portion of the District is single family residential. The Longmeadow portion of the District is south and east of residential development, including in the Crocker Ranch and Doctor's Ranch subdivisions developed by the Developer at the junction of Blue Oaks Boulevard and Fiddymont Road. The Longmeadow portion of the District is also near to the West Roseville Specific Plan area, which permits the development of a total of 8,390 dwelling units on approximately 3,161 gross acres. Development of that area is underway and is expected to extend for several years. Lands to the north consist primarily of agricultural and rural residential uses outside of

the City limits. The Parkside portion of the District is in a longer established infill area largely surrounded by existing residential development.

**North Industrial Planning Area (includes Longmeadow).** The Longmeadow portion of the District constitutes a portion of the City's North Industrial Planning Area. This area is north and south of Blue Oaks Boulevard and east and west of Industrial Way in the northern area of the City. The westernmost land north of Blue Oaks Boulevard represents the residential area, which is adjacent to the North Roseville Specific Plan area to the west. The residential portion of the North Industrial Planning Area is planned for approximately 1,043 single family homes, some of which are completed, and 368 multi-family units, with another 210 currently undesignated. The North Industrial Planning Area also includes significant commercial, business professional and industrial uses or planned uses.

**Northwest Roseville Specific Plan Area (includes Parkside).** The Parkside Estates portion of the District constitutes a portion of the City's predominantly residential Northwest Specific Plan Area. This area is entirely south of Blue Oaks Boulevard and mostly west of Foothills Boulevard. The specific plan provides for 6,915 single family homes, most of which have been completed, and approximately 346 acres of non-residential uses, much of which has been developed. The Parkside project is referred to in the specific plan as the "Dunmore Junction" site in the extreme southeast portion of the plan area.

## **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).

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

## **Development in the District**

Property within the District subject to the Special Tax is comprised of 579 parcels covering approximately 87 acres; all parcels are developed with a single family residence built by John Mourier Construction, Inc., the original owner/developer of the property in the District.

The development of Longmeadow occurred in two villages: Village 1 consisting of 144 lots and home sizes ranging from 1,756 to 2,866 square feet in the "Executive" series (6,000 square foot lots), and 1,053 to 2,284 square feet in the "Premier" series (3,000 square foot lots), and Village 2, consisting of 400 lots (including 32 low and middle income units). Construction of the Executive series homes began in 2005, with final sales occurring in 2012 and final phase selling prices ranging from approximately \$300,000 to \$500,000. Construction of the Premier series homes also began in 2005, with final sales occurring in late 2012 and final phase selling prices ranging from approximately \$225,000 to \$450,000.



The development of Parkside's 35 lots commenced in 2005 with floorplans ranging from approximately 2,050 to 3,525 square feet. Final sales occurred in 2008 with final phase selling prices ranging from approximately \$450,000 to \$650,000.

**Levy of Special Tax; Maximum Special Tax Revenue**

**Levy of Special Tax.** The Special Tax will be levied and collected through the application of the appropriate amount or rate as described in the Rate and Method each year in an amount at least sufficient to pay debt service on outstanding Bonds and administrative expenses of the District. See "SECURITY FOR THE Bonds- Rate and Method" above and Appendix B.

The following table shows a development and Special Tax summary for the District and the current status of development and the related 2012-13 Special Tax levy. As of the date of preparation of the 2012-13 tax rolls, 34 lots were owned by John Mourier Construction, Inc., the original owner/developer of the property in the District, however since that date representatives of the developer have advised that 33 of the 34 homes have been sold to homeowners. For the table below, the structure valuation for the 33 homes have been added to the 2012-13 structure assessed value to arrive at a valuation figure representing an update from the 2012-13 assessor values.

**Table 1  
Longmeadow Parkside Community Facilities District No. 1 (Public Facilities)  
Maximum Special Tax and Valuation Summary  
2012-13 Special Tax Levy  
2012-13 Assessed Value, As Updated by City Data**

<b>Property Owners</b>	<b>Number of Parcels</b>	<b>2012/13 Assessed Land Value</b>	<b>2012/13 Assessed Structure Value(1)</b>	<b>2012/13 Value</b>	<b>2012/13 Maximum Tax</b>	<b>Bonded Debt</b>	<b>Assessed Value to Bonded Debt</b>	<b>Percent of Bonded Debt</b>
JMC Const. Inc./Recent Sales (2)	34	\$1,230,610	\$6,450,649	\$7,679,969	\$40,416	\$506,017	15.18	6.19%
All Other Owners	545	29,307,988	99,960,369	129,268,357	612,928	7,673,983	16.85	93.81
<b>Total</b>	<b>579</b>	<b>\$30,538,598</b>	<b>\$106,411,018</b>	<b>\$136,948,326</b>	<b>\$653,344</b>	<b>\$8,180,000</b>	<b>16.74</b>	<b>100.00%</b>

(1) Structure values for "John Mourier/Recent Sales" are provided by the City's Building Department as updates to tax roll figures; see Note 2.  
(2) All parcels have completed homes, 33 have been sold to homeowners since the date of the 2012-13 County tax roll .

**Special Tax Coverage.** The following table shows the District debt service coverage for fiscal year 2012-13 based on the actual levy and the Maximum Annual Special Tax levy and 2005 Bonds debt service.

**Table 2  
Longmeadow Parkside Community Facilities District No. 1 (Public Facilities)  
2012-13 Debt Service Coverage**

<u>Description</u>	<u>2012-13 Levy Amount</u>	<u>2102-13 Debt Service <sup>(1)</sup></u>	<u>2012/13 Debt Service Coverage</u>
Maximum Special Tax	\$653,344	\$592,858	110.20%
Special Tax Levy	653,344	592,858	110.20

<sup>(1)</sup> This amount represents the calendar year 2013 debt service. In order to compensate for the six-month delay between the start of the District's fiscal year and the receipt of the Special Tax collections from the County, the calendar year debt service is used to calculate the fiscal year levy.

**Limitations on Increases in Special Tax Levy.** If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Annual Special Tax rates specified for each category of property within the District. In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See "BOND OWNERS' RISKS."

**Value-to-Burden Ratios.** The 2012-13 assessed value plus building permit value (see Table 1 above) for all taxable property in the District is \$136,948,326. Based on a Bonds principal amount of \$8,290,000 and overlapping general obligation and assessment debt outstanding of \$1,430,533 (see "Direct and Overlapping Governmental Obligations" below), the assessed value to lien ratio for the District is 14.09:1.

### Property Ownership

*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.*

All of the property in the District are owned by individual homeowners other than one single family home for sale by the original home Developer, JMC Construction, Inc. The Developer constructed all the infrastructure improvements for development in the District and built and sold the homes to end users. Per the 2012-13 County tax roll, 34 of the 579 parcels in the District were owned by the Developer (28 of which showed an assessed value which includes structure valuation),

however the Developer reports that as of December 2012, homes have been completed on all the lots and all but one of the 34 homes have been sold.

### Special Tax Collection and Delinquency Rate

The Special Tax delinquency rate in the District has been less than 1% since the inception of the District. The table below shows the annual Special Tax levies and current delinquencies for the past four years.

#### Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Delinquency Summary

<u>Fiscal Year</u>	<u>Annual Special Tax</u>	<u>Delinquent Parcels</u>	<u>Delinquent Amount <sup>(1)</sup></u>	<u>Percentage Delinquent</u>
2008/09	\$653,344	0	\$0	0.00%
2009/10	653,344	2	1,584	0.24
2010/11	653,344	3	3,240	0.50
2011/12	653,344	3	3,312	0.51

(1) Delinquency data as of September 5, 2012.

Source: Placer County Tax Collector data as compiled by Willdan Financial Services

Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in the District could result in draws on the Reserve Fund established, and perhaps, ultimately, a default in the payment on the Bonds. See "BOND OWNERS' RISKS."

**Special Tax Enforcement and Collection Procedures.** The City could receive additional funds for the payment of debt service through foreclosure sales of delinquent property, but no assurance can be given as to the amount foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described in this Official Statement. See "SECURITY FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

Foreclosure actions would include, among other steps, formal City Council action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable special taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

**Limitations on Increases in Special Tax Levy.** If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Annual Special Tax rates specified for each category of property within the District. See "SECURITY FOR THE BONDS – Rate and Method." In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See "BOND OWNERS' RISKS."

## **Direct and Overlapping Governmental Obligations**

***Overlapping Debt Statement.*** Contained within the boundaries of the District are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting the District as of December 4, 2012, is shown in the table below, a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. These long-term obligations are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The amount shown reflects the amount outstanding as of the date indicated and does not reflect the amount of authorized but unissued debt.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the public agency's assessed valuation represented in column 2.

**Direct and Overlapping Governmental Obligations  
As of December 4, 2012**

**CITY OF ROSEVILLE LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1**

2012-13 Assessed Valuation: \$133,529,867

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/12</u>
Roseville Joint Union High School District General Obligation Bonds	0.667%	\$ 615,732
Roseville City School District General Obligation Bonds	1.212	332,967
California Statewide Community Development Authority Assessment District No. 05-1	5.280	481,834
<b>City of Roseville Longmeadow Parkside Community Facilities District No. 1</b>	<b>100.</b>	<b>8,180,000 (1)</b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$9,610,533</u>

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County Certificates of Participation	0.257%	\$114,532
Placer County Office of Education Certificates of Participation	0.257	5,448
Sierra Joint Community College District Certificates of Participation	0.190	22,021
Roseville Joint Union High School District Certificates of Participation	0.667	20,143
Roseville City School District Certificates of Participation	1.212	136,956
City of Roseville Certificates of Participation	0.895	158,370
Placer Mosquito and Vector Control District Certificates of Participation	0.257	<u>11,051</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$468,521

COMBINED TOTAL DEBT \$10,079,054 (2)

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

Ratios to 2012-13 Assessed Valuation:

<b>Direct Debt (\$8,180,000)</b> .....	<b>6.13%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	7.20%
Combined Total Debt .....	7.55%

## BOND OWNERS' RISKS

*The purchase of the Bonds involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive or a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds.*

### **Limited Obligation of the City to Pay Debt Service**

The City has no obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent or insufficient, 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 for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the Bonds.

### **Levy and Collection of the Special Tax**

**General.** The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District.

**Limitation on Maximum Special Tax Rate.** The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

In addition to the maximum annual Special Tax rate limitation in the Rate and Method, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

**Transfers to Governmental Entities.** The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal

government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

**Property Tax Delinquencies.** Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See "–Property Tax Delinquencies" below. For a summary of recent Special Tax collection and delinquency rates in the District, see "THE DISTRICT – Special Tax Collection and Delinquency Rates."

**Delays Following Special Tax Delinquencies and Foreclosure Sales.** The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "**FDIC**") has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within the District. See " – FDIC/Federal Government Interests in Properties" below.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

## **Property Tax Delinquencies**

**General.** Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner. See "THE DISTRICT – Special Tax Collection and Delinquency Rates."

Numerous future delinquencies by the owners of Taxable Property in the District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax Revenues necessary to pay

debt service on the Bonds, which could in turn result in the depletion of the Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS –Reserve Fund," and "THE DISTRICT – Potential Consequences of Special Tax Delinquencies."

***Measures to Mitigate Consequences of Continuing Delinquencies.*** The City intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see "SECURITY FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure"); and increasing the levy of Special Taxes against non-delinquent property owners in the District, to the extent permitted under the Rate and Method and the Act and to the extent the Special Taxes are not already being levied at the Maximum Annual Special Tax rate. See "THE DISTRICT – Potential Consequences of Special Tax Delinquencies."

### **Risks Related to Homeowners With High Loan-to-Value Ratios**

Any future decline in home values in the District could result in property owner unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the City to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

### **Payment of Special Tax is Not a Personal Obligation of the Property Owners**

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the City, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the City has no recourse against the owner.

### **Property Values**

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the City'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 values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

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



**Risks Related to Availability of Mortgage Loans.** The current state of the world-wide capital markets has adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the District. Any such unavailability could hinder the ability of the current homeowners to resell their homes, or the sale of newly completed homes in the future.

**Natural Disasters.** The value of the Taxable Property 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 Taxable Property and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes. See "THE DISTRICT – Environmental Conditions."

Other natural disasters could include, without limitation, floods, wildfires, 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 Taxable Property may well depreciate or disappear.

**Legal Requirements.** Other events that may affect the value of Taxable Property 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.

**Hazardous Substances.** One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property 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, but California laws with regard to hazardous substances are also stringent and similar. 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 Taxable Property be affected 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.

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

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that 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 Taxable Property that is realizable upon a delinquency.

### **Future Property Development**

Continuing development of the parcels in the District may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals in their habitat that have been listed as endangered species, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the property in the District.

### **Other Possible Claims Upon the Value of Taxable Property**

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The table in the section entitled "THE DISTRICT – Direct and Overlapping Governmental Obligations" shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

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" below.

### **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are

exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See "SECURITY FOR THE BONDS – Rate and Method."

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

### **FDIC/Federal Government Interests in Properties**

**General.** The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "**FDIC**"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("**FNMA**") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

## **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement for the Bonds. See "SECURITY FOR THE BONDS –Reserve Fund." The Reserve Fund will be used to pay principal of and interest on the Bonds (and the Prior Bonds and any Additional Bonds, the principal of and interest on which is payable from amounts in the Reserve Fund) if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the District. If the Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the Bonds (and the Prior Bonds and any Additional Bonds, the principal of and interest on which is payable from amounts in the Reserve Fund) under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the annual Maximum Annual Special Tax rates, it is possible that no replenishment would be achieved if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

## **Bankruptcy Delays**

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE BONDS," 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 or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or 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.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special Taxes not being paid in full.

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 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 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.

## **Disclosure to Future Purchasers**

The City has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the District or the lending of money secured by property in the District. The Act and the Goals and Policies require the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

## **No Acceleration Provisions**

The Bonds do not contain a provision allowing for their acceleration 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 Bondholder is given the right for the equal benefit and protection of all Bondholders similarly situated to pursue certain remedies. So long as the Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bond holders.

## **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS – Tax Exemption," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to become includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See "THE Bonds – Redemption."

## **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit of such Bonds (or by an audit of similar bonds or securities).

## **Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIC and XIID of the State Constitution. The amendments to Article XIIC limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes ("special taxes") require a two-thirds vote.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors 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, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the District and its obligations can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

## **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

## **LEGAL MATTERS**

### **Legal Opinions**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX C.

Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Disclosure Counsel to the City. The City Attorney will pass upon certain legal matters for the City as its general counsel.

### **Tax Exemption**

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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 a 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.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

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

## **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.

## **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 9 months after the end of the City's fiscal year (presently June 30) in each year (the "**Annual Report**") commencing with its report for the 2012-2013 fiscal year and to provide notices of the occurrence of certain enumerated events.

The Annual Report will be filed with the Municipal Securities Rulemaking Board ("**MSRB**") or otherwise as required by Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). Likewise, the notices of material events will be filed with the MSRB. These covenants have been made in order to assist the Underwriter in complying with 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 Owner is summarized in "APPENDIX C — FORM OF CONTINUING DISCLOSURE AGREEMENT."

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.

## **RATING**

Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its municipal bond rating of "BBB" to the Bonds. This rating reflects only the view of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from S&P.

The City provided certain information and materials to the rating agency (some of which does not appear in this Official Statement) in connection with the application for a rating. Generally, a rating agency bases its rating on the information and materials furnished to it, as well as investigations, studies and assumptions of its own.

There is no assurance that this rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "**Underwriter**"), at a purchase price of \$8,522,530.20, which represents the aggregate principal amount of the Bonds (\$8,290,000) less an Underwriter's discount of \$74,610.00 and plus a net original issue premium of \$307,140.20.

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into an agreement (the "**Agreement**") with Pershing LLC ("Pershing"), a subsidiary of the Bank of New York Mellon Corporation, for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Agreement, if applicable to the Bonds, the Underwriter will share with Pershing a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

## 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.

## PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include: the Underwriter; Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; Public Financial Management, Inc., as Financial Advisor; and Bank of New York Mellon Trust Company, N.A., as Fiscal Agent for the Bonds.

## **EXECUTION**

The execution and delivery of the Official Statement by the City has been duly authorized by the City Council, acting as the legislative body of the District.

### **CITY OF ROSEVILLE**

By:           /s/ Russell Cochran Branson            
Assistant City Manager/Treasurer

## APPENDIX A

### PLACER COUNTY AND CITY OF ROSEVILLE DEMOGRAPHIC INFORMATION

*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 122,060 at January 1, 2012, 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 following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years.

### Population Estimates 2007 through 2012

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2007	106,925	326,503	37,559,440
2008	109,437	333,766	37,883,992
2009	112,826	341,304	38,255,508
2010	115,781	347,102	38,648,090
2011	120,307	351,463	37,427,946
2012	122,060	355,328	37,678,563

*Source: California State Department of Finance.*

## Effective Buying Income

Effective buying income ("EBI") is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of Owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the County, the State of California and the United States.

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2007 through 2011. 2012 data is not yet available.

### Effective Buying Income As of January 1, 2007 through 2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	Placer County	\$9,314,663	\$57,097
	California	814,894,437	48,203
	United States	6,300,794,040	41,792
2008	Placer County	\$9,416,798	\$56,445
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Placer County	\$9,911,191	\$59,331
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Placer County	\$9,455,123	\$56,109
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Placer County	\$9,797,178	\$55,993
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

Source: The Nielsen Company (US), Inc.

## Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 10.4 percent in May 2012, down from a revised 10.5 percent in April 2012, and below the year-ago estimate of 11.6 percent. This compares with an unadjusted unemployment rate of 10.4 percent for California and 7.9 percent for the nation during the same period. The unemployment rate was 11.0 percent in El Dorado County, 9.8 percent in Placer County, 10.5 percent in Sacramento County, and 10.8 percent in Yolo County.

The table below provides information about employment by industry type for the Sacramento MSA for calendar years 2007 through 2011.

### SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	2007	2008	2009	2010	2011
Civilian Labor Force <sup>(1)</sup>	1,037,700	1,046,800	1,051,500	1,048,900	1,039,400
Employment	982,400	973,000	934,800	918,000	916,200
Unemployment	55,300	73,800	116,600	130,900	123,200
Unemployment Rate	5.3%	7.0%	11.1%	12.5%	11.9%
Wage and Salary Employment <sup>(2)</sup>					
Agriculture	7,900	8,200	8,300	8,100	8,300
Natural Resources and Mining	700	700	400	400	400
Construction	66,900	56,200	43,500	38,400	36,200
Manufacturing	40,900	38,700	34,400	32,800	32,800
Wholesale Trade	27,900	26,500	24,100	22,800	23,000
Retail Trade	99,800	95,100	87,600	88,000	88,900
Transportation, Warehousing and Utilities	25,400	25,100	23,200	21,700	20,900
Information	20,100	19,200	18,300	17,200	16,700
Finance and Insurance	45,900	43,100	40,200	36,100	34,800
Real Estate and Rental and Leasing	45,900	43,100	40,200	36,100	34,800
Professional and Business Services	112,100	110,100	101,100	102,200	101,400
Educational and Health Services	97,100	99,700	99,800	99,400	102,700
Leisure and Hospitality	86,600	85,900	81,900	80,200	79,800
Other Services	29,000	29,600	28,800	28,100	28,000
Federal Government	12,400	12,500	13,300	14,600	13,900
State Government	109,600	111,400	111,900	110,900	109,500
Local Government	65,100	64,900	61,400	60,000	58,200
Total, All Industries <sup>(3)</sup>	911,000	890,200	839,800	817,900	810,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.



## Major Employers

The table below lists the top 10 major employers in the City as of October 2011. 2012 data is not yet available.

### CITY OF ROSEVILLE Major Employers 2011

<u>Business</u>	<u>No. of Employees</u>	<u>Product/Service</u>
Kaiser Permanente	4,300	Health Care
Hewlett-Packard	3,200	Technology
City of Roseville	1,799	Government
Sutter Roseville Medical Center	1,654	Health Care
Roseville Joint Union High School District	1,299	Education
Union Pacific Railroad	1,118	Railroad
Roseville Elementary School District	929	Education
Wal-Mart (2 Stores)	790	Retail
PRIDE Industries	661	Employment Service
Telefunken Semiconductors America	640	Technology

Source: City of Roseville.

The table below lists the largest employers in the County as of June 2012.

### PLACER COUNTY Major Employers

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Alpine Meadows	Alpine Meadows	Concessionaires
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise Inc	Roseville	Cruises
Composite Engineering Inc	Roseville	Engineers-Professional
Esurance Inc	Not Available	Insurance
Hewlett-Packard	Roseville	Computer Services
Keller Williams Realty	Roseville	Real Estate
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Fire Dept	Auburn	County Government-Fire Protection
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County Marshal	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Progressive Technology	Rocklin	Machine Shops (Mfrs)
Renasas Electronics America	Roseville	Semiconductor Devices (Mfrs)
Resort At Squaw Creek	Olympic Valley	Hotels & Motels
Roseville Golfland-Sun Splash	Roseville	Water Parks
Roseville Medical Ctr	Roseville	Hospitals
Roseville Police Dept	Roseville	Police Departments
Roseville Toyota & Scion	Roseville	Automobile Dealers-New Cars
Save Mart Distribution Ctr	Roseville	Distribution Services
Sheriff's Training	Auburn	Sheriff
Sure West Communications	Roseville	Long Distance Telephone Service
Sutter Roseville Medical Ctr	Roseville	Hospitals
Thunder Valley Casino	Lincoln	Casinos
UNFI Western Region Div	Rocklin	Food Products (Whls)

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2012 2nd Edition.

## Construction Activity

The housing downturn continued to slow the County and City economies in 2008 and 2009, with home building, home sales, and related retail sales all continuing to decline. The Placer County Assessor announced a 2.6% decline in the 2009-10 property assessment roll in recognition of declining real estate values. Due to the continuing decline of property values, assessor staff reviewed over 150,000 properties that experienced a change in ownership or were newly constructed in the past seven years. Over 62,000 property values were temporarily reduced, representing reductions to over 35% of the properties in the County. Placer County's 2009-2010 assessment roll totaled \$56,573,483,173 as compared to the prior year's assessment roll of \$58,081,947,967, which reflected a 2.3% increase last year. These modest numbers over the last two years contrast with the real estate boom years of 2000-2006, where the Placer County assessment roll experienced record-breaking, double-digit growth for seven consecutive years.

The following table shows a five-year summary of the valuation of building permits issued in the County.

<b>PLACER COUNTY</b>					
<b>Building Permit Valuation</b>					
<b>(Valuation in Thousands of Dollars)</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<u>Permit Valuation</u>					
New Single-family	\$645,610.6	\$572,343.4	\$353,462.9	\$257,838.2	\$272,263.0
New Multi-family	55,306.1	34,391.1	31,846.0	25,595.7	11,385.1
Res. Alterations/Additions	77,853.3	63,250.7	57,459.6	41,270.3	50,586.8
Total Residential	778,769.9	669,985.2	442,768.5	324,704.2	334,234.9
New Commercial	190,451.3	234,662.5	120,409.3	7,200.2	5,551.8
New Industrial	6,896.0	3,726.8	4,140.4	0.0	0.0
New Other	106,872.6	95,876.8	58,423.4	29,275.1	29,303.2
Com. Alterations/Additions	113,038.4	144,299.9	116,531.9	77,101.0	73,789.4
Total Nonresidential	\$417,258.4	\$478,566.1	\$299,505.1	\$113,576.3	\$108,644.4
<u>New Dwelling Units</u>					
Single Family	2,557	2,177	1,330	1,056	1,090
Multiple Family	648	236	383	259	79
TOTAL	3,205	2,413	1,713	1,315	1,169

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the City for calendar years 2007 through 2011

**CITY OF ROSEVILLE**  
**Building Permit Valuation**  
**2007 through 2011**  
**(Valuation in Thousands of Dollars)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<u>Permit Valuation</u>					
New Single-family	\$233,672.6	\$155,072.4	\$125,257.4	\$133,206.3	\$91,310.0
New Multi-family	10,045.1	25,534.0	3,746.7	0.0	0.0
Res. Alterations/Additions	3,972.5	2,890.9	1,620.6	2,808.4	2,645.5
Total Residential	247,690.2	183,497.2	130,624.7	136,014.7	93,952.5
New Commercial	102,010.6	51,017.4	1,439.2	1,625.8	156.0
New Industrial	2,571.1	4,140.4	0.0	0.0	0.0
New Other	54,160.9	25,126.0	6,435.5	5,026.5	5,438.6
Com. Alterations/Additions	81,778.4	81,353.1	49,481.4	46,534.4	66,846.5
Total Nonresidential	\$240,521.1	\$161,636.8	\$57,356.1	\$53,186.7	\$72,441.1
<u>New Dwelling Units</u>					
Single Family	1,050	676	602	635	411
Multiple Family	103	308	49	0	0
TOTAL	1,153	984	651	635	411

Source: Construction Industry Research Board, Building Permit Summary for 2007-2010: City of Roseville for 2011.

**Commercial Activity**

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

Total taxable transactions reported in the City during the first quarter of calendar year 2011 amounted to \$793,400,000, a 5.63% increase over the total taxable transactions of \$751,109,000 that were reported during the first quarter of calendar year 2010. A summary of historic taxable sales within the City is shown in the following table.

**CITY OF ROSEVILLE**  
**Taxable Transactions**  
**Calendar Years 2006 through 2010**  
**(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2006	2,216	\$3,532,041	4,538	\$4,024,823
2007	2,102	3,284,087	4,561	3,854,226
2008	2,497	2,923,771	4,869	3,409,792
2009 (1)	3,400	2,708,864	4,441	3,104,840
2010 (1)	3,640	2,814,546	4,698	3,251,045

(1) Not comparable to prior years. "Retail" category now includes "Food Services".  
Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

Total taxable transactions reported in Placer County during the first quarter of calendar year 2011 amounted to \$1,489,634,000, representing an increase of 7.77% from the total taxable transactions of \$1,382,244,000 that were reported during the first quarter of calendar year 2010. A summary of historic taxable sales within Placer County is shown in the following table.

**PLACER COUNTY**  
**Taxable Transactions**  
**Calendar Years 2006 through 2010**  
**(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2006	5,218	\$5,710,898	11,623	\$7,531,225
2007	5,065	5,553,447	11,676	7,431,405
2008	5,841	5,009,849	12,104	6,634,810
2009 (1)	7,819	4,453,186	11,135	5,796,644
2010 (1)	8,110	4,678,785	11,439	6,017,542

(1) Not comparable to prior years. "Retail" category now includes "Food Services".  
Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

**Transportation**

The County's transportation network is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the County, connecting San Francisco to New York. Highway 65 runs north from I-80 to Lincoln and Marysville. Interstate 5, which is west of the County, runs north to Seattle and south to Los Angeles. In the City, the major highways in the area are Interstate 80 and Interstate 5, and State Highways 65, 50, and 99.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in Roseville, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport is serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

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**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT FOR  
CITY OF ROSEVILLE  
LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**

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**EXHIBIT A**  
**Longmeadow Parkside**  
**Community Facilities District No. 1**  
**(Public Facilities)**  
**City of Roseville, California**

**RATE, METHOD OF APPORTIONMENT, AND MANNER OF  
COLLECTION OF SPECIAL TAX**

**1. Basis of Special Tax Levy**

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

**2. Definitions**

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

“**Administrative Expenses**” means the following actual or reasonably estimated costs related to the administration of the CFD, including:

- Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or designee thereof or both);
- Costs of collecting the Special Taxes (whether by the County, the City, or otherwise);
- Costs of remitting the Special Taxes to the Trustee;
- Costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture;
- Costs to the City, CFD or any designee thereof of complying with arbitrage rebate requirements;
- Costs to the City, CFD or any designee thereof of complying with City, CFD or obliged persons disclosure requirements;
- Costs associated with preparing Special Tax disclosure statements;
- Costs incurred in responding to public inquiries regarding the Special Taxes;

- Costs to the City, CFD or designee thereof related to any appeal of the Special Tax;
- Costs associated with the release of funds from an escrow account, if any; and
- Amounts estimated to be advanced or advanced by the City for any other administrative purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**“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 Unit”** means a Unit built on a Single-family Residential Parcel 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 Single-family Residential Parcel in favor of the City. Single-family Residential Parcels identified as Affordable Units are identified as lots 15, 16, 19, 20, 129, 130, 135, 136, 141, 142, 153, 154, 159, 160, 165, 166, 170, 171, 172, 175, 176, 177, 181, 182, 183, 187, 188, and 189 as shown on Plat of “Longmeadow Village 2, Phase 1 filed for record June 14, 2005 in Book AA of maps at page 37, in the official records of the County. Affordable Units are identified by County Assessor’s Parcel in **Attachment 1**. The list of Affordable Units shall also be updated to reflect those Units no longer qualifying as Affordable Units, also known as Market Rate Units. If an Affordable Unit is no longer owned by the Original Owner, the Taxable Parcel will be reclassified as a Market Rate Unit. The list of Affordable Units, 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 Annual Special Tax for Taxable Parcels pursuant to **Section 5** below. There shall be no more than 28 Affordable Units in the CFD.

**“Annual Costs”** means, for any Fiscal Year, the total of the following:

- i) Debt Service to be paid from Special Taxes collected during such Fiscal Year;
- ii) Administrative Expenses for such Fiscal Year;
- iii) The amount needed to replenish the reserve fund for the Bonds to the level required under the Bond Indenture;
- iv) An amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and/or anticipated for the current Fiscal Year;
- v) Pay-As-You-Go Expenditures; and
- vi) Less any earnings on the reserve fund and special tax fund that are transferred to the bond redemption fund pursuant to the Bond Indenture.

"**Authorized Facilities**" means those facilities to be financed as identified in the resolution forming the CFD.

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

"**Bond(s)**" means bond(s) issued or other indebtedness incurred by the City for the CFD under the Act.

"**Bond Indenture**" means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which any Bonds are issued.

"**Bond Share**" means the share of Bonds assigned to a Parcel as specified in **Section 7** hereof.

"**CFD**" means Longmeadow Parkside Community Facilities District No. 1 (Public Facilities).

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

"**Council**" means the City Council of the City.

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

"**County Assessor's Parcel**" means the Assessor's Parcel number for any Parcel of land in the CFD as recorded by the County Assessor on the County equalized tax roll.

"**Debt Service**" means the total annual amount of bond principal, interest, and any scheduled sinking fund payments of the Bonds.

"**Developed Parcel**" means a Parcel in one of the following Parcel categories that has received from the City the applicable development approval for that Parcel category as follows:

<b><u>Parcel Category</u></b>	<b><u>Development Approval</u></b>
Single-family Residential Parcel	=> - Final Subdivision Map

"**Developer**" means John Mourier Construction, Inc. or successor.

"**Final Subdivision Map**" means a recorded map designating individual Single-family Residential Parcels.

“**Finance Director**” means the City Treasurer of the City or designee.

“**Fiscal Year**” means the period starting July 1 and ending the following June 30.

“**Large Lot Parcel(s)**” means any Taxable Parcel that is not a Developed Parcel.

“**Large Lot Subdivision Map**” means a recorded subdivision map creating Parcels by land use. However, the Large Lot Subdivision Map does not delineate Single-family Residential Parcels. A Final Subdivision Map will create individual single-family parcels.

“**Market Rate Unit**” means Taxable Parcels in the Longmeadow that are sold without subsidies for low income or medium income home buyers. At formation of the CFD, there will be 28 Taxable Parcels designated as Affordable Units. All remaining Taxable Parcels will be classified as Market Rate Units. An Affordable Unit will be reclassified as a Market Rate Unit when the Original Owner sells the Affordable Unit.

“**Maximum CFD Revenue**” means the sum of the Maximum Annual Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

“**Maximum Annual Special Tax**” means the maximum amount of Special Tax that can be levied against a Taxable Parcel in a Fiscal Year as shown in **Attachment 1**.

“**Maximum Annual Special Tax Revenue**” means the maximum amount of revenue that can be collected by levying the Maximum Annual Special Tax against a group of Taxable Parcels within a specific classification.

“**Original Owner**” means an individual or party that originally purchases an Affordable Unit.

“**Original Parcel**” means the County Assessor Parcel’s existing at the formation of the CFD, as shown on **Attachment 1**.

“**Outstanding Bonds**” means the total principal amount of Bonds that have been issued and not fully repaid or legally defeased. Prior to the initial Bond sale, Outstanding Bonds shall be equal to the bond authorization.

“**Parcel**” means any parcel of land, identified by County Assessor’s Parcel, in the CFD based on the equalized tax rolls of the County as of January 1 preceding the Fiscal Year.

“**Pay-As-You-Go Expenditure**” means expenditures for Authorized Facilities that are not funded through the issuance of bonds. The developer may receive payments from Pay-As-

You-Go Expenditures, for Authorized Facilities constructed but not fully reimbursed from bond proceeds, for a period of five years from the first year that Special Taxes are levied. After that time period, Pay-As-You-Go Expenditures will be utilized by the City, in its sole discretion, for funding any additional Authorized Facilities.

**“Planned Residential Lots”** means the number of single-family Units planned for each Large Lot Parcel as shown in **Attachment 1**.

**“Prepayment”** means the complete fulfillment of a Parcel’s Special Tax obligation, as determined by following the procedures in **Section 7**.

**“Public Parcel”** means any Parcel that is or is intended to be publicly owned, as designated in any final map for Longmeadow that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets; schools; parks; and public drainageways, landscaping, wetlands, greenbelts, and open space.

**“Reserve Fund Requirement”** means the amount required to be held in the bond reserve fund created under the Bond Indenture.

**“Reserve Fund Share”** means the lesser of: (i) Reserve Fund Requirement or (ii) the reserve fund balance at the time of such calculation, multiplied by the Benefit Share for a given Parcel.

**“Single-family Residential Parcel”** means a single-family residential lot created by the recordation of a Final Subdivision Map.

**“Special Tax(es)”** mean(s) any special tax levied on Taxable Parcels in the CFD under the Act.

**“Subdivision”** or **“Subdivided”** means a division of a Parcel into two or more Parcels through the Subdivision Map Act process.

**“Successor Parcel”** means a Parcel created by Subdivision of an Original Parcel or other Successor Parcel.

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

**“Taxable Acres”** or **“Taxable Acreage”** means the portion of a Taxable Parcel that is developable.

“**Taxable Parcel**” means any Parcel that is not a Tax-Exempt Parcel.

“**Tax-Exempt Parcel**” means a Parcel not subject to the Special Tax. Tax-Exempt Parcels are: (i) Public Parcels, (ii) Parcels for which the Special Tax has been fully prepaid under **Section 7** hereof, and (iii) certain privately owned Parcels such as common areas owned by homeowner’s associations or property owner associations, wetlands, detention basins, water quality ponds, and open space, on which an *ad valorem* property tax is not levied.

“**Unit(s)**” means a Single-family Residential Parcel, or the number of single-family residential lots proposed for a Large Lot Parcel.

### **3. Determination of Parcels Subject to Special Tax**

The City shall prepare a list of the Parcels subject to the Special Tax. The City shall identify the Taxable Parcels from a list of all Parcels within the CFD boundary by excluding all Tax-Exempt Parcels.

### **4. Termination of the Special Tax**

The Special Tax will be levied and collected for as long as needed to pay the principal and interest on debt and other costs incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2039-2040.

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

### **5. Assignment of Maximum Annual Special Tax**

A. Classification of Parcels. Each Fiscal Year, using the Definitions above, the parcel records of the County Assessor’s Secured Tax Roll as of January 1, and other City development approval records as of June 1, the Administrator shall cause:

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as a Original Parcel or Successor Parcel;
3. Each Successor Parcel to be classified as a Large Lot Parcel or Developed Parcel;
4. Each Developed Parcel to be classified as a Market Rate Unit or Affordable Unit.

B. Assignment of Maximum Annual Special Tax. The Administrator shall then assign the Maximum Annual Special Tax to each Taxable Parcel as follows:

1. Original Parcels: At the formation of the CFD, Original Parcels are assigned the Maximum Annual Special Tax as shown in **Attachment 1**. Each Original Parcel is assigned Planned Residential Lots and a Maximum Annual Special Tax per Unit. Original Parcels that are Affordable Units are identified by County Assessor's Parcel in **Attachment 1**. As Original Parcels shown in **Attachment 1** are Subdivided into Successor Parcels, use **Sections 5.B.2** through **Section 5.B.3** to assign the Maximum Annual Special Tax to Taxable Parcels.

2. Successor Parcels. As Original Parcels and Successor Parcels are Subdivided, use the following steps to assign the Maximum Annual Special Tax to new Successor Parcels.

a. If Original or Successor Parcel Is Subdivided Into Large Lot Parcels. Use the following steps to assign the Maximum Annual Special Tax to each Large Lot Parcel created by the Subdivision. There shall be no net loss of Maximum CFD Revenue as a result of the assignment of the Maximum Annual Special Tax to new Taxable Parcels.

Step 1. The Developer will assign Planned Residential Lots equal to the total Planned Residential Lots from the Original Parcel(s) to each newly created Large Lot Parcel. If the Developer fails to assign Planned Residential Lots to Large Lot Parcels, the Administrator will allocate Planned Residential Lots on a *pro rata* basis to each Large Lot Parcel based on the percentage of Taxable Acreage of each Large Lot Parcel to the total Taxable Acreage of all Large Lot Parcels.

Step 2. Multiply the number of Planned Residential Lots assigned to each Large Lot Parcel by the Maximum Annual Special Tax per Unit, as shown in **Attachment 1**, to calculate the Maximum Annual Special Tax for each Large Lot Parcel.

b. If Original or Successor Parcel Is Subdivided Into Developed Parcels and One or More Large Lot Parcels. When an Original or Successor Parcel is Subdivided into Single-family Residential Parcels and one or more Large Lot Parcels, the Maximum Annual Special Tax is assigned to the Single-family Residential

Parcels and Large Lot Parcels created by the Subdivision in the following manner.

- Step 1. Assign Planned Residential Lots according to the instructions in **Section 5.B.2.**
- Step 2. For the remaining Large Lot Parcel(s), multiply the number of Planned Residential Lots assigned to the Large Lot Parcel times the Maximum Annual Special Tax per Unit, as shown in **Attachment 1**, to determine the Maximum Annual Special Tax for the Large Lot Parcels(s).
- Step 3. Multiply the Planned Residential Lots assigned to the Large Lot Parcel that has been Subdivided into Developed Parcels by the Maximum Annual Special Tax per Unit assigned to the Large Lot Parcel in **Attachment 1.**
- Step 3. Divide the Maximum Annual Special Tax calculated in **Step 3** above by the number of actual Single Family Residential Parcels created by the Final Subdivision Map. This amount is the Maximum Annual Special Tax per Unit for the Developed Parcels.

c. If Original or Successor Parcels is Subdivided into Developed Parcels. The Maximum Annual Special Tax is assigned to Developed Parcels using the following steps. There shall be no net loss of Maximum CFD Revenue as a result of the assignment of the Maximum Annual Special Tax to Developed Parcels.

- Step 1. Divide the total amount of Maximum Annual Special Tax assigned to the Large Lot Parcel by the total number of actual Single Family Residential Parcels created by the Final Subdivision Map. This amount is the Maximum Annual Special Tax per Unit.

C. Transfer of Planned Residential Lots from Original or Successor Parcel to Another. The City may, at its sole discretion, allow the transfer of Planned Residential Units from one Original or Successor Parcel to another. Such transfer shall only be allowed if (i) all transfers are agreed to in writing by the affected property owners and Finance Director, and (ii) there is no reduction in Maximum CFD Revenue as a result of such transfers. If such transfer is requested, the Administrator will use the following steps to transfer Planned Residential Lots among Parcels:

1. Determine the number of Planned Residential Lots to be transferred.
2. Determine (from **Attachment 1**) that the Maximum Annual Special Tax per Unit for the Planned Residential Lots to be transferred.



3. Determine (from **Attachment 1**) that the Maximum Annual Special Tax per Unit for the Large Lot Parcel to which the Planned Residential Lots are to be transferred. If the Maximum Annual Special Tax per Unit is the same for each Original or Successor Parcel, reassign the Planned Residential Lots from one Original or Successor Parcel to another. The transfer is complete.
4. If the Maximum Annual Special Tax per Unit is not the same for Units assigned to the Parcels from and to which Planned Residential Lots are to be transferred, then multiply the number calculated in **Section C.1** times the amount determined in **Section C.2**. Subtract this amount from the Maximum Annual Special Tax assigned to the Original or Successor Parcel from which Planned Residential Units are being transferred, and add this amount to the Maximum Annual Special Tax for the Parcel to which Planned Residential Lots are being transferred. Next, transfer the number of Planned Residential Units from one Parcel to the other.

D. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be the Taxable Acreage of the Parcel multiplied by \$8,300.

E. Taxable Parcel Acquired by a Public Agency. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum CFD Revenue, and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

## 6. Setting the Annual Special Tax Rate for Taxable Parcels

The City shall calculate the Special Tax levy for each Taxable Parcel for each Fiscal Year as follows:

- A. Compute the Annual Costs using the definition of Annual Costs in **Section 2**.
- B. Calculate the Special Tax levy for each Taxable Parcel by the following steps:
  - Step 1: Compute 100% of the Maximum Annual Special Tax Revenue for all Taxable Parcels.

- Step 2: Compare the Annual Costs with the Maximum Annual Special Tax Revenue calculated in the previous step.
- Step 3: If the Annual Costs are less than the Maximum Annual Special Tax Revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax Revenue equals the Annual Cost.
- C. Levy on each Taxable Parcel the amount calculated above.
- D. Prepare the Tax Collection Schedule, unless an alternative method of collection has been selected pursuant to **Section 9** to be discussed, and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

The City shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the Parcels subject to the tax and the assignment of the Special Tax to the Parcels.

As development and subdivision of CFD land uses take place, the City will maintain a file, available for public inspection, of each current County Assessor's Parcel Number within the CFD, its Maximum Annual Special Tax, and the Maximum Annual Special Tax Revenues for all Parcels within the CFD. This record shall show the calculation of the assigned Maximum Annual Special Tax to each Taxable Parcel.

## 7. Prepayment of Special Tax

A property owner may permanently satisfy the Special Tax on a Parcel by prepayment as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Prepayment is based on the Maximum Annual Special Tax for the prepaying Parcel at the time of Prepayment.
- The City determines that the Prepayment of the Special Tax does not jeopardize its ability to make timely payments of Debt Service on outstanding bonds.
- The landowner prepaying the Special Tax on a Parcel has paid any delinquent Special Tax and penalties on that Parcel prior to Prepayment.

The Prepayment amount shall be established by following the steps:

Outstanding Bond Share

- Step 1: Determine the Maximum Annual Special Tax for the Parcel for which the Special Tax is to be fully prepaid by following the procedures in **Section 5**.
- Step 2: Divide the Maximum Annual Special Tax from Step 1 by the Maximum CFD Revenue to arrive at the Benefit Share.
- Step 3: Determine the Bond Share for the Parcel by multiplying the Benefit Share from Step 2 by the Outstanding Bonds. The Outstanding Bonds to be retired from Special Taxes that have been levied but not collected shall reduce the amount of Outstanding Bonds for purposes of calculating the Bond Share. Round to the nearest \$5,000. This amount is the amount to call Bonds.
- Step 4: Add to the amount calculated in Step 3 any fees, call premiums, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the Prepayment to the call of Bonds.
- Step 5: Determine the Parcel Reserve Fund Share by multiplying the Benefit Share by the Reserve Fund Requirement. Reduce the amount calculated in Step 4 by the Parcels Reserve Fund Share. This amount is the net Prepayment amount.

*Note: At the City's sole discretion, the Parcel's Reserve Fund Share may be used to net against the rounding amount and any excess or deficiency netted against the subsequent Fiscal Year Special Tax levy.*

**8. Appeals**

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

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

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

**9. Manner of Collection**

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

**Attachment 1  
Longmeadow Parkside CFD No. 1 (Public Facilities)  
Maximum Annual Special Tax for Original Parcels [1]**

Original Parcel	Description	Unit Type	Planned Residential Lots [2]	Maximum Annual Special Tax per Unit	Maximum Annual Special Tax per Original Parcel [3]
482-320-001 to 076	Village L-1	Market Rate Units	144	\$1,584	\$228,096
482-330-001 to 068	Village L-1	Market Rate Units			
482-351-001 to 14	Village L-2	Market Rate Units	14	\$1,104	\$15,456
482-351-017,018, 021	Village L-2	Market Rate Units	3	\$1,104	\$3,312
482-354-001, 004 to 007	Village L-2	Market Rate Units	5	\$1,104	\$5,520
482-354-010 to 013,016 to 025	Village L-2	Market Rate Units	14	\$1,104	\$15,456
482-354-028 to 031, 034 to 037	Village L-2	Market Rate Units	8	\$1,104	\$8,832
482-354-040 to 042, 046	Village L-2	Market Rate Units	4	\$1,104	\$4,416
482-355-001, 005 to 007	Village L-2	Market Rate Units	4	\$1,104	\$4,416
482-354-011 to 013, 017 to 020	Village L-2	Market Rate Units	7	\$1,104	\$7,728
482-352-001 to 008	Village L-2	Market Rate Units	8	\$1,104	\$8,832
482-353-001 to 014	Village L-2	Market Rate Units	14	\$1,104	\$15,456
482-356-001 to 029	Village L-2	Market Rate Units	29	\$1,104	\$32,016
482-357-001 to 007	Village L-2	Market Rate Units	7	\$1,104	\$7,728
482-351-015 to 016, 019 to 020	Village L-2	Affordable Units	4	\$120	\$480
482-354-002,003,008,009,014,015	Village L-2	Affordable Units	6	\$120	\$720
482-354-026,027,032,033,038,039,043 to 045	Village L-2	Affordable Units	9	\$120	\$1,080
482-355-002 to 004, 008 to 010, 014 to 016	Village L-2	Affordable Units	9	\$120	\$1,080
	<b>Subtotal</b>		<b>145</b>		<b>\$132,528</b>
482-340-007 [4] [5]	Por. L-3, L-4 Por. L-5	Market Rate Units	191	\$1,104	\$210,864
482-340-005 [4] [5]	Por. L-4, L-5	Market Rate Units	62	\$1,104	\$68,448

**Attachment 1  
Longmeadow Parkside CFD No. 1 (Public Facilities)  
Maximum Annual Special Tax for Original Parcels [1]**

Original Parcel	Description	Unit Type	Planned Residential Lots [2]	Maximum Annual Special Tax per Unit	Maximum Annual Special Tax per Original Parcel [3]
482-340-006 [4]	Por. L-3	Market Rate Units	2	\$1,104	\$2,208
011-270-001 to 020	D-1	Market Rate Units	35	\$320	\$11,200
011-280-002 to 016					
482-340-003	L-6	Public Parcel [6]	0	\$0	\$0
<b>Totals</b>			<b>579</b>		<b>\$653,344</b>

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[1] The Maximum Annual Special Tax does not escalate.

[2] There should be no net loss of Maximum Annual Special Tax Revenue. If the number of Planned Residential Lots are not created once final maps have been recorded, the Maximum Annual Special Tax per Unit will increase to ensure that there is no net loss of Maximum Annual Special Tax Revenue.

[3] A Maximum Annual Special Tax is assigned to each Original Parcel. As Original Parcels are Subdivided, Planned Residential Lots are assigned by the Developer to the Successor Parcels created by the Subdivision. If the Developer fails to assign Planned Residential Lots to Successor Parcels, the Administrator will assign the Planned Residential Lots using **Section 5.B.2**.

[4] List of Planned Residential Units assigned to Villages L-3, L-4, and L-5 and corresponding County Assessor's Parcels.

Village L-3	76 Units	por. 482-340-007
Village L-4	109 units	482-340-006, por. 482-340-005 and 007
Village L-5	70 units	por. 482-340-005 and 007

[5] If Village L-5 is sold to the Roseville City School District, the Developer will prepay the Special Tax obligation for 72 Planned Residential Units.

[6] Any Public Parcel or Tax-Exempt Parcels that is converted to taxable uses will be assigned a Maximum Annual Special Tax by multiplying the Taxable Acreage of the Parcel by \$8,300.

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

February, 2013

City of Roseville  
311 Vernon Street  
Roseville, California 95678

**OPINION:** \$8,290,000 City of Roseville Special Tax Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Refunding Bonds, Series 2013

Members of the Authority:

We have acted as bond counsel to the Roseville Finance Authority (the "Authority") in connection with the delivery by the City of the above-referenced bonds (the "Bonds"), issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, *et seq.* (the "Act"), and pursuant to a Fiscal Agent Agreement dated as of February 1, 2013 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. We have examined the Act, an executed copy of the Fiscal Agent Agreement 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 Indenture 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 our examination we are of the opinion, under existing law, that:

1. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Fiscal Agent Agreement, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Pursuant to the Act, the Fiscal Agent Agreement establishes a valid lien on and pledge of the Special Tax Revenues (as such term is defined in the Fiscal Agent Agreement) for the security of the Bonds.

5. 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 opinions set forth in the preceding sentence are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that 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. 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 Indenture 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 accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,



**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**CONTINUING DISCLOSURE AGREEMENT**

**\$8,290,000**

**CITY OF ROSEVILLE**

**LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**

**SPECIAL TAX REFUNDING BONDS**

**SERIES 2013**

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of Roseville (the "District") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 2013 (the "Fiscal Agent Agreement"), by and between the City and Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent 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*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"*Annual Report Date*" means the date that is eight months after the end of the City's fiscal year (currently March 1 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement dated January 31, 2013, executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Piper Jaffray & Company, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a)The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2013, with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) 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 the previous sentence. 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 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification 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.

(b)If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c)The Dissemination Agent shall:

(i)determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii)if the Dissemination Agent is other than the City, file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following documents and information:

(a) 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 Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. This submission should be made with the following caveat:

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 (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE 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.

(b) The following additional items, indicating information as of the previous September 30<sup>th</sup>, with respect to the Bonds:

- (1) Principal amount of Bonds outstanding under the Fiscal Agent Agreement.
- (2) Balance in Reserve Fund.
- (3) Table indicating Special Tax levy, amount collected, delinquent amount and percent delinquent for the most recent year.
- (4) Status of foreclosure proceedings and summary of results of foreclosure sales, if available.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.

- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Agreement, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations 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 5(c).

Section 8. 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Willdan Financial Services.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, 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 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. 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 Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. 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 it may incur arising out of or in the exercise or performance of its 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 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 City, the Fiscal Agent, the Bond owners 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 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Fiscal Agent, 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 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2013

CITY OF ROSEVILLE for and on behalf of the CITY  
OF ROSEVILLE LONGMEADOW PARKSIDE  
COMMUNITY FACILITIES DISTRICT NO. 1  
(PUBLIC FACILITIES)

By: \_\_\_\_\_  
Assistant City Manager/Treasurer

AGREED AND ACCEPTED:  
Willdan Financial Services,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Roseville

Name of Bond Issue: City of Roseville  
Longmeadow Parkside Community Facilities District No. 1 (Public  
Facilities) Special Tax Refunding Bonds, Series 2013

Date of Issuance: February 14, 2013

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated February 1, 2013 executed by the City and countersigned by Willdan Financial Services, as dissemination agent. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_

DISSEMINATION AGENT:

Willdan Financial Services



## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

*Neither the issuer of the Securities (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "Agent") takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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