

*In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2005 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" herein.*

**\$9,035,000**

**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(STONEBRIDGE ESTATES)  
IMPROVEMENT AREA B  
2005 SPECIAL TAX BONDS**

**\$13,475,000**

**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(STONEBRIDGE ESTATES)  
IMPROVEMENT AREA C  
2005 SPECIAL TAX BONDS**

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

The Improvement Area B 2005 Special Tax Bonds (the "Improvement Area B Bonds") and the Improvement Area C 2005 Special Tax Bonds (the "Improvement Area C Bonds," and together with the Improvement Area B Bonds, the "2005 Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and two Bond Indentures, each dated as of June 1, 2005 (each a "Bond Indenture" and together the "Bond Indentures"), by and between Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (the "Community Facilities District") and Zions First National Bank, as fiscal agent (the "Fiscal Agent"). The Improvement Area B Bonds and Improvement Area C Bonds are payable from proceeds of Special Taxes (as defined herein) levied on property within Improvement Area B and Improvement Area C, respectively, of the Community Facilities District according to the Rate and Method of Apportionment of Special Tax approved by the qualified electors of each Improvement Area and by the Board of Education of the Poway Unified School District (the "School District"), acting as legislative body of the Community Facilities District.

The 2005 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain public improvements of the City of San Diego (the "City Facilities"), (ii) to fund separate reserve funds for the Improvement Area B Bonds and the Improvement Area C Bonds, (iii) to pay interest on the Improvement Area B Bonds for 18 months and on the Improvement Area C Bonds for 24 months, (iv) to pay certain administrative expenses of the Community Facilities District and (v) to pay the costs of issuing the 2005 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS" herein.

Interest on the 2005 Bonds is payable on September 1, 2005 and semiannually thereafter on each March 1 and September 1. The 2005 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2005 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 2005 Bonds as described herein under "THE 2005 BONDS – Book-Entry and DTC."

*The 2005 Bonds are subject to optional redemption, mandatory redemption from prepayment of Special Taxes and mandatory redemption as described herein.*

**THE 2005 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2005 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2005 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2005 BONDS. OTHER THAN THE IMPROVEMENT AREA B SPECIAL TAXES AND THE IMPROVEMENT AREA C SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2005 BONDS. THE 2005 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA B SPECIAL TAXES AND THE IMPROVEMENT AREA C SPECIAL TAXES AS MORE FULLY DESCRIBED HEREIN.**

*This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2005 Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2005 Bonds.*

The 2005 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP and by McFarlin & Anderson LLP, Lake Forest, California, Disclosure Counsel. It is anticipated that the 2005 Bonds, in book-entry form, will be available for delivery to DTC in New York, New York on or about June 16, 2005.

**STONE & YOUNGBERG LLC**

**MATURITY SCHEDULE**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B**  
**2005 SPECIAL TAX BONDS**

**\$3,240,000 2005 SERIAL BONDS**

Base CUSIP® No. 738855†

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP® No.†</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP® No.†</u>
2007	\$ 40,000	3.00%	100%	LB9	2017	\$170,000	4.55%	100%	LM5
2008	40,000	3.25	100	LC7	2018	190,000	4.65	100	LN3
2009	55,000	3.45	100	LD5	2019	210,000	4.75	100	LP8
2010	65,000	3.65	100	LE3	2020	235,000	4.80	4.85	LQ6
2011	80,000	3.85	100	LF0	2021	255,000	4.80	4.90	LR4
2012	90,000	4.00	100	LG8	2022	280,000	4.85	4.95	LS2
2013	105,000	4.15	100	LH6	2023	310,000	5.00	100	LT0
2014	120,000	4.25	100	LJ2	2024	335,000	5.00	5.03	LU7
2015	135,000	4.35	100	LK9	2025	370,000	5.00	5.05	LV5
2016	155,000	4.45	100	LL7					

\$2,360,000 5.00% Improvement Area B Term Bonds due September 1, 2030 Yield 5.10% CUSIP® No. 738855LW3†

\$3,435,000 5.10% Improvement Area B Term Bonds due September 1, 2035 Yield 5.15% CUSIP® No. 738855LX1†

**MATURITY SCHEDULE**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C**  
**2005 SPECIAL TAX BONDS**

**\$4,795,000 2005 SERIAL BONDS**

Base CUSIP® No. 738855†

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP® No.†</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP® No.†</u>
2008	\$ 65,000	3.25%	100%	LY9	2017	\$255,000	4.60%	100%	MH5
2009	80,000	3.50	100	LZ6	2018	285,000	4.70	100	MJ1
2010	95,000	3.70	100	MA0	2019	315,000	4.80	100	MK8
2011	115,000	3.85	100	MB8	2020	350,000	4.875	4.90	ML6
2012	135,000	4.00	100	MC6	2021	385,000	4.875	4.95	MM4
2013	155,000	4.20	100	MD4	2022	425,000	5.00	100	MN2
2014	180,000	4.30	100	ME2	2023	465,000	5.00	5.04	MP7
2015	205,000	4.40	100	MF9	2024	505,000	5.00	5.06	MQ5
2016	230,000	4.50	100	MG7	2025	550,000	5.00	5.08	MR3

\$3,535,000 5.00% Improvement Area C Term Bonds due September 1, 2030 Yield 5.13% CUSIP® No. 738855MS1†

\$5,145,000 5.10% Improvement Area C Term Bonds due September 1, 2035 Yield 5.18% CUSIP® No. 738855MT9†

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**POWAY UNIFIED SCHOOL DISTRICT**

**BOARD OF EDUCATION**

Andy Patapow, *President*  
Penny Ranftle, *Vice President*  
Steve McMillan, *Clerk of the Board*  
Jeff Mangum, *Member*  
Linda Vanderveen, *Member*

**DISTRICT CHIEF ADMINISTRATORS**

Donald A. Phillips, Ed.D., *Superintendent*  
John Collins, *Deputy Superintendent*

**BOND COUNSEL/DISTRICT SPECIAL COUNSEL**

Best Best & Krieger LLP  
San Diego, California

**SCHOOL DISTRICT COUNSEL**

Best Best & Krieger LLP  
San Diego, California

**DISCLOSURE COUNSEL**

McFarlin & Anderson LLP  
Lake Forest, California

**APPRAISER**

Stephen G. White, MAI  
Fullerton, California

**SPECIAL TAX CONSULTANT**

David Taussig & Associates, Inc.  
Newport Beach, California

**FISCAL AGENT**

Zions First National Bank  
Los Angeles, California

## GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the 2005 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 2005 Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Community Facilities District in any press release and in any oral statement made with the approval of an authorized officer of the Community Facilities District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. 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 Community Facilities District or any other entity described or referenced herein since the date hereof. The Community Facilities District does not plan to issue any updates or revision to the forward-looking statements set forth in this Official Statement.

**Limited Offering.** No dealer, broker, salesperson or other person has been authorized by the Community Facilities District to give any information or to make any representations in connection with the offer or sale of the 2005 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Community Facilities District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2005 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Involvement of Underwriter.** The Underwriter has submitted the following statement for inclusion in this Official Statement: 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 Community Facilities District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

**Stabilization of Prices.** In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2005 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2005 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2005 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 2005 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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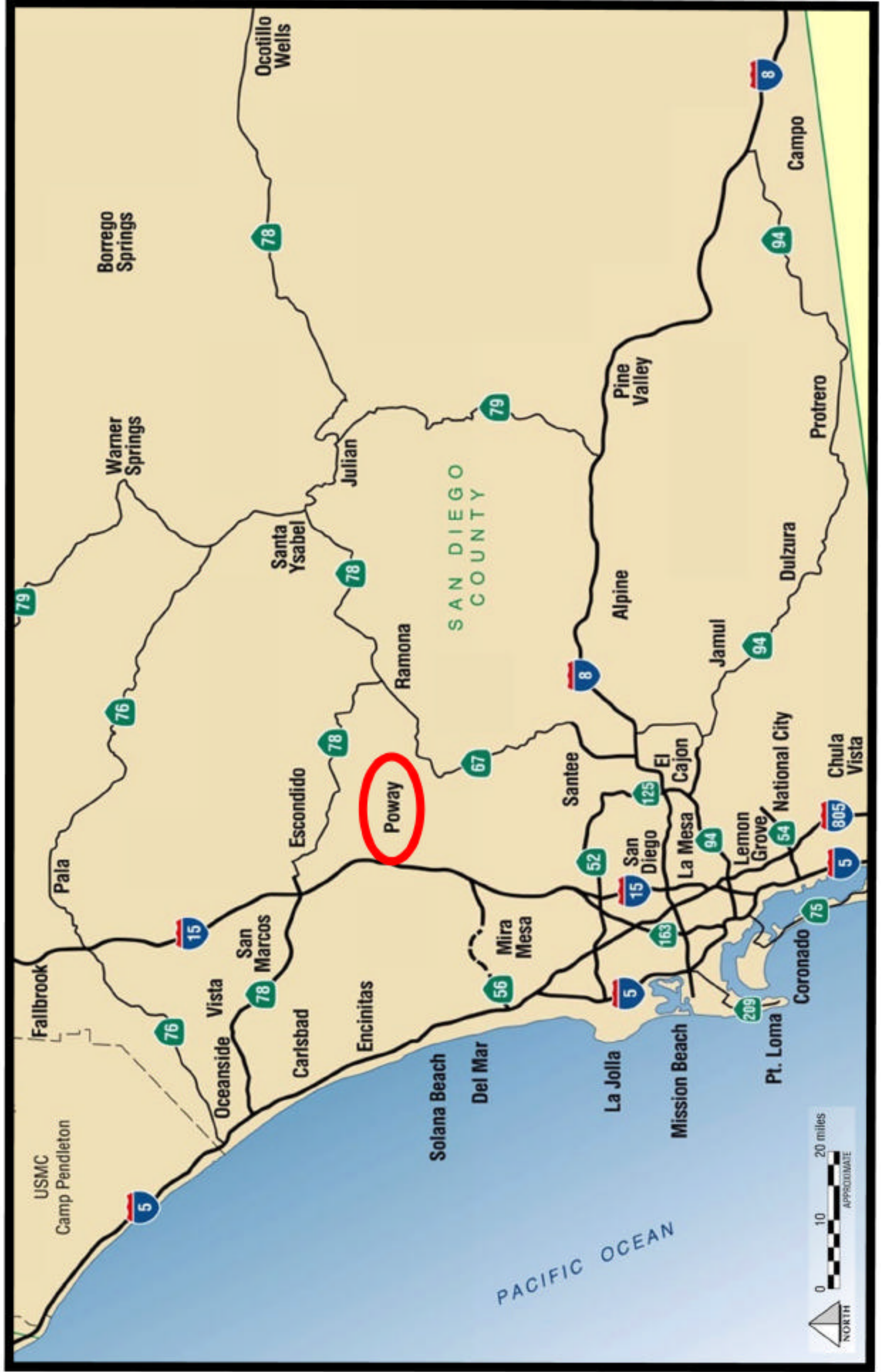
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# Poway Unified School District (San Diego County, California)

## Regional Location Map



**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(STONEBRIDGE ESTATES)  
IMPROVEMENT AREA B AND IMPROVEMENT AREA C**

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Flown: April 2005



## OFFICIAL STATEMENT

**\$9,035,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B**  
**2005 SPECIAL TAX BONDS**

**\$13,475,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C**  
**2005 SPECIAL TAX BONDS**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2005 Bonds to potential investors is made only by means of the entire Official Statement.*

#### **General**

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area B 2005 Special Tax Bonds (the "Improvement Area B Bonds") and Improvement Area C 2005 Special Tax Bonds (the "Improvement Area C Bonds," and together with the Improvement Area B Bonds, the "2005 Bonds").

The 2005 Bonds are issued pursuant to the Act (as defined below) and two Bond Indentures, each dated as of June 1, 2005 (each a "Bond Indenture" and together, the "Bond Indentures"), each by and between the School District (as defined below) and Zions First National Bank, as fiscal agent (the "Fiscal Agent"). See "THE 2005 BONDS – Authority for Issuance" herein. The Community Facilities District may issue additional bonds payable on a parity with either Series of the 2005 Bonds for refunding purpose only.

#### **The School District**

The Poway Unified School District (the "School District") is located north of the City of San Diego (the "City"). The School District was originally formed in 1962. The School District currently covers approximately 100 square miles in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City of San Diego and the unincorporated area of the County, including the communities of Black Mountain Ranch, Carmel Mountain Ranch, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santaluz, Santa Fe Valley, Torrey Highlands and 4S Ranch. The School District currently operates twenty-two (22) elementary schools, five (5) middle schools, four (4) comprehensive high schools, one (1) continuation high school and one (1) adult school. The School District estimates it has approximately 32,750 students enrolled during Fiscal Year 2004-05. See APPENDIX A – "General Information About the Poway Unified School District" herein.

#### **The Community Facilities District**

The Community Facilities District was formed and established by the School District on January 20, 2004, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code, the "Act"), following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. Upon its formation, the Community Facilities District contained four zones, which encompass separate parcels and are separately subject to the levy of Special Taxes to finance the acquisition or construction of certain school facilities (the "School Facilities").

In addition, on January 20, 2004, pursuant to the Act, following a public hearing and landowner elections, the electors of Improvement Area A (“Improvement Area A”), Improvement Area B (“Improvement Area B”) and Improvement Area C (“Improvement Area C”) authorized the Community Facilities District to incur bonded indebtedness and approved the levy of a separate special tax within each Improvement Area to finance the acquisition and construction of public improvements to be owned, operated and maintained by the City, or to which the City may contribute revenue (collectively, the “City Facilities”) and the acquisition or construction of school facilities.

The Community Facilities District is authorized to issue \$60 million aggregate principal amount of bonds, including bonds with respect to Zones 1 through 4 (“Zone 1,” “Zone 2,” “Zone 3,” and “Zone 4,” respectively).

In addition, the Community Facilities District was authorized to issue \$13,500,000 aggregate principal amount of bonds with respect to Improvement Area A, \$10,900,000 aggregate principal amount of bonds with respect to Improvement Area B and \$17,400,000 aggregate principal amount of bonds with respect to Improvement Area C. On April 1, 2004, the Community Facilities District issued an aggregate principal amount of \$11,000,000 of Improvement Area A 2004 Bonds (“Improvement Area A 2004 Bonds”) and \$9,000,000 of Zone 1 Bonds. Zone 1 and Improvement Area A encompass the same land and are coterminous, and the Community Facilities District levied a separate special tax pursuant to the applicable Zone 1 and Improvement Area A Rate and Method of Apportionment of Special Tax. No cross-collateralization exists between Zone 1 and Improvement Area A. No cross-collateralization exists between Improvement Area A, Improvement Area B and Improvement Area C.

Improvement Area B Bonds and Improvement Area C Bonds are being issued at this time and are separate from any bonds issued or authorized to be issued with respect to Improvement Area A. The Community Facilities District does not know when the Zone 2 or Zone 3 bonds will be issued by the Community Facilities District. “Developed Property” as defined in the Community Facilities District Rate and Method will be subject to the levy of special taxes by the Community Facilities District in accordance with such Rate and Method.

The costs of the School Facilities financed with Special Taxes, together with proceeds of Community Facilities District bonds and Improvement Area bonds are expected to exceed the cost of the City Facilities financed with Special Taxes and proceeds of Improvement Area bonds. See “SECURITY FOR THE 2005 BONDS – Rates and Methods – Community Facilities District No. 11 Rate and Method.” The School District will use such special taxes and bond proceeds for the acquisition, construction, rehabilitation and improvement of the School Facilities and City Facilities, as applicable, and related administrative expenses. A portion of the Special Taxes on Developed Property within Improvement Area B and Improvement Area C, as set forth in the Improvement Area B Rate and Method and the Improvement Area C Rate and Method, will be used for the acquisition, construction, rehabilitation and improvement of the School Facilities and related expenses.

Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district or improvement area therein, as applicable, and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness, including interest thereon.

The Community Facilities District is contiguous and is generally located south of Beeler Canyon Road and east of Pomerado Road in the southernmost portion of the School District and in the northeast part of the City. The Community Facilities District is located about four miles east of the I-15 Freeway. The Community Facilities District, which encompasses all of the property in the Rancho Encantada Precise Planned Community, consists of approximately 2,658 gross acres. StoneBridge Estates is the current name of the entire project proposed to be developed in the Community Facilities District, which is comprised of two sub-project areas, known as Montecito and Sycamore Estates. The Montecito sub-project area encompasses approximately 278 gross acres in Zone 1/Improvement Area A and the Sycamore Estates sub-

project area encompasses approximately 2,132 gross acres in Zone 2/Improvement Area B and Zone 3/Improvement Area C. The Community Facilities District also includes approximately 248 acres of open space owned by the City which is located within Zone 4. The residential portion of the StoneBridge Estates project is proposed to be developed by various merchant builder entities including some related to the respective members of Sycamore Estates LLC, a Delaware limited liability company, the master developer of the property in the Community Facilities District.

The StoneBridge Estates development is proposed to include 7 neighborhoods aggregating approximately 828 market rate single-family residences, 106 affordable residential multi-family units, a school site and two park sites (including acreage originally planned for institutional use). 277 units are in Improvement Area A, 210 units plus the 106 affordable units are proposed for Improvement Area B and 341 units are proposed for Improvement Area C. The remaining area, which is in Zone 4, is proposed to be preserved as open space and to become the “Mission Trails Regional Park North.” The property in Zone 1/Improvement Area A has been substantially developed with three of the seven proposed single-family neighborhoods, totaling 277 detached single-family lots and development is currently transitioning to Improvement Area B and Improvement Area C.

As of April 1, 2005, the major landowners in Improvement Area B were Brookfield 8 LLC, a Delaware limited liability company (“Brookfield 8 LLC”) (92 residential lots), Shea Homes Limited Partnership, a California limited partnership (“Shea Homes Limited Partnership”) (82 residential lots) and Warmington Scripps Associates, L.P., a California limited partnership (“Warmington Scripps Associates, L.P.”) (36 residential lots). As of April 1 2005, the major landowner in Improvement Area C was Sycamore Estates LLC with options to its members which can be assigned by its members to any affiliate of its members. (A separate related entity, Sycamore Estates II LLC owned a portion of the property within the Community Facilities District and was subsequently merged with and into Sycamore Estates LLC. For convenience of reference, the term “Sycamore Estates LLC” refers to the applicable entity.) Brookfield Sycamore LLC, a Delaware limited liability company (“Brookfield Sycamore LLC”), a member of Sycamore Estates LLC, expects that one or more separate single purpose affiliates will be formed to acquire the 151 residential lots which Brookfield Sycamore LLC has an option for. Hereinafter, the not yet formed Brookfield affiliate or affiliates are referred to as the “Brookfield Affiliate.” McMillin Companies, LLC, a Delaware limited liability company (“McMillin Companies, LLC”), one of the members of Sycamore Estates LLC, expects that one or more separate single purpose affiliates will be formed to acquire the 190 residential lots which McMillin Companies, LLC has an option for. Hereinafter, the not yet formed McMillin affiliate or affiliates are referred to as the “McMillin Affiliate.” Detailed information about the location of and property ownership and land uses in the Community Facilities District is set forth in “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES)” herein.

Brookfield 8 LLC, Shea Homes Limited Partnership, Warmington Scripps Associates, L.P. and Sycamore Estates LLC are sometimes referred to herein individually as a “Developer” and collectively as the “Developers.”

### **Purpose of the 2005 Bonds**

The Community Facilities District was formed pursuant to a School Impact Mitigation and Public Facilities Funding Agreement dated as of November 17, 2003, by and among the School District, Sycamore Estates LLC, Sycamore Estates II LLC, McMillin Montecito 109, LLC, a Delaware limited liability company, Brookfield 6 LLC and Brookfield 8 LLC (the “Impact Mitigation Agreement”) and a Joint Community Facilities Agreement (“JCFA”), by and among the School District, acting on behalf of itself and the proposed Community Facilities District, the City, Sycamore Estates LLC and Sycamore Estates II LLC. (As previously mentioned, Sycamore Estates II LLC was subsequently merged with and into Sycamore Estates LLC.) The Impact Mitigation Agreement required the property owners (and their successors-in-interest) to include their property in a community facilities district in order to finance School Facilities and to provide for the issuance of bonds of the Improvement Areas to fund City Facilities. See “CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS” and “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Property Ownership and Development” herein.

The Zone 1 2004 Bonds were issued to finance the acquisition and construction of certain School Facilities owned and operated by the School District. The Improvement Area A 2004 Bonds were issued to finance the acquisition and construction of certain City Facilities, including road, signals, water, sewer, park and other public improvements. The Improvement Area B Bonds and Improvement Area C Bonds are being issued to the finance acquisition and construction of certain City Facilities, including road, signals, water, sewer, park and other public improvements.

Proceeds of each series of 2005 Bonds will also be used to fund a reserve fund for that series of Bonds, to fund capitalized interest on that series of Bonds for 18 months with respect to the Improvement Area B Bonds and for 24 months with respect to the Improvement Area C Bonds, to pay certain administrative expenses of the Community Facilities District, and to pay the costs of issuing that series of Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS.”

### **Sources of Payment for the 2005 Bonds**

The Improvement Area B Bonds and the Improvement Area C Bonds are secured by and payable from a first pledge of “Net Special Tax Revenues” of Improvement Area B and Improvement Area C which is defined as proceeds of the Special Taxes levied and received by the Community Facilities District with respect to Improvement Area B and Improvement Area C, including the net amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Taxes resulting from the delinquency in the payment of the Special Taxes due and payable on such property, and net of the County, foreclosure counsel and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings, less the Administrative Expense Requirement (as defined in the applicable Bond Indenture) not to exceed \$20,400, with respect to the Improvement Area B Bonds and \$20,400 with respect to the Improvement Area C Bonds, and subject in each case to escalation by 2% each year. “Special Taxes” are defined in each Bond Indenture as the proceeds of the special taxes levied and received by the Community Facilities District within the Community Facilities District and the “Delinquency Proceeds” as described below.

*The Improvement Area B Bonds and the Improvement Area C Bonds are separately secured under their respective Bond Indenture, and the Special Taxes securing one series of Bonds are not available for or pledged to the payment of debt service on or the replenishment of the reserve fund established for the other series of Bonds.*

Pursuant to the Act, the applicable Rate and Method of Apportionment of Special Tax for the Community Facilities District and each Improvement Area (each a “Rate and Method”), the Resolutions of Formation (as defined herein) and the applicable Bond Indenture, so long as each Series of Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Special Taxes are to be levied, taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Special Taxes in accordance with the applicable Rate and Method and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County before the final date on which the Auditor of the County will accept the transmission of the Special Taxes for the parcels within Improvement Area B and Improvement Area C for inclusion on the next real property tax roll. See “SECURITY FOR THE 2005 BONDS – Special Taxes” herein.

Each Rate and Method exempts from the Special Tax all property owned by the State, the federal government and local governments, as well as certain other properties, subject to certain limitations. See “SECURITY FOR THE 2005 BONDS – Rates and Methods” and “BONDOWNERS’ RISKS – Exempt Properties.”

The Improvement Area B Bonds and the Improvement Area C Bonds are secured by a first pledge of all moneys deposited in the applicable Reserve Fund. See “SECURITY FOR THE 2005 BONDS.” A separate Reserve Fund will be established out of the proceeds of the sale of the Improvement Area B Bonds

and the Improvement Area C Bonds, respectively, in an amount equal to the applicable Reserve Requirement. Each Bond Indenture defines each Reserve Requirement as an amount, as of any date of calculation, equal to the least of (i) the then maximum annual debt service on the Improvement Area B Bonds or Improvement Area C Bonds, as applicable, (ii) 125% of the then average annual debt service on the Improvement Area B Bonds or Improvement Area C Bonds, as applicable or (iii) 10% of the original principal amount of the Improvement Area B Bonds or Improvement Area C Bonds, as applicable, less original issue discount, if any, plus original issue premium, if any. The ability of the Board of Education, in its capacity as legislative body of the Community Facilities District, to increase the annual Special Taxes levied to replenish each Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area B and Improvement Area C, as applicable. The moneys in the Improvement Area B Reserve Fund will only be used for payment of principal of, interest and any redemption premium on, the Improvement Area B Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the Improvement Area B Bonds. The moneys in the Improvement Area C Reserve Fund will only be used for payment of principal of, interest and any redemption premium on, the Improvement Area C Bonds and, at the direction of the Community Facilities District, for payment of rebate obligations related to the Improvement Area C Bonds. See "SECURITY FOR THE 2005 BONDS – Reserve Funds."

The Community Facilities District has also covenanted in the Bond Indentures 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 2005 BONDS – Proceeds of Foreclosure Sales."

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2005 BONDS. OTHER THAN THE SPECIAL TAXES OF IMPROVEMENT AREA B OR IMPROVEMENT AREA C, AS APPLICABLE, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2005 BONDS. THE IMPROVEMENT AREA B BONDS AND THE IMPROVEMENT AREA C BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES OF IMPROVEMENT AREA B AND IMPROVEMENT AREA C, AS APPLICABLE, AS MORE FULLY DESCRIBED HEREIN.**

## **Appraisal**

An MAI appraisal of the land and existing improvements for each development within Improvement Area B and Improvement Area C of the Community Facilities District dated April 26, 2005 (the "Appraisal"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Appraiser") in connection with issuance of the 2005 Bonds. The purpose of the Appraisal was to estimate the market value by tract or future ownership of the "as-is" condition of the taxable property located within the Community Facilities District. The Appraisal reflects the Improvement Area B and Improvement Area C financings. The subject property in Improvement Area B includes property proposed for development with 210 detached single-family residential units and 106 affordable residential multi-family units. (Up to 106 units may be affordable units which are not subject to the Special Tax.) The subject property in Improvement Area C includes property proposed for development with 341 single-family residential units. The Appraisal is based on certain assumptions set forth in Appendix C hereto.

Based on the investigation and analyses described in the Appraisal, and subject to all of the premises, assumptions and limiting conditions set forth therein, the Appraiser estimated the market value of the taxable property in Improvement Area B as of April 15, 2005 to be \$91,100,000 and Improvement Area C as of April 15, 2005, to be \$121,600,000. The market value includes the value of extensive grading and infrastructure improvements in Improvement Area B and Improvement Area C. Subject to these assumptions, the Appraiser estimated that the market value of the land within Improvement Area B and Improvement Area C (subject to the lien of the Special Taxes) as of April 15, 2005, was as follows:

<u>Developer</u>	<u>Project Name</u>	<u>Units</u>	<u>Market Value</u>
<b><i>Improvement Area B</i></b>			
Brookfield 8 LLC	Calabria	92	\$36,100,000
Shea Homes Limited Partnership	Sanctuary	82	37,800,000
Warmington Scripps Associates, L.P.	The Collection	<u>36</u>	<u>17,200,000</u>
Improvement Area B Total		210	\$91,100,000
<b><i>Improvement Area C</i></b>			
Sycamore Estates LLC with an option to McMillin Companies, LLC or its assignee	Neighborhood 5	81	\$ 27,100,000
Sycamore Estates LLC with an option to McMillin Companies, LLC or its assignee	Neighborhood 6	109	34,700,000
Sycamore Estates LLC with an option to Brookfield Sycamore LLC or its assignee	Neighborhood 7	<u>151</u>	<u>59,800,000</u>
Improvement Area C Total		341	\$121,600,000

The market values of the property within Improvement Area B and Improvement Area C include the value of tract map approvals and the near finished conditions of such property. The \$91,100,000 and \$121,600,000 aggregate market value reported in the Appraisal results in estimated value-to-lien ratio of 10.08 to 1 with respect to Improvement Area B and 9.02 to 1 with respect to Improvement Area C, calculated in each case with respect to all direct and overlapping tax and assessment debt as of the estimated closing date. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Appraised Property Values,” “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Direct and Overlapping Debt” and “BONDOWNERS’ RISKS – Appraised Values” herein and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Appraisal and for limiting conditions relating to the Appraisal.

### **Tax Exemption**

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the 2005 Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the 2005 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

### **Risk Factors Associated with Purchasing the 2005 Bonds**

Investment in the 2005 Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2005 Bonds.

### **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the



information under the caption “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES)” and “ – Property Ownership and Development” therein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMMUNITY FACILITIES DISTRICT AND THE SCHOOL DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

### **Professionals Involved in the Offering**

Zions First National Bank, Los Angeles, California, will serve as the fiscal agent for the 2005 Bonds and will perform the functions required of it under the Bond Indentures for the payment of the principal of and interest and any premium on the 2005 Bonds and all activities related to the redemption of the 2005 Bonds. Best Best & Krieger LLP, San Diego, California is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. Stone & Youngberg LLC, Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the 2005 Bonds. McFarlin & Anderson LLP, Lake Forest, California, is acting as Disclosure Counsel.

The appraisal work was done by Stephen G. White, MAI of Fullerton, California. David Taussig & Associates, Inc., Newport Beach, California, acted as special tax consultant, administrator and dissemination agent to the Community Facilities District.

*Except for some Bond Counsel and Special Tax Consultant fees paid from advances made to the School District by the Developers, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Special Tax Consultant, the Underwriter and the Fiscal Agent is contingent upon the sale and delivery of the 2005 Bonds.*

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2005 Bonds, certain sections of the Bond Indentures, security for the 2005 Bonds, special risk factors, the Community Facilities District, the Zones, the Improvement Areas, the School District, the Developers’ projects, the Developers and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2005 Bonds, the Bond Indentures and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2005 Bonds, the Bond Indentures, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of such documents may be obtained from the Deputy Superintendent of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3038.

## **CONTINUING DISCLOSURE**

*The Community Facilities District.* The Community Facilities District has covenanted in the Community Facilities District Continuing Disclosure Agreement, the form of which is set forth in APPENDIX E – “Form of Community Facilities District Continuing Disclosure Agreement” (the “Community Facilities District Continuing Disclosure Agreement”), for the benefit of owners and beneficial owners of the 2005 Bonds, to provide certain financial information and operating data relating to the Community Facilities District, Improvement Area B, Improvement Area C and the 2005 Bonds by not later

than January 31 in each year commencing on January 31, 2006 (the “Community Facilities District Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material.

The Community Facilities District Annual Report will be filed by the Community Facilities District, or David Taussig & Associates, Inc., as Dissemination Agent on behalf of the Community Facilities District, with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State repository, if any (collectively, the “Repositories”), with a copy to the Fiscal Agent and the Underwriter. Any notice of a material event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board and the appropriate State repository, if any, with a copy to the Fiscal Agent and the Underwriter. The specific nature of the information to be contained in the Community Facilities District Annual Report or any notice of a material event is set forth in the Community Facilities District Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Community Facilities District Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”); *provided, however*, a default under the Community Facilities District Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Bond Indentures, and the sole remedy under the Community Facilities District Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the Community Facilities District Continuing Disclosure Agreement will be an action to compel performance.

Neither the School District nor the Community Facilities District has ever failed to comply, in any material respect, with an undertaking under the Rule.

*Developers.* Each Developer other than Warmington Scripps Associates, L.P. has covenanted in its Developer Continuing Disclosure Agreement, the form of which is set forth in APPENDIX F – “Form of Developer Continuing Disclosure Agreements” (the “Developer Continuing Disclosure Agreements”), for the benefit of owners and beneficial owners of the 2005 Bonds, to provide certain financial and operating information by not later than April 1 and October 1 of each year commencing October 1, 2005 (a “Developer Semi-Annual Report”) and to provide notices of the occurrence of certain enumerated material events. Each Developer’s obligations under its Developer Continuing Disclosure Agreement terminates upon the occurrence of certain events. See APPENDIX F – “Form of Developer Continuing Disclosure Agreements.”

The Developer Semi-Annual Reports will be filed by each applicable Developer, or the “Dissemination Agent” (as that term is defined in the Developer Continuing Disclosure Agreements), on behalf of the applicable Developer, with the Repositories, with a copy to the Underwriter, the Fiscal Agent and the Community Facilities District. Any notice of a material event will be filed by each Developer, or by the Dissemination Agent on behalf of the applicable Developer, with the Municipal Securities Rulemaking Board and the appropriate State repository, if any, with a copy to the Underwriter, the Fiscal Agent and the Community Facilities District. The specific nature of the information to be contained in each Developer Semi-Annual Report or the notices of material events is set forth in the applicable Developer Continuing Disclosure Agreement. The covenants of each Developer in its Developer Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with the Rule; *provided, however*, a default under a Developer Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Bond Indentures, and the sole remedy under each Developer Continuing Disclosure Agreement in the event of any failure of the applicable Developer or the Dissemination Agent to comply with such Developer Continuing Disclosure Agreement will be an action to compel performance.

Each Developer has indicated that it has never failed to comply in any material respect with an undertaking under the Rule to provide annual or semi-annual reports or notices of material events.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2005 Bonds will be deposited into the following respective accounts and funds established by the School District under the Bond Indentures, as follows:

### ***Improvement Area B Bonds***

#### Sources

Principal Amount of Improvement Area B Bonds	\$9,035,000.00
Less: Underwriter's Discount	(149,077.50)
Less: Original Issue Discount	(70,886.75)
	<u>\$8,815,035.75</u>

*Total Improvement Area B Sources*

#### Uses

Deposit into Improvement Area B Reserve Fund <sup>(1)</sup>	\$785,618.91
Deposit into Improvement Area B Costs of Issuance Fund <sup>(2)</sup>	133,000.00
Deposit into Improvement Area B Infrastructure Improvement Fund <sup>(3)</sup>	7,190,322.59
Deposit into Capitalized Interest Subaccount of the Improvement Area B Bond Service Fund <sup>(4)</sup>	664,886.25
Deposit into Administrative Expense Fund	<u>41,208.00</u>

*Total Improvement Area B Uses*

\$8,815,035.75

### ***Improvement Area C Bonds***

#### Sources

Principal Amount of Improvement Area C Bonds	\$13,475,000.00
Less: Underwriter's Discount	(202,125.00)
Less: Original Issue Discount	(143,547.05)
	<u>\$13,129,327.95</u>

*Total Improvement Area C Sources*

#### Uses

Deposit into Improvement Area C Reserve Fund <sup>(1)</sup>	\$1,175,515.06
Deposit into Improvement Area C Costs of Issuance Fund <sup>(2)</sup>	153,000.00
Deposit into Improvement Area C Infrastructure Improvement Fund <sup>(3)</sup>	10,430,912.37
Deposit into Capitalized Interest Subaccount of the Improvement Area C Bond Service Fund <sup>(4)</sup>	1,328,692.52
Deposit into Administrative Expense Fund	<u>41,208.00</u>

*Total Improvement Area C Uses*

\$13,129,327.95

- <sup>(1)</sup> Equal to the Reserve Requirement with respect to the Improvement Area B Bonds and with respect to the Improvement Area C Bonds as of the date of delivery of the 2005 Bonds.
- <sup>(2)</sup> Includes, among other things, the fees and expenses of Bond Counsel, the cost of printing the final Official Statement, fees and expenses of the Fiscal Agent, the fees of the Special Tax Consultant, and reimbursement to the School District of costs incurred in connection with the 2005 Bonds, such as the cost of the Appraisal.
- <sup>(3)</sup> See "CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS" below.
- <sup>(4)</sup> Represents capitalized interest on the Improvement Area B Bonds for 18 months and on the Improvement Area C Bonds for 24 months.

## **CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS**

Proceeds of the Improvement Area B and Improvement Area C Bonds will be used to fund the acquisition of City Facilities, including street, water and other public improvements as referenced in Exhibit E of the School Impact Mitigation and Public Facilities Funding Agreement, dated November 17, 2003. City Facilities include but are not limited to: (i) Stonebridge Parkway Phase II (from the westerly limits of StoneBridge Estates Final Map No. 14749 to the westernmost border of Improvement Area C); (ii) Stonebridge Parkway Phase III (from the easterly limits of Sycamore Estates Final Map No. 14749 to the easternmost border of Improvement Area C), (iii) secondary fire access road - Phase I (Beeler Canyon Road from Project limits to Improvement Area A easternmost boundary); (iv) secondary fire access road – Phase II (western boundary of Improvement Area B to Unit 11 boundary); (v) secondary fire access road – Phase III (Old Creek Road from Beeler Canyon Road to Unit 1 boundary); (vi) secondary fire access road – Phase IV (Old Creek Road from the intersection of Green Valley Court to Stonebridge Parkway); (vii) Spring Canyon Road from Elderwood Lane to Scripps Ranch Boulevard costs; (viii) neighborhood park adjacent to the school site (8.0 net usable acre park) and neighborhood park No. 2 (6.0 net usable acre park)<sup>1</sup>; (ix) sewer mains upstream of pump station in Beeler Canyon Road from the City of Poway limits to Improvement Area A easterly project limits); (x) 1.6 million gallon water reservoir and water pump station to serve 1250 pressure zone; (xii) water pump station to serve 1135 pressure zone; and (xiii) San Diego Multiple Habitat Planning Area costs.

<sup>1</sup> The conditions of approval of neighborhood park No. 2 are expected to be satisfied by making a \$750,000 contribution to the City of San Diego with 2005 Bond proceeds.

### **THE 2005 BONDS**

#### **Authority for Issuance**

The 2005 Bonds will be issued pursuant to the Act and the Bond Indentures.

#### **General Provisions**

The Improvement Area B 2005 Special Tax Bonds in the aggregate amount of \$9,035,000 and the Improvement Area C 2005 Special Tax Bonds in the aggregate amount of \$13,475,000 will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on September 1, 2005 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2005 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof and when delivered, will be 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 2005 Bonds. Ownership interests in the 2005 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as the 2005 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2005 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2005 Bonds in accordance with the procedures adopted by DTC. See “THE 2005 BONDS – Book-Entry and DTC.”

The 2005 Bonds will bear interest at the rates set forth on the inside cover hereof payable on the Interest Payment Dates in each year. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2005 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, or (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the date of the 2005 Bonds; *provided, however*, that if at the time of authentication of a 2005

Bond, interest is in default, interest on that 2005 Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Interest on the 2005 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first class mail on the Interest Payment Dates (or on the next Business Day following the Interest Payment Date if such Interest Payment Date is not a Business Day) to the registered Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration maintained by the Fiscal Agent or upon the request in writing prior to the Record Date of a Bond Owner of at least \$1,000,000 in aggregate principal amount of a single Series of 2005 Bonds by wire transfer in immediately available funds (i) to the DTC if the 2005 Bonds are held in the book-entry system or (ii) to an account in the United States of America designated by such Owner. Such instructions shall continue in effect until revoked in writing, or until such 2005 Bonds are transferred to a new Owner. The principal of the 2005 Bonds and any premium on the 2005 Bonds due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender of the 2005 Bonds at maturity or the earlier redemption thereof at the Principal Corporate Trust Office of the Fiscal Agent (currently in Los Angeles, California).

## Debt Service Schedule

The following table presents the annual debt service on the 2005 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions.

### IMPROVEMENT AREA B BONDS

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	–	\$ 92,345.31	\$ 92,345.31
2006	–	443,257.50	443,257.50
2007	\$40,000	443,257.50	483,257.50
2008	40,000	442,057.50	482,057.50
2009	55,000	440,757.50	495,757.50
2010	65,000	438,860.00	503,860.00
2011	80,000	436,487.50	516,487.50
2012	90,000	433,407.50	523,407.50
2013	105,000	429,807.50	534,807.50
2014	120,000	425,450.00	545,450.00
2015	135,000	420,350.00	555,350.00
2016	155,000	414,477.50	569,477.50
2017	170,000	407,580.00	577,580.00
2018	190,000	399,845.00	589,845.00
2019	210,000	391,010.00	601,010.00
2020	235,000	381,035.00	616,035.00
2021	255,000	369,755.00	624,755.00
2022	280,000	357,515.00	637,515.00
2023	310,000	343,935.00	653,935.00
2024	335,000	328,435.00	663,435.00
2025	370,000	311,685.00	681,685.00
2026	400,000	293,185.00	693,185.00
2027	435,000	273,185.00	708,185.00
2028	470,000	251,435.00	721,435.00
2029	505,000	227,935.00	732,935.00
2030	550,000	202,685.00	752,685.00
2031	590,000	175,185.00	765,185.00
2032	635,000	145,095.00	780,095.00
2033	685,000	112,710.00	797,710.00
2034	735,000	77,775.00	812,775.00
2035	<u>790,000</u>	<u>40,290.00</u>	<u>830,290.00</u>
	\$9,035,000	\$9,950,790.31	\$18,985,790.31

**IMPROVEMENT AREA C BONDS**

<b>Year Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2005	–	\$138,405.47	\$138,405.47
2006	–	664,346.26	664,346.26
2007	–	664,346.26	664,346.26
2008	\$ 65,000	664,346.26	729,346.26
2009	80,000	662,233.76	742,233.76
2010	95,000	659,433.76	754,433.76
2011	115,000	655,918.76	770,918.76
2012	135,000	651,491.26	786,491.26
2013	155,000	646,091.26	801,091.26
2014	180,000	639,581.26	819,581.26
2015	205,000	631,841.26	836,841.26
2016	230,000	622,821.26	852,821.26
2017	255,000	612,471.26	867,471.26
2018	285,000	600,741.26	885,741.26
2019	315,000	587,346.26	902,346.26
2020	350,000	572,226.26	922,226.26
2021	385,000	555,163.76	940,163.76
2022	425,000	536,395.00	961,395.00
2023	465,000	515,145.00	980,145.00
2024	505,000	491,895.00	996,895.00
2025	550,000	466,645.00	1,016,645.00
2026	600,000	439,145.00	1,039,145.00
2027	650,000	409,145.00	1,059,145.00
2028	705,000	376,645.00	1,081,645.00
2029	760,000	341,395.00	1,101,395.00
2030	820,000	303,395.00	1,123,395.00
2031	885,000	262,395.00	1,147,395.00
2032	955,000	217,260.00	1,172,260.00
2033	1,025,000	168,555.00	1,193,555.00
2034	1,100,000	116,280.00	1,216,280.00
2035	<u>1,180,000</u>	<u>60,180.00</u>	<u>1,240,180.00</u>
	\$13,475,000	\$14,933,280.63	\$28,408,280.63

**Redemption**

*Optional Redemption.* The 2005 Bonds maturing on and after September 1, 2007 may be redeemed at the option of the Community Facilities District prior to maturity, as a whole or in part on any Interest Payment Date on and after March 1, 2006, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, from any source of funds, at the following redemption prices

(expressed as percentages of the principal amount of the 2005 Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2006 through March 1, 2014	102%
September 1, 2014 and any Interest Payment Date thereafter	100

Whenever provision is made for the optional redemption of less than all of the 2005 Bonds, the Fiscal Agent shall select the 2005 Bonds to be redeemed, among maturities as directed by the Community Facilities District which shall specify the 2005 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Outstanding 2005 Bonds following such redemption as was in effect prior to such redemption. The Fiscal Agent shall select 2005 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

*Redemption from Proceeds of Special Tax Prepayment.* The 2005 Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part on a pro rata basis among maturities and by lot within a maturity from prepayment of Special Taxes. The Community Facilities District shall deliver written instructions to the Fiscal Agent not less than 60 days prior to the redemption date directing the Fiscal Agent to utilize the Special Tax Revenues transferred to the Redemption Fund pursuant to the Bond Indenture to redeem the 2005 Bonds, as applicable. The Fiscal Agent shall select 2005 Bonds to be redeemed within a maturity, pro rata among maturities as directed in writing by the Community Facilities District. Such extraordinary mandatory redemption of the 2005 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2005 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2006 through March 1, 2014	102%
September 1, 2014 and any Interest Payment Date thereafter	100

*Mandatory Sinking Payment Redemption.* The Improvement Area B Bonds maturing on September 1, 2030, are subject to mandatory sinking redemption, in part by lot, on September 1 in each year commencing September 1, 2026, at a redemption price equal to the principal amount of the Improvement Area B Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

**IMPROVEMENT AREA B BONDS**

<u>Sinking Fund Redemption Date</u>	<u>Principal Amount</u>
2026	\$400,000
2027	435,000
2028	470,000
2029	505,000
2030 (maturity)	550,000

The Improvement Area B Bonds maturing on September 1, 2035, are subject to mandatory sinking redemption, in part by lot, on September 1 in each year commencing September 1, 2031, at a redemption price equal to the principal amount of the Improvement Area B Bonds to be redeemed, plus accrued and unpaid



interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

**IMPROVEMENT AREA B BONDS**

<b>Sinking Fund Redemption Date</b>	<b>Principal Amount</b>
2031	\$590,000
2032	635,000
2033	685,000
2034	735,000
2035 (maturity)	790,000

The Improvement Area C Bonds maturing on September 1, 2030, are subject to mandatory sinking redemption, in part by lot, on September 1 in each year commencing September 1, 2026, at a redemption price equal to the principal amount of the Improvement Area C Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

**IMPROVEMENT AREA C BONDS**

<b>Sinking Fund Redemption Date</b>	<b>Principal Amount</b>
2026	\$600,000
2027	650,000
2028	705,000
2029	760,000
2030 (maturity)	820,000

The Improvement Area C Bonds maturing on September 1, 2035, are subject to mandatory sinking redemption, in part by lot, on September 1 in each year commencing September 1, 2031, at a redemption price equal to the principal amount of the Improvement Area C Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

**IMPROVEMENT AREA C BONDS**

<b>Sinking Fund Redemption Date</b>	<b>Principal Amount</b>
2031	\$885,000
2032	955,000
2033	1,025,000
2034	1,100,000
2035 (maturity)	1,180,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the applicable Series of the 2005 Bonds pursuant to an optional redemption or redemption from proceeds of Special Tax prepayments as specified in writing by the Community Facilities District to the Fiscal Agent.

*Purchase In Lieu of Redemption.* In lieu of an optional, extraordinary mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2005 Bonds at public or private sale at such prices as the Community Facilities District may in its discretion determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus accrued interest accrued to the purchase date and any

premium which would otherwise be due if the Bonds were to be redeemed in accordance with the applicable Bond Indenture.

*Notice of Redemption.* The Fiscal Agent shall mail, at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first class mail, postage prepaid, to the respective registered Owners of the 2005 Bonds at the addresses appearing on the Bond registry books. So long as notice by first class mail has been provided as set forth below, the actual receipt by the Owner of any 2005 Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such 2005 Bonds or the cessation of interest on the date fixed for redemption.

Such notice shall (a) state the redemption date; (b) state the redemption price; (c) state the bond registration numbers, dates of maturity and CUSIP® numbers of the 2005 Bonds to be redeemed, and in the case of 2005 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however,* that whenever any call includes all 2005 Bonds of a maturity, the numbers of the 2005 Bonds of such maturity need not be stated; (d) state that such 2005 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2005 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2005 Bonds as originally issued; (g) state the rate of interest borne by each 2005 Bond being redeemed and (h) state that any other descriptive information needed to identify accurately the 2005 Bonds being redeemed as the Community Facilities District shall direct.

*Effect of Redemption.* When notice of redemption has been given substantially as provided for in the applicable Bond Indenture, and when the amount necessary for the redemption of the 2005 Bonds called for redemption is set aside for that purpose in the applicable Redemption Fund, the 2005 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2005 Bonds at the place specified in the notice of redemption, said 2005 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2005 Bonds or portions of 2005 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2005 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2005 Bonds or portions of 2005 Bonds only to said Redemption Fund.

## **Registration, Transfer and Exchange**

*Registration.* The Fiscal Agent will keep sufficient books for the registration and transfer of the 2005 Bonds, and upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said register, the Bonds as hereinbefore provided. The Community Facilities District and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the holder and absolute Owner of such Bond for all purposes under the applicable Bond Indenture, and the Community Facilities District and the Fiscal Agent shall not be affected by any notice to the contrary.

*Transfers of Bonds.* The transfer of any 2005 Bond may be registered only upon such books of registration upon surrender thereof to the Fiscal Agent, together with an assignment duly executed by the Bondowner or his attorney or legal representative, in satisfactory form. Upon any such registration of transfer, a new 2005 Bond or Bonds shall be authenticated and delivered in exchange for such 2005 Bond, in the name of the transferee, of any denomination or denominations authorized by the Bond Indenture, and in an aggregate principal amount equal to the principal amount of such 2005 Bond or Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2005 Bonds for a period of 15 days next preceding to the date of any selection of the 2005 Bonds for redemption or (ii) any 2005 Bonds chosen for redemption.

*Exchange of Bonds.* Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2005 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the applicable Bond Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2005 Bond.

## Book-Entry and DTC

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2005 Bonds. The 2005 Bonds 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 Bond certificate will be issued for each maturity of the 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX H – “Book-Entry System.”

## SECURITY FOR THE 2005 BONDS

### General

The 2005 Bonds issued with respect to the Improvement Area B Bonds and the Improvement Area C Bonds are secured by a first pledge of all of the Net Special Tax Revenues of Improvement Area B and Improvement Area C, as applicable, and all moneys deposited in the applicable Bond Service Fund and in the applicable Reserve Fund and, until disbursed as provided in the applicable Bond Indenture, in the applicable Special Tax Fund. Pursuant to the Act and the Bond Indentures, the Community Facilities District will annually levy the Special Taxes in Improvement Area B and in Improvement Area C in an amount required for the payment of principal of, and interest on, any outstanding 2005 Bonds, as applicable, becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the applicable Reserve Fund with respect to Improvement Area B Bonds and Improvement Area C Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year. The Net Special Tax Revenues of Improvement Area B and Improvement Area C and all moneys deposited into the applicable accounts (until disbursed as provided in the applicable Bond Indenture) are pledged to the payment of the principal of, and interest and any premium on, the Improvement Area B Bonds and Improvement Area C Bonds, as applicable, as provided in the applicable Bond Indenture and in the Act until all of the Improvement Area B Bonds and Improvement Area C Bonds have been paid and retired or until moneys or Federal Securities (as defined in each Bond Indenture) have been set aside irrevocably for that purpose.

Amounts in the Administrative Expense Funds, the Costs of Issuance Funds, the Rebate Funds and the Infrastructure Improvement Funds are not pledged to the repayment of the 2005 Bonds. The City Facilities constructed and acquired with the proceeds of the 2005 Bonds are not in any way pledged to pay the debt service on the 2005 Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the 2005 Bonds are not pledged to pay the debt service on the 2005 Bonds.

### Special Taxes

The Community Facilities District has covenanted in each Bond Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Taxes in Improvement Area B and Improvement Area C, including without limitation, the enforcement of delinquent Special Taxes. Each Rate and Method provides that the Special Taxes are payable and will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, *provided, however*, that the Community Facilities District may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

**Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the applicable Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies in Improvement Area B or Improvement Area C, the receipt of Special Taxes in Improvement Area B or Improvement Area C will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2005 Bonds applicable to Improvement Area B or Improvement Area C. The Special Taxes levied in Improvement Area B are not available to pay principal of or interest on the Improvement Area C Bonds and the Special Taxes levied in Improvement Area C are not available to pay principal of or interest on the Improvement Area B Bonds.**

Although the Special Taxes, when levied, will constitute a lien on parcels subject to taxation within Improvement Area B and Improvement Area C, it does not constitute a personal indebtedness of the owners of property within Improvement Area B and Improvement Area C. There is no assurance that the owners of

real property in Improvement Area B and Improvement Area C will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. See “BONDOWNERS’ RISKS” herein.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE IMPROVEMENT AREA B BONDS OR THE IMPROVEMENT AREA C BONDS. OTHER THAN THE SPECIAL TAXES OF IMPROVEMENT AREA B AND IMPROVEMENT AREA C, AS APPLICABLE, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE IMPROVEMENT AREA B BONDS OR THE IMPROVEMENT AREA C BONDS. THE IMPROVEMENT AREA B BONDS AND THE IMPROVEMENT AREA C BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES OF IMPROVEMENT AREA B AND IMPROVEMENT AREA C AS MORE FULLY DESCRIBED HEREIN.**

### **Rates and Methods**

*General.* In 2003, the Developers or their predecessors and other applicants requested that the School District institute proceedings pursuant to the Act to (a) create a new Community Facilities District, (b) designate improvement areas within such Community Facilities District and (c) authorize the Community Facilities District to issue bonded indebtedness and to levy special taxes to fund the School Facilities and the City Facilities.

The Developers or their predecessors participated in the proceedings for formation of the Community Facilities District. Pursuant to such proceedings, a Special Tax may be levied and collected within each Zone of the Community Facilities District to finance School Facilities according to the Community Facilities District Rate and Method, a copy of which is set forth in APPENDIX B – “Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District.”

In addition, pursuant to such proceedings, a Special Tax may be levied and collected within Improvement Area B and Improvement Area C to finance City Facilities, School Facilities and other authorized facilities according to the proceedings establishing the Community Facilities District.

The Community Facilities District Rate and Method has four Zones, Zone 1, Zone 2, Zone 3 and Zone 4. Zone 4 is required to be dedicated to the City or the City’s designee, as open space and is not expected to be developed or subject to the levy of Special Taxes. The boundaries of Zone 1, Zone 2 and Zone 3 are co-terminus with the boundaries of Improvement Area A, Improvement Area B and Improvement Area C, respectively.

The qualified electors of the Community Facilities District and of each Improvement Area approved each Rate and Method on January 20, 2004. Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Rate and Method.

**Improvement Area B Rate and Method.** The Improvement Area B Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within Improvement Area B of the Community Facilities District up to the applicable Maximum Special Tax to pay for City Facilities and Additional School Facilities. The 2005 Bonds, when issued, will fund City Facilities and will be secured by any Special Taxes levied pursuant to the Improvement Area B Rate and Method in Improvement Area B only, and will not be payable from Special Taxes levied in Improvement Area A or Improvement Area C.

The Improvement Area B Rate and Method provides that the Annual Special Tax shall be levied for a term of 30 Fiscal Years after the issuance of the 2005 Bonds, but in no event later than Fiscal Year 2050-51. A copy of the Community Facilities District Rate and Method is included in Appendix B hereto.

*Annual Special Tax Requirement.* Annually, at the time of levying the Special Tax for Improvement Area B, the Board of Education will determine the amount of money to be collected from Taxable Property

in Improvement Area B (the “Annual Special Tax Requirement”), which will be the amount required in any Fiscal Year to pay the following:

- (i) Annual debt service on all outstanding Improvement Area B Bonds;
- (ii) Administrative Expenses of the Community Facilities District applicable to property within Improvement Area B;
- (iii) Any costs associated with the release of funds from an escrow account established in association with Improvement Area B Bonds (there is no escrow fund established with respect to Improvement Area B); and
- (iv) Any amount required to establish or replenish any reserve funds established in association with the Improvement Area B Bonds; *less*
- (v) Any amounts on deposit in any funds or accounts which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

*Developed and Undeveloped Property; Exempt Property.* The Improvement Area B Rate and Method declares that for each Fiscal Year, all Assessor’s Parcels within Improvement Area B shall be classified as Taxable Property or Exempt Property taking into consideration the Minimum Net Taxable Acres and all Taxable Property shall be classified as Developed Property or Undeveloped Property and shall be subject to Special Taxes in accordance with the Improvement Area B Rate and Method.

- (i) “Developed Property” means all Assessor’s Parcels of Taxable Property for which a Building Permit was issued on or before May 1 of the prior Fiscal Year, *provided* that such Assessor’s Parcels are associated with a Final Subdivision Map recorded on or before January 1 of the prior Fiscal Year and that each such Assessor’s Parcel is associated with a lot, as determined reasonably by the Board.
- (ii) “Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not classified as Developed Property.
- (iii) “Taxable Property” means all Assessor’s Parcels which are not Exempt Property (as defined below) pursuant to law or the Improvement Area B Rate and Method.
- (iv) “Exempt Property” is defined to include the following:
  - (a) Assessor’s Parcels owned by or irrevocably offered to the State of California, federal or other local governments;
  - (b) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization;
  - (c) Assessor’s Parcels for which Building Permits were issued on or before May 1 of the prior Fiscal Year for the construction of Assigned Units;
  - (d) Assessor’s Parcels used exclusively by a homeowner’s association;
  - (e) Assessor’s Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction; and
  - (f) other types of Assessor’s Parcels, at the reasonable discretion of the applicable Community Facilities District representative, *provided* that no such classification would reduce the acreage of all Taxable Property to less than 92.57 Net Taxable Acres in Improvement Area B (as defined in the Improvement Area B Rate and Method).

Assessor’s Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 92.57 Net Taxable Acres in Improvement Area B will

continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

*Maximum Special Tax.* The Maximum Special Tax is defined in the Rate and Method as follows:

(i) Undeveloped Property: The amount determined by the application of the Assigned Annual Special Tax for Improvement Area B. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2004-05 is \$5,668.59 per acre of Acreage. On each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

(ii) Developed Property: The *greater* of (i) the application of the Assigned Annual Special Tax for Improvement Area B or (ii) the application of the Backup Annual Special Tax for a given Final Subdivision Map.

The Assigned Annual Special Tax for Developed Property (whether detached or attached) in Fiscal Year 2004-05 ranges from \$1,358.20 to \$2,994.86 per Unit. Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax for Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year. See the Improvement Area B Rate and Method in APPENDIX B – “Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District – Table 1” herein.

The “Backup Annual Special Tax” is based on the number of lots created by each Final Subdivision Map within Improvement Area B. There are currently three final subdivision Tract Maps within Improvement Area B (see “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Property Ownership and Development”). The Backup Annual Special Tax for an Assessor's Parcel of Developed Property in Fiscal Year 2004-05 is estimated to be between \$2,287.03 and \$3,634.83.

The minimum taxable acreage is 92.57 acres of Acreage for Improvement Area B.

*Method of Apportionment.* In Fiscal Year 2005-06 and for each subsequent Fiscal Year, the applicable Community Facilities District Representative shall determine the Annual Special Taxes to be collected in Improvement Area B of the Community Facilities District in such Fiscal Year. The Annual Special Tax shall be levied as follows:

Step One: The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

Step Two: If the sum of the amounts levied on Assessor's Parcels in Step One is less than the Improvement Area B Annual Special Tax Requirement, then the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Improvement Area B Annual Special Tax Requirement.

Step Three: If the sum of the amounts levied on Assessor's Parcels in Steps One and Two is less than the Improvement Area B Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Improvement Area B Annual Special Tax Requirement.

*Prepayment of Annual Special Taxes.* The Improvement Area B Annual Special Tax obligation for an Assessor's Parcel of Developed Property or for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid in full or in part, *provided* that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. See APPENDIX B – “Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District – Section G” herein.

**Improvement Area C Rate and Method.** The Improvement Area C Rate and Method is substantially the same as described above for the Improvement Area B Rate and Method except that the amounts of the Maximum Special Tax are as follows:

(i) **Undeveloped Property:** The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2004-05 shall be \$5,370.74 per acre of Acreage. Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

(ii) **Developed Property:** The *greater* of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax for a given Final Subdivision Map.

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 ranges from \$1,335.35 to \$2,860.33 per Unit in Improvement Area C. Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year. See the Improvement Area C Rate and Method in APPENDIX B – "Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District – Table 1" herein for a listing of the Assigned Annual Special Tax rates for various sizes of Units.

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for an Assessor's Parcel of Developed Property will be calculated in accordance with the Improvement Area C Rate and Method once the final map is approved and recorded (see "COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Property Ownership and Development"). See the Improvement Area C Rate and Method in APPENDIX B – "Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District."

The minimum taxable acreage is 152.87 acres for Improvement Area C.

The Method of Apportionment for the Improvement Area C Special Tax and the provisions relating to prepayment of the Improvement Area C Annual Special Tax obligation is substantially the same as described above for the Improvement Area B Rates and Method. See also the Improvement Area C Rate and Method in APPENDIX B – "Rates and Methods of Apportionment for Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District – Section G" herein.

**Community Facilities District No. 11 Rate and Method.** The Community Facilities District No. 11 Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within the Community Facilities District up to the applicable Maximum Special Tax to pay for School Facilities. *The 2005 Bonds do not include any funding for School Facilities, and the 2005 Bonds are not secured by any Special Taxes levied pursuant to the Community Facilities District No. 11 Rate and Method for any of Zones 1 through 4.* The Community Facilities District No. 11 Rate and Method generally provides the Annual Special Tax shall be levied for a term of 30 Fiscal Years after the last series of bonds have been issued for the applicable Zone, but in no event later than Fiscal Year 2050-51. Developed Property is subject to an Assigned Annual Special Tax in Zone 1 of \$2,019.35 per Attached/Detached Unit, Zone 2 of \$2,128.74 per Attached/Detached Unit, Zone 3 of \$2,113.19 and Zone 4 of \$2,019.35 per Attached/Detached Unit in Fiscal Year 2004-05 (escalated thereafter). Each of the foregoing special taxes represents the applicable Fiscal Year 2004-05 rate and is subject to escalation by 2% of the amount in effect in the prior Fiscal Year thereafter. A copy of the Community Facilities District No. 11 Rate and Method is included in Appendix B hereto. It is not known when the bonds for the School Facilities will be issued for Zone 2 / Improvement Area B or Zone 3 / Improvement Area C.

### **Proceeds of Foreclosure Sales**

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the Community Facilities District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory.

Under each Bond Indenture, on or before June 1 of each Fiscal Year, the Community Facilities District will review the public records of the County of San Diego, California, to determine the amount of Special Taxes actually collected in such Fiscal Year and proceed as follows:

*Individual Delinquencies.* If the Community Facilities District determines that (i) any single parcel subject to the Special Tax in Improvement Area B or Improvement Area C, as applicable, is delinquent in the payment of Improvement Area B and Improvement Area C Special Taxes, as applicable, in the aggregate amount of \$5,000 or more or (ii) any single parcel or parcels under common ownership subject to the Improvement Area B or Improvement Area C Special Taxes is delinquent in the payment of Improvement Area B and Improvement Area C Special Taxes in the aggregate of \$10,000 or more, the Community Facilities District shall, not later than 45 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the Property Owner. The Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 90 days of such determination against any parcel for which a notice of delinquency was given and for which the Improvement Area's Special Taxes remain delinquent.

*Aggregate Delinquencies.* If the Community Facilities District determines that it has collected less than 95% of the Improvement Area B or Improvement Area C Special Taxes, as applicable, levied in such Fiscal Year, then the Community Facilities District shall, not later than 45 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 90 days of such determination against any parcel for which a notice of delinquency was given and for which the Improvement Area B or Improvement Area C Special Taxes remain delinquent.

It should be noted that any foreclosure proceedings commenced as described above could be stayed by the commencement of bankruptcy proceedings by or against the owner of the delinquent property. See "BONDOWNERS' RISKS – Bankruptcy and Foreclosure Delay."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See "BONDOWNERS' RISKS – Potential Delay and Limitations in Foreclosure Proceedings." If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his 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 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. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of the applicable 2005 Bonds outstanding.

**No assurances can be given that the real property subject to sale or foreclosure 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 School District or the Community Facilities District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.**

If the Reserve Funds are depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the applicable Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property within Improvement Area B or Improvement Area C, as applicable, in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the applicable 2005 Bonds and to replenish the applicable Reserve Fund. There is, however, no assurance that the maximum Special Tax rates of Improvement Area B or Improvement Area C, as applicable, will be



at all times sufficient to pay the amounts required to be paid on the applicable 2005 Bonds by the applicable Bond Indenture.

### **Special Tax Funds**

Pursuant to each Bond Indenture, the Special Tax Revenues of Improvement Area B and Improvement Area C received by the Community Facilities District, excluding in the case of Improvement Area B Bonds and Improvement Area C Bonds only Special Tax Revenues representing Delinquency Proceeds required to be transferred to the Letter of Credit Fund established with respect to the Improvement Area B Bonds and Improvement Area C Bonds and Special Tax Revenues representing Prepayments, will be deposited in the applicable Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District. Special Tax Revenues representing Prepayments shall be transferred to the Interest Account of the applicable Bond Service Fund and the applicable Redemption Fund and utilized to pay the interest and premium, if any, on and the principal of the applicable 2005 Bonds to be redeemed. Moneys in each Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the Community Facilities District and the owners of the applicable 2005 Bonds. Pending disbursement, moneys in each Special Tax Fund will be subject to a lien in favor of the Bondowners of the applicable 2005 Bonds as established under each Bond Indenture.

*Disbursements.* Moneys in each Special Tax Fund will be disbursed as needed to pay the obligations of the Community Facilities District in the following priority: (i) an amount up to the Administrative Expense Requirement for Improvement Area B and for Improvement Area C to pay Administrative Expenses allocable to the applicable Series of the 2005 Bonds, (ii) amounts required to be deposited into the applicable Accounts in the applicable Bond Service Fund in order to pay debt service on the applicable 2005 Bonds and any refunding bonds on the next Interest Payment Date, (iii) amounts required to replenish the applicable Reserve Fund to the applicable Reserve Requirement (as defined below), (iv) amounts required to fund the applicable Rebate Fund and (v) additional amounts required to pay Administrative Expenses allocable to the applicable Series of the 2005 Bonds. At any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year (as that term is defined in each Bond Indenture), any amounts in excess of such amounts remaining in the applicable Special Tax Fund shall remain on deposit in such Special Tax Fund and shall be subsequently deposited or transferred pursuant to the above provisions; *provided, however*, that if the School District notifies the Fiscal Agent that the levy of Special Taxes on Developed Property exceeds the Annual Special Tax Requirement (as defined in the applicable Rate and Method) then an amount up to such excess moneys may be paid to the School District to be used to pay for the acquisition, construction, rehabilitation, improvement of City Facilities and related expenses.

*Investment.* Moneys in each Special Tax Fund will be invested and deposited by the Community Facilities District as described in "Investment of Moneys in Funds" below. Interest earnings and profits resulting from such investment and deposit will be retained in the Special Tax Fund to be used for the purposes thereof.

### **Bond Service Funds**

The Fiscal Agent will hold each Bond Service Fund in trust for the benefit of the applicable Bondowners. Within each Bond Service Fund the Fiscal Agent will create and hold an Interest Account and a Principal Account.

On each Interest Payment Date, the Fiscal Agent will withdraw from each Bond Service Fund and pay to the owners of the applicable 2005 Bonds the principal, interest and any premium then due and payable on such 2005 Bonds, including any amounts due on such 2005 Bonds by reason of the sinking payments or a redemption of such 2005 Bonds.

If amounts in a Bond Service Fund are insufficient for the purposes set forth in the preceding paragraph, the Fiscal Agent will withdraw the deficiency from the applicable Reserve Fund to the extent of any funds therein.

The Community Facilities District has covenanted in each Bond Indenture to increase the levy of the Special Taxes of Improvement Area B or Improvement Area C, as applicable, in the next Fiscal Year (subject to the maximum amount authorized by the applicable Rate and Method) in accordance with the procedures set forth in the Act for the purpose of curing Bond Service Fund deficiencies.

## **Redemption Funds**

Moneys in each Redemption Fund shall be set aside and used solely for the purpose of redeeming 2005 Bonds in accordance with the applicable Bond Indenture.

## **Reserve Funds**

In order to further secure the payment of principal of and interest on the Improvement Area B Bonds and the Improvement Area C Bonds, certain proceeds of the Improvement Area B Bonds and the Improvement Area C Bonds will be deposited into the applicable Reserve Fund in an amount equal to the applicable Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS” herein). “Reserve Requirement” is defined in each Bond Indenture to mean, as of any date of calculation, an amount equal to the least of (i) the then maximum annual debt service on the Improvement Area B Bonds or Improvement Area C Bonds, as applicable, (ii) 125% of the then average annual debt service on the Improvement Area B Bonds or Improvement Area C Bonds, as applicable or (iii) 10% of the initial principal amount of the Improvement Area B Bonds or Improvement Area C Bonds, as applicable, less original issue discount, if any, plus original issue premium, if any.

If Special Taxes are prepaid and a portion of Improvement Area B or Improvement Area C’s 2005 Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the applicable Reserve Fund (determined on the basis of the principal of such 2005 Bonds to be redeemed and the original principal of such 2005 Bonds) will be applied to the redemption of such 2005 Bonds.

Moneys in each Reserve Fund will be invested and deposited as described in “Investment of Moneys in Funds” below.

See APPENDIX D – “Summary of Certain Provisions of the Bond Indentures” for a description of the timing, purpose and manner of disbursements from each Reserve Fund.

## **Administrative Expense Funds**

The Fiscal Agent will receive the transfer of Special Taxes from the Community Facilities District from the applicable Special Tax Fund and deposit in the applicable Administrative Expense Fund an amount to pay Administrative Expenses.

**Pursuant to each Bond Indenture, moneys in an Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the applicable 2005 Bonds and will not be available for the payment of debt service on the 2005 Bonds.**

## **Infrastructure Improvement Funds**

The Fiscal Agent will deposit proceeds of the 2005 Bonds in the Infrastructure Improvement Fund in the case of the Improvement Area B Bonds and Improvement Area C Bonds. Moneys in such Fund will be disbursed to pay for City Facilities, as applicable, pursuant to a requisition of the Community Facilities District.

**Pursuant to each Bond Indenture, moneys in either such Fund will not be construed as a trust fund held for the benefit of the Owners of the applicable 2005 Bonds and will not be available for the payment of debt service on the 2005 Bonds.**

## **Investment of Moneys in Funds**

Moneys in any fund or account created or established by each Bond Indenture and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, as directed by the Community Facilities District, that mature prior to the date on which such moneys are required to be paid out under each Bond Indenture. In the absence of any direction from the Community Facilities District, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in money market funds rated “Aam-1” or “Aam-G” by Standard & Poor’s, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX D – “Summary of Certain Provisions of the Bond Indentures” for a definition of “Permitted Investments.”

## **Payment of Rebate Obligation**

The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in each Bond Indenture. If necessary, the Community Facilities District may use amounts in the Special Tax Fund, or amounts on deposit in the Administrative Expense Fund and other funds available to the Community Facilities District (except amounts required to pay debt service on the Bonds) to satisfy rebate obligations.

## **Letters of Credit/Cash Deposit for 2005 Bonds**

As a condition precedent to issuance of the 2005 Bonds, each Developer shall provide a Letter of Credit ("Letter of Credit") in the applicable Stated Amount therefor (having the Fiscal Agent as beneficiary) or a cash deposit in lieu thereof. Each Letter of Credit and/or cash deposit shall secure payment of Special Taxes levied against the Developer's property within the applicable Improvement Area (each such ownership being hereafter referred to as a "Project Area"). Each Stated Amount is the estimated amount of Special Tax to be levied in the next Fiscal Year against the corresponding Project Area to which such Letter of Credit or cash deposit relates.

Each Letter of Credit, or a Substitute Letter of Credit ("Substitute Letter of Credit") issued with respect thereto, shall be in effect in each Fiscal Year that individual homeowners own fewer than 60% of the lots within the applicable Project Area *provided* that no Letter of Credit shall be required if the Stated Amount would be less than \$10,000.

In the event fewer than 60% of the lots within a Project Area are owned by individual homeowners as of such June 1, then the Community Facilities District shall cause the applicable Developer to provide to the Fiscal Agent, no later than the following July 15, (a) a Letter of Credit in the then-Stated Amount, (b) an irrevocable written commitment of a Letter of Credit Bank to provide a Letter of Credit in the then-Stated Amount or to extend the existing Letter of Credit in an amount equal to the then-Stated Amount, effective the next succeeding July 31 or (c) a cash deposit in lieu thereof.

In the event the Fiscal Agent does not receive (a) a Letter of Credit, (b) a Substitute Letter of Credit or (c) a cash deposit in lieu of the foregoing by July 15 of each year (assuming the Letter of Credit is required to be in effect during the next succeeding Fiscal Year), the Fiscal Agent shall, upon the written direction of an Authorized Officer, immediately, with no further authorization or instruction, draw upon the applicable Letter of Credit in the full Stated Amount. The Fiscal Agent shall deposit the proceeds of such draw into the applicable account of the Letter of Credit Fund for use as described below.

### *Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund.*

*Draws Prior to an Interest Payment Date.* Ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in each Bond Service Fund for that Interest Payment Date will be sufficient to pay principal of and interest on the applicable Improvement Area's 2005 Bonds that will be due and payable on such Interest Payment Date and notify the Community Facilities District of any deficiency. If amounts in the applicable Bond Service Fund will be insufficient to pay principal of and interest on the applicable 2005 Bonds and such insufficiency is attributable to the delinquency in the payment of Special Taxes levied on properties owned by a Developer that provided a Letter of Credit or cash deposit pursuant to the Mitigation Agreement or an Affiliate of such Developer, the Fiscal Agent shall upon the receipt of written direction of an Authorized Officer (prior to any withdrawals from the applicable Reserve Fund permitted by the applicable Bond Indenture) draw upon the applicable Letter of Credit; *provided, however*, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Officer) shall be no greater than the delinquent Special Taxes levied on such properties and then owed to the Community Facilities District by the applicable Developer.

The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter of Credit into the applicable account of the Letter of Credit Fund. On the day preceding the Interest Payment Date, and prior to any transfers from the Reserve Fund, the Fiscal Agent shall transfer the amount of such draw on the Letter of Credit or an equivalent amount from any cash deposit from the applicable account of the Letter of Credit Fund to the applicable Bond Service Fund.

In the event of a draw on a Letter of Credit or transfer of funds from a cash deposit, the Community Facilities District, shall, upon receipt of Delinquency Proceeds representing the Special Taxes the delinquency of which necessitated such draw on such Letter of Credit or transfer of funds from a cash deposit, (a) reimburse the applicable Letter of Credit provider from such Delinquency Proceeds in an amount not to exceed such draw on such Letter of Credit or (b) replenish the cash deposit from such Delinquency Proceeds in an amount not to exceed such transfer.

*Draws Prior to Termination of the Letter of Credit.* If a Letter of Credit is not renewed, or a Substitute Letter of Credit or cash deposit is not provided, within fifteen (15) days prior to the stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the Community Facilities District. In the event the Fiscal Agent draws upon a Letter of Credit as described above, the Fiscal Agent shall deposit the proceeds of such draw into the applicable account of the Letter of Credit Fund and pending any transfer to the applicable Bond Service Fund for the purposes described in “*Draws Prior to an Interest Payment Date*” above, such proceeds shall be invested and reinvested by the Fiscal Agent in money market funds. At no time shall the Community Facilities District direct that the proceeds of a draw on any Letter of Credit held in the Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the Yield on the applicable Improvement Area’s 2005 Bonds. Investment earnings and profits from such investments shall be retained in the applicable account of the Letter of Credit Fund.

*Final Release of Moneys from the Letter of Credit Fund.* If moneys remain on deposit in any account of the Letter of Credit Fund and an Authorized Officer provides written direction to the Fiscal Agent that the conditions for termination of the applicable Letter of Credit or Cash Deposit have been satisfied, then the Fiscal Agent shall immediately return all (or such portion of the) amounts on deposit in the applicable account of the Letter of Credit Fund funded on behalf of such Developer to the applicable Developer.

*Actions by the Community Facilities District.* In the event a Letter of Credit Bank wrongfully refuses to honor any drawing made on its Letter of Credit, the Community Facilities District, on behalf of the owners of the applicable 2005 Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling such Letter of Credit Bank to honor such drawing and to enforce the provisions of such Letter of Credit.

### **Compliance with Letter of Credit Requirements**

The following describes how each Developer intends to comply with the requirement to provide a Letter of Credit or cash deposit for the 2005 Bonds.

#### *Improvement Area B*

*Brookfield 8 LLC.* Brookfield 8 LLC has obtained a Letter of Credit from Bank of America, National Association (“Bank of America”) in connection with the issuance of the Improvement Area B Bonds. Bank of America is a national banking association organized under the laws of the United States of America, and is a subsidiary of Bank of America Corporation Inc. (“Bank of America Corp.”). Bank of America Corp. is listed on the New York Stock Exchange under the trading symbol “BAC.” Information about Bank of America and Bank of America Corp. is contained in reports filed with the Securities and Exchange Commission and the Federal Deposit Insurance Corporation.

Additional information regarding Bank of America and Bank of America Corp. is available on the Internet at [bankofamerica.com](http://bankofamerica.com). *This Internet address is included for reference only and the information on the Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the Internet site.*

*Shea Homes Limited Partnership.* Shea Homes Limited Partnership has obtained a Letter of Credit from Wells Fargo Bank, N.A. (“Wells Fargo Bank”) in connection with the issuance of Improvement Area B Bonds. Wells Fargo Bank is a national banking association organized under the laws of the United States of America, and is a subsidiary of Wells Fargo & Company (“Wells Fargo & Company”). Wells Fargo & Company is listed on the New York Stock Exchange under the trading symbol “WFC.” Information about

Wells Fargo Bank and Wells Fargo & Company is contained in reports filed with the Securities and Exchange Commission and the Federal Deposit Insurance Corporation.

Additional information regarding Wells Fargo Bank and Wells Fargo & Company is available on the Internet at wells Fargo.com. *This Internet address is included for reference only and the information on the Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the Internet site.*

*Warmington Scripps Associates, L.P.* Warmington Scripps Associates, L.P. has provided a cash deposit in lieu of a Letter of Credit in connection with the issuance of Improvement Area B Bonds.

#### *Improvement Area C*

*Sycamore Estates LLC.* Sycamore Estates LLC has obtained a Letter of Credit from Bank of America in connection with the issuance of the Improvement Area C Bonds. See the information above regarding Bank of America.

#### **Additional Bonds for Refunding Purposes Only**

Bonds issued on a parity with the Improvement Area B Bonds or on a parity with the Improvement Area C Bonds (each a series of “Additional Bonds”) may be issued for refunding purposes only and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the applicable Bond Indenture and any supplement then in effect and a certificate of the Community Facilities District to that effect will be filed with the Fiscal Agent. See APPENDIX D – “Summary of Certain Provisions of Bond Indentures.”







#### **Special Taxes Are Not Within Teeter Plan**

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. The Special Taxes of Improvement Area B and of Improvement Area C are not included in the County’s Teeter Program.

#### **Tender for Bonds**

The Community Facilities District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of the 2005 Bonds in full payment or partial payment of any Improvement Area B Special Taxes or Improvement Area C Special Taxes unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the Community Facilities District having insufficient Special Tax Revenues to pay the principal of and interest on the 2005 Bonds when due.

# STONEBRIDGE *Estates*

-  Mill Creek  
By McMullin Homes
-  Astoria  
By Brookfield Homes
-  Calabria  
By Brookfield Homes
-  Sanctuary  
By Shea Homes
-  The Collection  
By Warrington Homes, California
-  Future Residential
-  Trail Systems

## Trails System

- Connections to:
- Goodan Ranch Preserve
  - Sycamore Canyon Preserve
  - City of Poway Trail System
  - Los Peñasquitos Canyon

## Community Node

- Riparian Educational Center

## Village Town Center

- HOA Open Space
- Community Meeting and Gathering Area

Mission Trails  
Regional Park  
West Sycamore  
Region (1,800 acres)

Future Rental Housing  
by Fairfield Development

Future Private School

Future 8-acre Park

Pomerado Rd.

StoneBridge Pkwy.

Tot Lot

6-acre Park



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**BROOKFIELD  
HOMES**

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## COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES)

### General Information

The Community Facilities District, is contiguous and is generally located south of Beeler Canyon Road and east of Pomerado Road in the southernmost portion of the School District and in the northeast part of the City of San Diego (the "City"). The Community Facilities District is located about four miles east of the I-15 Freeway. The Community Facilities District, which consists of approximately 2,658 acres, is located approximately 15 miles north of downtown San Diego and approximately 10 miles inland from the Pacific Ocean and the coastal community of La Jolla. StoneBridge Estates is the current name of the entire project proposed to be developed in the Community Facilities District which is comprised of two sub-project areas known as Montecito and Sycamore Estates. The Montecito sub-project area, which encompasses Zone 1 / Improvement Area A, is east of Pomerado Road, just north of Marine Corps Air Station Miramar, south of the City of Poway and adjacent to and west of the Sycamore Estates sub-project area. The Sycamore Estates sub-project area, which encompasses Zone 2 / Improvement Area B and Zone 3 / Improvement Area C, lies within the former General Dynamics Sycamore Canyon property and is bounded by the City (Scripps Miramar Ranch North) to the west, the City of Poway to the north an unincorporated area of the County of San Diego to the east and northeast, and the Marine Corps Air Station Miramar to the south. The Community Facilities District also includes approximately 248 acres of open space owned by the City which is located within Zone 4.

Sycamore Estates LLC acquired the Montecito sub-project area property from eight separate landowners pursuant to an Option Agreement entered into between Institutional Housing Partners ("IHP") and eight landowners. Since the 1960's, the Sycamore Estates' portion of the StoneBridge Estates property was used by General Dynamics and defense companies for defense related manufacturing and testing services. Sycamore Estates LLC acquired the property from General Dynamics on December 18, 2001. General Dynamics and Lockheed Martin retained a lease to a six-acre portion of the property until the lease expired in March 2003.

The StoneBridge Estates property is in the Rancho Encantada Precise Plan. The Precise Plan, Planned Residential Development Permits, Vesting Tentative Maps, and other permits were approved by the Planning Commission in July 2001 and by the City Council in August 2001. Mass grading operations for Improvement Area A is complete. Mass grading operations for Improvement Area B is nearing completion and for Improvement Area C is expected to be completed by July 2005.

The major landowners in Zone 1 / Improvement Area A (the Montecito sub-project area) were McMillin Montecito 109, LLC, a Delaware limited liability company ("McMillin Montecito 109, LLC") (109 residential lots), Brookfield 6 LLC, a Delaware limited liability company (121 residential lots), and Brookfield 8 LLC, a Delaware limited liability company (47 residential lots). As of March 31, 2005, McMillin Montecito 109, LLC has completed and sold to residential homeowners approximately 64 of its 109 proposed residential units in Zone 1 / Improvement Area A, with an additional 24 homes in escrow. As of March 31, 2005, Brookfield 6 LLC has completed and sold to residential homeowners approximately 34 of its 121 residential units in Zone 1 / Improvement Area A, with an additional 23 homes in escrow. Brookfield 8 LLC has commenced construction of four models and 10 production units for its Calabria project in Improvement Area A. Improvement Area B contains 92 residential lots which are expected to be a continuation of the Calabria project.

Sycamore Estates LLC, a Delaware limited liability company, owned the property in Improvement Areas B with the right of first refusal to its members - (i) McMillin Companies, LLC as to a portion of Neighborhood 4 (118 residential lots), which McMillin Companies, LLC sold to Shea Homes Limited Partnership (82 residential lots) and to Warmington Scripps Associates, L.P. (36 residential lots) and (ii) Brookfield Sycamore LLC, a Delaware limited liability company as to Neighborhood 3B (92 residential lots). Brookfield 8 LLC acquired the 92 residential lots comprising Neighborhood 3B as a continuation of its Calabria project. Sycamore Estates LLC owns the property in Improvement Area C with right of first refusal to its members: (i) McMillin Companies, LLC as to Neighborhood 5 (81 residential lots) and Neighborhood 6 (109 residential lots) and (ii) Brookfield Sycamore LLC as to Neighborhoods 7 (151 residential lots). McMillin Companies, LLC expects to form one or more McMillin Affiliates to acquire the residential lots in Neighborhoods 5 and 6. Brookfield Sycamore LLC expects to form one or more Brookfield Affiliates to acquire the residential lots in Neighborhood 7.

StoneBridge Estates is a master-planned community. It is proposed to include an approximately six-acre park, including lighted multi-purpose fields for soccer and little league, a parking lot, a turf area, restrooms/storage/concessions, a playground with equipment, picnic areas and path lighting. A second park approximately eight acres in size is proposed to include a multi-purpose field, and playground and picnic areas. In addition to the two neighborhood parks, there are proposed to be approximately 11 miles of hiking trails. Approximately 80 percent of the community will remain as open space and is designated as the proposed "Mission Trails Regional Park North." The regional open space park is planned in the eastern portion of the Community Facilities District (Zone 4) and will connect with the existing Goodan Ranch and Sycamore Canyon County Open Space Preserve. Sycamore Estates LLC's obligation with respect to the regional park is to dedicate the land, demolish existing buildings and restore those disturbed lands and pay fees as permits are issued for home building.

Utility services for parcels in the Community Facilities District will be provided by San Diego Gas & Electric (gas and electricity), the City of San Diego (water, sewage, stormwater drainage and refuse), Time Warner (cable) and, Cox (cable and telephone), and SBC (telephone).

### **Authority for Issuance**

The 2005 Bonds are issued pursuant to the Act and the Bond Indentures. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the 2005 Bonds:

*Resolutions of Intention:* On November 17, 2003, the Board of Education adopted Resolution No. 24-2004 stating its intention to establish the Community Facilities District and to authorize the levy of special taxes therein pursuant to a separate Rate and Method for the Community Facilities District and a separate Rate and Method for each Improvement Area. On the same day the Board of Education adopted Resolution No. 25-2004 stating its intention to incur bonded indebtedness in an amount not to exceed \$60,000,000 with respect to the Community Facilities District, \$13,215,000 with respect to Improvement Area A, \$10,900,000 aggregate principal amount of bonds with respect to Improvement Area B and \$17,400,000 aggregate principal amount of bonds with respect to Improvement Area C. Community Facilities District No. 11 will finance School Facilities. Improvement Area B and Improvement Area C will finance City Facilities. See "CITY FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2005 BONDS" herein.

*Resolution of Formation:* Immediately following a noticed public hearing on January 20, 2004, the Board of Education adopted Resolution No. 34-2004 (the "Resolution of Formation"), which established the Community Facilities District and designated each of the Improvement Areas therein, established each Rate and Method, and authorized the levy of a separate special tax within the Community Facilities District including each Zone therein and each Improvement Area pursuant to each Rate and Method of Apportionment.

*Resolution of Necessity:* On January 20, 2004, the Board of Education adopted Resolution No. 35-2004 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$60,000,000 with respect to the Community Facilities District, \$13,500,000 with respect to Improvement Area A, \$10,900,000 with respect to Improvement Area B and \$17,400,000 with respect to Improvement Area C and submitting the propositions to the qualified electors of the Community Facilities District and each Improvement Area.

*Landowner Election and Declaration of Results:* On January 20, 2004, elections were held within the Community Facilities District, including within Improvement Area B and Improvement Area C, in which the landowners eligible to vote, being the qualified electors within the Community Facilities District and each Improvement Area, each approved the applicable ballot propositions authorizing the issuance of up to \$60,000,000 of bonds for the Community Facilities District to finance the acquisition and construction of School Facilities and the landowners within Improvement Area B approved a ballot proposition authorizing the issuance of up to \$10,900,000 of bonds for Improvement Area B to finance the acquisition and construction of City Facilities and the landowners within Improvement Area C approved a ballot proposition authorizing the issuance of up to \$17,400,000 of bonds for Improvement Area C to finance the acquisition and construction of City Facilities. The qualified electors within the Community Facilities District and each Improvement Area also approved the levy of a special tax in accordance with the applicable Rate and Method and the establishment of an appropriations limit for the Community Facilities District.



On January 20, 2004, the Board of Education adopted Resolution No. 36-2004 pursuant to which the Board of Education approved the canvass of the votes.

*Special Tax Lien and Levy:* Notices of Special Tax Lien, including one for the Community Facilities District and one for each Improvement Area were recorded in the real property records of San Diego County on February 3, 2004.

*Ordinance Levying Special Taxes:* On February 9, 2004, the Board of Education adopted an Ordinance No. 2004-02 levying the Special Tax within the Community Facilities District.

*Resolution Authorizing Issuance of the 2005 Bonds:* On May 23, 2005, the Board of Education adopted Resolution No. 53-2005 approving issuance of the Improvement Area B Bonds and the Improvement Area C Bonds.

## **Environmental Review**

In August 2001, the City Council adopted amendments to the City of San Diego Progress Guide and General Plan and approved a vesting tentative map, planned residential development permits, and resource protection ordinance permits to rezone lands and adopt the Rancho Encantada Precise Plan for approximately 2,658 acres of the Beeler Canyon Future Urbanizing Area. The approvals provided separate vesting tentative maps, planned residential development permits and resource protection ordinance permits for the development of the Montecito sub-project area (Zone 1 / Improvement Area A) and Sycamore Estates sub-project area (Zones 2 and 3 / Improvement Areas B and C). The final Environmental Impact Report (the "EIR") for the Rancho Encantada Precise Plan, dated June 2001, was certified by the City Council on August 7, 2001 as being in compliance with the California Environmental Quality Act ("CEQA").

The statutory period within which a court action or proceeding could be filed challenging the City's CEQA compliance with respect to its approvals has expired. However, it is possible that future discretionary approvals necessary to complete the development of the property in the Community Facilities District will be subject to CEQA. Challenges to such discretionary approvals could slow the rate of development in the Community Facilities District. The Community Facilities District believes that no action with respect to environmental compliance is necessary in connection with the formation of the Community Facilities District.

Pursuant to CEQA, in addition to the City's certification of the EIR, additional environmental analysis is required to be conducted for the City's review to determine whether the analysis contained in the EIR with respect to the property in the Community Facilities District has adequately addressed the environmental impact of each subsequent discretionary approval related thereto. Each Developer reports that the reviews by the City conducted to date have resulted in findings of no significant impact not previously discussed in the EIR. Each Developer generally expects that, as further entitlement approvals (e.g., any necessary tentative subdivision map and zoning modifications, area plans, subdivision or final maps and site development permits) are pursued, the EIR will be determined by the City to have adequately addressed the environmental impacts of each such subsequent entitlement and that there would be no significant impact not previously discussed in the EIR. However, no assurance can be given as to these matters, and if new significant impacts are found, it could have an adverse effect on the development of the property within the Community Facilities District. Sycamore Estates LLC or its predecessors have conducted substantial reviews as discussed below in "Environmental Permits."

## **Environmental Permits**

In 2001, the City Council approved the Rancho Encantada Precise Plan which includes all of the property within the Community Facilities District. The City's Multiple Species Conservation Program Subarea Plan approved in March 1997 identifies a portion of the Rancho Encantada Precise Plan area as being within the City's Multiple Habitat Planning Area. The Mitigation Monitoring and Reporting Program (MMRP) for the Rancho Encantada project includes a list of mitigation measure identified in the environmental impact report for the Montecito sub-project area and for the Sycamore Estates sub-project area. In addition, a Sycamore Estates Habitat Management Plan was prepared for Sycamore Estates LLC by Helix Environmental Planning, Inc, La Mesa, California for the Sycamore Estates sub-project area. Pursuant to the MMRP and the Sycamore Estates Habitat Management Plan, the City has the authority to issue "take" permits at the local level pursuant to the federal and State endangered species acts for the plant and animal species described in the MSCP and Sycamore Estates Habitat Management Plan. The property owners are required

to comply with the MMRP and the Sycamore Estates Habitat Management Plan to minimize impacts on sensitive habitat and sensitive species. The current development entitlements for the development project within the Community Facilities District have been designed in accordance with the MMRP and the Sycamore Estates Habitat Management Plan. As a result, with respect to the species covered by the MMRP and the Sycamore Estates Habitat Management Plan, so long as the development project maintains its current development entitlement footprints, each Developer will not need to seek any additional permits under either the federal or the State endangered species acts. However, future listing by federal or State authorities of additional plant or animal species as threatened or endangered could impact the planned development within the Community Facilities District.

Sycamore Estates LLC obtained grading permits for Improvement Areas B and C and has satisfied such requirements from federal, State and local regulatory agencies relating to biological surveys, impacts to wetland and riparian habitats, if any, and other matters as are necessary to develop the property in Improvement Areas B and C in the manner described herein.

See “BONDOWNERS’ RISKS – Endangered and Threatened Species.” Each Developer believes that the likelihood of a listing of additional species is remote at this stage of development because all of its land within Improvement Area B of the Community Facilities District has been completely cleared and graded. Sycamore Estates LLC believes that the likelihood of a listing of additional species is remote at this stage of development because all of its land within Improvement Area C of the Community Facilities District has been completely cleared and graded. Furthermore, the development has followed normal permitting requirements for impacts to wetlands and other water courses regulated by the U.S. Army Corps of Engineers and the California Department of Fish and Game.

*Other Matters.* There are several utility easements, including a 200 foot wide San Diego Gas & Electric Company easement traversing the property in the Community Facilities District. The San Diego Gas & Electric Company easement traverses from the northwest portion of Zone 1 / Improvement Area A to the southwest portion of Zone 2 / Improvement Area B. The easement is generally north of the residential lots within Zone 1 / Improvement Area A. The easement encompasses approximately 44.4 acres and accommodates one circuit of 138 kV and one circuit of 230 kV overhead transmission lines and four steel lattice towers. The easement was in place at the time of project planning.

## **Property Ownership and Development**

*The information about the Developers contained in this Official Statement has been provided by representatives of the Developers and has not been independently confirmed or verified by either the Underwriter or the Community Facilities District. Such information is included because it may be relevant to an informed evaluation of the security for the 2005 Bonds. However, because ownership of the property is expected to change, no assurance can be given that the planned development will occur at all, will occur in a timely manner or will occur as presently anticipated and described below. No representation is made herein as to the accuracy or adequacy of such information, as to the experience, abilities or financial resources of the Developers, or any other landowner, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.*

*The Developers are not personally liable for payment of the Special Taxes or the 2005 Bonds, and the following information should not be construed to suggest that the Special Taxes or the 2005 Bonds are personal obligations or indebtedness of the Developers or any other landowners in Improvement Area B or Improvement Area C.*

*The Developers.* The Developers are composed of separate entities which together own the majority of the land within Improvement Area B and Improvement Area C of the Community Facilities District. Improvement Area B and Improvement Area C lie within the former General Dynamics Sycamore Canyon property of the Community Facilities District. Improvement Area B encompasses a total of approximately 92.57 net taxable acres proposed for a total of 210 detached single-family units with a minimum pad size ranging from 9,600 to 12,000 square feet. Improvement Area C encompasses a total of approximately 152.87 net taxable acres proposed for a total of 341 detached single-family units with a minimum pad size of 9,600 square feet.

**Table 1**  
**Community Facilities District No. 11 (StoneBridge Estates)**  
**of the Poway Unified School District**  
**Improvement Area B / Improvement Area C**  
**Property Ownership and Development Status**  
**(As of April 15, 2005 Appraisal Date)**

Name of Landowner/ Developer	Neighborhood	Development Name	Number of Units <sup>1</sup>	Status of Development
<b><i>Improvement Area B</i></b>				
Brookfield 8 LLC	3B	Calabria at StoneBridge Estates <sup>2</sup>	92 SFD <sup>2</sup> 9,600 sq. ft. min. pad size	Final map recorded December 17, 2004; mass grading expected to be completed by July 2005. Models are located in the portion of project in Improvement Area A
Shea Homes Limited Partnership	4	Sanctuary at StoneBridge Estates	82 SFD 12,000 sq. ft. min. pad size	Final map recorded March 2004; mass grading expected to be completed by July 2005; 3 models estimated to commence construction in third quarter of 2005.
Warmington Scripps Associates, L.P.	4	The Warmington Collection at StoneBridge Estates	36 SFD 12,000 sq. ft. min. pad size	Final map recorded March 2004; mass grading completed. Model homes are located in a site outside the Community Facilities District. 12 building permits issued and construction underway.
<b>Improvement Area B Subtotal</b>			<b><u>210</u></b>	
<b><i>Improvement Area C</i></b>				
Sycamore Estates LLC/ McMillin Affiliate	5	Not yet named	81 SFD 9,600 sq. ft. min. pad size	Tentative map approved August 2001; final map in process; mass grading expected to be completed by October 2005.
Sycamore Estates LLC/ McMillin Affiliate	6	Not yet named	109 SFD 9,600 sq. ft. min pad size	Tentative map approved 2001; final map in process; mass grading expected to be completed by October 2005.
Sycamore Estates LLC/ Brookfield Affiliate	7	Not yet named	151 SFD 12,000 sq. ft. min. Pad size	Tentative map approved August 2001; final map in process; mass grading expected to be completed by October 2005.
<b>Improvement Area C Subtotal</b>			<b><u>341</u></b>	
<b>Total</b>			<b>551 SFD</b>	

<sup>1</sup> Excludes 106 proposed affordable multi-family units in Improvement Area B. These units are referenced as “Assigned Units” in the Improvement Area B Rate and Method and the Community Facilities District Rate and Method and are exempt from the Special Tax of Improvement Area B and the Community Facilities District.

<sup>2</sup> This is a continuation of Brookfield 8 LLC’s Calabria project, 47 lots of which are located in Improvement Area A. The model homes are located in Improvement Area A. 10 homes in Improvement Area A are under construction. Phasing will transition from the lots in Improvement Area A to the lots in Improvement Area B.

*Information with Respect to Each Developer.*

**IMPROVEMENT AREA B**

**Brookfield 8 LLC**

Brookfield 8 LLC, a Delaware limited liability company (“Brookfield 8 LLC”) is the owner of all the real property within Neighborhood 3B in Improvement Area B. Brookfield 8 LLC is wholly owned by Brookfield San Diego Holdings LLC, a Delaware limited liability company (“Brookfield San Diego Holdings”).

Brookfield San Diego Holdings is a 90% subsidiary of Brookfield Homes Holdings Inc, a California corporation (“Brookfield Homes Holdings”). Brookfield Homes Holdings is a wholly owned subsidiary of Brookfield Homes Corporation, a Delaware corporation (“Brookfield Homes Corporation”). Brookfield Sycamore LLC, as a member of Sycamore Estates LLC, has an option for itself or for any affiliate, to acquire the lots within Neighborhood 7. See “IMPROVEMENT AREA C – Brookfield Sycamore LLC; Brookfield Affiliate” below.

Brookfield Homes Corporation, through its subsidiaries, operates in five local market areas: San Francisco Bay Area, Sacramento, Orange County/Los Angeles, San Diego/Riverside in California, and Northern Virginia. The company has been building homes and developing land in these markets since the mid-1990’s. The company is publicly traded and headquartered in Del Mar, California. Brookfield Homes Corporation is listed on the NYSE under the ticker symbol “BHS”. Financial information about Brookfield Homes Corporation is included in documents filed with the SEC, particularly its Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q. *Brookfield Homes’ Internet home address is located at brookfieldhomes.com. This Internet address is included for reference only and the information on such Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.*

*Description of Project.* Brookfield 8 LLC project’s estimated lot sizes, unit sizes, base sales and price range are set forth below:

<b>Project Name</b>	<b>Min. Pad Size</b>	<b>Estimated Unit Size</b>	<b>Estimated Base Sales Price Range</b>	<b>Lots to be Sold</b>
<b><i>Improvement Area B</i></b>				
Neighborhood 3B – Calabria at StoneBridge Estates	9,600 sq. ft.	3,780 sq. ft. - 5,120 <sup>(1)</sup> sq. ft.	\$1,025,000 – \$1,316,000 <sup>(1)</sup>	92

<sup>(1)</sup> The range of unit sizes and estimated base sales prices are slightly higher than the 3,780 square feet to 5,050 square feet and \$1,025,000 to \$1,125,000 referenced in the Appraisal.

*Status of Permits, Approvals and Construction.*

Brookfield 8 LLC purchased the property from Sycamore Estates LLC in “blue-top” condition (graded with lots terraced and streets cut in but utilities only to the property line), fully entitled in December 2004. Corky McMillin Construction Services, Inc., a California corporation (“Corky McMillin Construction Services, Inc.,”) on behalf of Sycamore Estates, LLC, completed the improvement of the lots to a “blue-top” condition and all offsite improvements required to serve Neighborhood 3A and 3B. Brookfield 8 LLC acquired approximately 92 additional lots in Neighborhood 3B to continue its product in Calabria at StoneBridge, for a total of 139 residential units within Calabria at StoneBridge.

The vesting tentative map for Neighborhood 2 (Improvement Area A) and 3B (Improvement Area B) (VTM 99-0295) was approved on August 7, 2001 encompassing all 277 residential lots within Zone 1 / Improvement Area A and 92 residential lots within Improvement Area B. The final map for the 47 residential lots in Neighborhood 3A recorded October 30, 2003. Final Map No. 14931 for the 92 residential lots in Neighborhood 3B recorded December 17, 2004.

Construction of regional infrastructure improvements, including roads, sewer and drainage commenced in March 2003 and was completed in August 2004. Approvals and permits have been obtained for grading and public improvements. Brookfield 8 LLC currently has four model homes completed in Neighborhood 3A which it will use for marketing homes in Neighborhood 3B as well. Paving of all in-tract streets was completed in the fourth quarter of 2004 and construction of the production homes in Neighborhood 3A in Improvement Area A started in the first quarter of 2005. In-tract public improvements, consisting of street, curb, gutter, sewer, water and storm drain improvements and dry utilities to each individual lot in Neighborhood 3B are estimated to be completed in the third quarter of 2005. Construction of the production homes in Neighborhood 3B is due to start in the fourth quarter of 2005. First sales contracts are expected to be entered into in the fourth quarter of 2005 for homes in Neighborhood 3B.

Total in-tract costs to convert the “blue-top” lots (graded with lots terraced and streets cut in but utilities only to the property line) in Neighborhood 3B into finished lots (streets paved, curb and gutter in and

utilities to each individual lot) are the responsibility of Brookfield 8 LLC which estimated such costs to be approximately \$2.9 million, of which no amounts had been spent as of March 31, 2005.

Development of the property in Zone 2 / Improvement Area B is conditioned upon the construction of affordable housing units. Sycamore Estates LLC, and not Brookfield 8 LLC, is required to meet certain milestones with respect to the construction of at least 106 affordable housing units within a specified time period. The 106 affordable housing units are due to be constructed in Zone 2 / Improvement Area B commencing in the third quarter of 2005.

*Environmental Review.* As indicated in “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Review” and “ – Environmental Permits,” most required development approvals for the planned development within Brookfield 8 LLC’s project were obtained over the last several years. Brookfield 8 LLC is not aware of any additional permits required to proceed with development of its properties other than the usual permits required from the City and applicable local agencies. None of Brookfield 8 LLC’s lots are located within the 100-year flood plain.

*Plan of Finance.* Brookfield 8 LLC financed the purchase of the 92 residential lots in Neighborhood 3B from Sycamore Estates LLC with cash and an acquisition and development loan from Bank of America in an original amount of \$27,368,000. As of March 31, 2005, the outstanding balance was \$20,228,568. Brookfield 8 LLC expects the total land acquisition and construction costs to be financed through a combination of borrowing under the construction loan, equity contributions and the proceeds of home sales within Neighborhood 3B.

As of March 31, 2005, Brookfield 8 LLC expects the remaining in-tract development costs within Neighborhoods 3A and 3B to be approximately \$4.5 million and home construction costs for the 139 Calabria at StoneBridg units (inclusive of the 92 proposed units to be constructed in Neighborhood 3B) to be approximately \$62 million. Brookfield 8 LLC expect to finance these costs primarily through the Bank of America loans, cash and home sales proceeds.

*There is no assurance that amounts necessary to finance the remaining site development and construction costs within Neighborhood 3B will be available from any source, when needed. Brookfield 8 LLC is under no legal obligation of any kind to borrow or expend funds for the development of its property within Neighborhood 3B. Any contribution of capital by members of Brookfield 8 LLC, or any other Brookfield entity, or any borrowings by Brookfield 8 LLC, whether to fund costs of development within Neighborhood 3B or to pay special taxes, is entirely voluntary.*

*Absorption.* According to Brookfield 8 LLC, Neighborhood 3B has a projected absorption rate of 15 units per quarter, commencing in the fourth quarter of 2005 with final home closings estimated to occur in the third quarter of 2007.

*History of Property Tax Payment; Loan Defaults; Bankruptcy.* Brookfield 8 LLC has made the following representations:

- neither it nor any of its current Affiliates (as defined in the Developer Continuing Disclosure Agreement) has ever been delinquent in the payment of any *ad valorem* property taxes, special assessments or special taxes in any material amount,
- neither it nor, to its actual knowledge, any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its development in the Community Facilities District or any of its other projects which default would in any way materially and adversely affect its ability to develop its development in the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which either is responsible,
- neither it nor any of its Affiliates has any proceeding pending or threatened in which it may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations, and
- no action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to Brookfield 8 LLC or an Affiliate having been accomplished) against Brookfield 8 LLC or any Affiliate or, to Brookfield 8 LLC’s actual knowledge, threatened, which if successful, would materially adversely affect the ability of

Brookfield 8 LLC to complete the development and sale of its property currently owned within Improvement Area B of the Community Facilities District or to pay the Improvement Area B Special Taxes, the Community Facilities District special taxes or *ad valorem* tax or other obligations imposed on the property tax bill when due on its property within Improvement Area B and the Community Facilities District, respectively.

### **Shea Homes Limited Partnership**

The general partner of Shea Homes Limited Partnership is J. F. Shea, L.P., a Delaware limited partnership. Shea Homes Limited Partnership and related entities have ten operating divisions throughout California, Arizona, Colorado and Washington. Shea Homes Limited Partnership and related entities construct town houses, condominiums, detached homes and also develop master planned communities. The Shea family of companies are privately held and have been operating for over 100 years. Management of Shea Homes Limited Partnership is directed by members of the Shea family. *The Internet home page of Shea Homes Limited Partnership is located at [www.sheahomes.com](http://www.sheahomes.com). This Internet address is included for reference only and the information on such Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.*

Since 1986, Shea Homes Limited Partnership's San Diego Division has built over 30 housing communities, delivering approximately 5,500 homes. All projects have been completed as planned. Shea Homes Limited Partnership's San Diego Division is currently producing homes in ten communities with an additional three communities scheduled to deliver homes this year. During the last five years, all of the key managers have played significant roles at:

<b>Project</b>	<b>Location</b>	<b>Number of Units</b>
Heron Bay	Carlsbad	71
Spyglass Hills	Carlsbad	76
Coral Cove	Encinitas	69
Highgrove	Carlsbad (La Costa)	71
Calico Bluffs	San Marcos	84
Larkspur Heights	San Marcos	72
Azure	San Elijo Hills	92
Chapparal Ridge	Escondido	97
San Moritz	Rancho Bernardo	140
Madiera @ Del Sur	Black Mountain Ranch	78
Avalon Point	Torrey Highlands	142
Cypress Greens	Carmel Mountain Ranch	92
Sanctuary @ Stonebridge	Scripps Ranch	82
Verandas @ Escala	Mission Valley	152
Terraces @ Escala	Mission Valley	97
Bungalows @ Escala	Mission Valley	144
Estrella	San Miguel Ranch	69
Maravilla	San Miguel Ranch	74
Sedona	Chula Vista	167
Azalea @ Windingwalk	Chula Vista	119
Wisteria @ Windingwalk	Chula Vista	163
Agave @ Windingwalk	Chula Vista	175
Aristata @ Windingwalk	Chula Vista	84
Saguaro @ Windingwalk	Chula Vista	<u>100</u>
Total		2,510

*Description of Project.* Shea Homes Limited Partnership projects' estimated lot sizes, unit sizes, base sales and price range are set forth below.

<u>Project Name</u>	<u>Min. Pad Size</u>	<u>Estimated Unit Size</u>	<u>Estimated Base Sales Price Range</u>	<u>Lots to Be Sold</u>
Neighborhood 4 – Sanctuary at StoneBridge	12,000 sq. ft.	4,408 sq. ft. - 5,556 sq. ft.	\$1,200,000 - \$1,330,000	82

*Status of Permits and Approvals.*

Shea Homes Limited Partnership purchased the property from McMillin Montecito 47 LLC, a Delaware limited liability company (“McMillin Montecito 47 LLC”) in “blue-top” condition (graded with lots terraced and streets cut in but utilities only to the property line), fully entitled on January 28, 2005. Corky McMillin Construction Services, Inc., on behalf of Sycamore Estates LLC, completed the improvements of the lots to a “blue-top” condition. Corky McMillin Construction Services, Inc., on behalf Shea Homes Limited Partnership, is in the process of completing the improvement of the lots to a “finished lot” condition. The grading of the lots was completed in December 2004, and the street paving was completed in May 2005. In-tract public improvements, consisting of street, curb, gutter, sewer, water and storm drain improvements and dry utilities, to each individual lot are estimated to be completed in June 2005. The offsite improvements are expected to be complete by the end of the third quarter of 2005. The final map for the 82 residential lots acquired by Shea Homes Limited Partnership was recorded on December 17, 2004 as Map No. 14932.

Construction of regional infrastructure improvements, including roads, sewer and drainage commenced in March 2003 and was completed in August 2004 by Sycamore Estates LLC. Approvals and permits have been obtained for grading and public improvements. Shea Homes Limited Partnership currently has three model homes proposed for construction commencing in the third quarter of 2005. Construction of the production homes are estimated to commence approximately two months after commencement of construction of the model homes. First sales contracts are expected to be entered into in the third quarter of 2005.

Total in-tract costs to convert the “blue-top” lots (graded with lots terraced and streets cut in but utilities only to the property line) in Neighborhood 4 into finished lots (streets paved, curb and gutter in and utilities to each individual lot) are the responsibility of Shea Homes Limited Partnership and such costs are estimated by Corky McMillin Construction Services, Inc., which is performing the work, to be approximately \$1.5 million, of which approximately \$500,000 had been spent as of March 31, 2005.

Development of the property in Zone 2 / Improvement Area B is conditioned upon the construction of affordable housing units. Sycamore Estates LLC, and not Shea Homes Limited Partnership, is required to meet certain milestones with respect to the construction of at least 106 affordable housing units within a specified time period. The 106 affordable housing units are due to be constructed in Zone 2 / Improvement Area B commencing in the third quarter of 2005.

*Environmental Review.* As indicated in “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Review” and “ – Environmental Permits,” most required development approvals for the planned development within Shea Homes Limited Partnership’s project were obtained over the last several years. Shea Homes Limited Partnership is not aware of any additional permits required to proceed with development of its properties other than the usual permits required from the City and applicable local agencies. None of Shea Homes Limited Partnership’s lots are located within the 100-year flood plain.

*Plan of Finance.* Shea Homes Limited Partnership financed the purchase of the 82 residential lots in Neighborhood 4 from McMillin Montecito 47 LLC through equity and through unsecured financings, including an unsecured credit facility and unsecured private placements of debt. Shea Homes Limited Partnership expects the total land acquisition and construction costs to be financed through the construction loan, equity contributions and the proceeds of home sales within its Project.

As of May, 2005, Shea Homes Limited Partnership expect the remaining in-tract development costs within its project to be approximately \$3 million and home construction costs for the 82 residential units to be approximately \$37 million. Shea Homes Limited Partnership expect to finance these costs primarily through a Wells Fargo Bank loan, cash and home sales proceeds.

*There is no assurance that amounts necessary to finance the remaining site development and construction costs within Shea Homes Limited Partnership's project will be available from any source, when needed. Shea Homes Limited Partnership is under no legal obligation of any kind to borrow or expend funds for the development of its property within its project. Any contribution of capital by partners of Shea Homes Limited Partnership or any other Shea entity, or any borrowings by Shea Homes Limited Partnership, whether to fund costs of development within its project or to pay special taxes, is entirely voluntary.*

*Absorption.* According to Shea Homes Limited Partnership, its project has a projected absorption rate of 6 to 12 units per quarter, commencing in the second quarter of 2005 with final home closings estimated to occur in the first quarter of 2008.

*History of Property Tax Payment; Loan Defaults; Bankruptcy.* Shea Homes Limited Partnership has made the following representations:

- neither it nor any of its current Affiliates (as defined in the Developer Continuing Disclosure Agreement) has ever been delinquent in the payment of any *ad valorem* property taxes, special assessments or special taxes in any material amount,
- neither it nor, to its actual knowledge, any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its development in Improvement Area B of the Community Facilities District or any of its other projects which default would in any way materially and adversely affect its ability to develop its development in Improvement Area B of the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which either is responsible,
- neither it nor any of its Affiliates has any proceeding pending or threatened in which it may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations, and
- no action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to Shea or an Affiliate having been accomplished) against Shea or any Affiliate or, to Shea's actual knowledge, threatened, which if successful, would materially adversely affect the ability of Shea to complete the development and sale of its property currently owned within Improvement Area B of the Community Facilities District or to pay the Improvement Area B Special Taxes, the Community Facilities District special taxes or *ad valorem* tax or other obligations imposed on the property tax bill when due on its property within Improvement Area B and the Community Facilities District, respectively.

#### **Warmington Scripps Associates, L.P.**

Warmington Scripps Associates, L.P., a California limited partnership ("Warmington Scripps Associates, L.P.") is a special purpose entity formed specifically to acquire and assist in the development of the property located within Improvement Area B of the Community Facilities District. The general partner of Warmington Scripps Associates, L.P., and the builder of the homes within Improvement Area B of the Community Facilities District, is Warmington Homes California ("Warmington California"), a California corporation. Warmington California is engaged in the business of developing and selling residential properties in California. It expects to complete approximately 875 homes in 2005. It is currently involved in three similar projects within the San Diego Division, an 81 unit single-family development at La Costa Oaks in Carlsbad, an 82 unit single-family development at La Costa Greens in Carlsbad, and a 65 unit single-family development at Santaluz (east of Del Mar). Warmington California also has divisions in the San Francisco Bay Area, Sacramento, Los Angeles, and Orange County areas, and has 25 projects underway in those markets. *Warmington California has no legal or contractual obligation to contribute funds to Warmington Scripps Associates, L.P. either to complete construction of the project or to pay the Special Taxes.*

*The Internet home page of Warmington California, the managing member of Warmington Scripps Associates, L.P., is located at [www.warmingtonhomesca.com](http://www.warmingtonhomesca.com). This Internet address is included for reference only and the information on such Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.*



*Description of Project.* Warmington Scripps Associates, L.P. projects' estimated lot sizes, unit sizes, base sales and price range are set forth below.

<b>Project Name</b>	<b>Min. Pad Size</b>	<b>Estimated Unit Size</b>	<b>Estimated Base Sales Price Range</b>	<b>Lots to be Sold</b>
The Warmington Collection at StoneBridge	12,000 sq. ft.	4,141 sq. ft. - 4,735 sq. ft.	\$1,215,000 - \$1,336,000	36

*Status of Permits and Approvals.* Warmington Scripps Associates L.P. purchased the property from McMillin Montecito 47 LLC in a "blue-top" condition, fully entitled. Corky McMillin Construction Services, Inc., on behalf of McMillin Montecito 47 LLC, completed the improvement of the lots to a "finished lot" condition. The offsite improvements are expected to be complete by the end of the second quarter of 2005. The final map for the 36 residential lots was recorded on October 21, 2004 as Map No. 14895.

Construction of regional infrastructure improvements, including roads, sewer and drainage commenced in March 2003 and was completed in August 2004 by Sycamore Estates LLC. Approvals and permits have been obtained for grading and public improvements. Warmington Scripps Associates L.P. is utilizing model homes from a project outside of the Community Facilities District to market its homes in Improvement Area B. As of April 15, 2005, twelve production units are under construction. First sales contracts are expected to be entered into in the second quarter of 2005.

Costs to improve the lots into finished lots (streets paved, curb and gutter in and utilities to each individual lot) are estimated to be \$957,000, of which approximately \$900,000 has been spent as of April 29, 2005. In-tract public improvements, consisting of street, curb, gutter, sewer, water and storm drain improvements and dry utilities, to each individual lot are approximately 90% completed and are estimated to be completed in the second quarter of 2005.

Development of the property in Zone 2 / Improvement Area B is conditioned upon the construction of affordable housing units. Sycamore Estates LLC is required to meet certain milestones with respect to the construction of at least 106 affordable housing units within a specified time period. The 106 affordable housing units are due to be constructed in Zone 2 / Improvement Area B commencing in the third quarter of 2005.

*Environmental Review.* As indicated in "COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Review" and " – Environmental Permits," most required development approvals for the planned development within Warmington Scripps Associates, L.P.'s project were obtained over the last several years. Warmington Scripps Associates, L.P. is not aware of any additional permits required to proceed with development of its properties other than the usual permits required from the City and applicable local agencies. None of Warmington Scripps Associates, L.P.'s lots are located within the 100-year flood plain.

*Plan of Finance.* Warmington Scripps Associates, L.P. financed the purchase of the 36 residential lots in Neighborhood 4 from a McMillin affiliate with cash and an acquisition and development loan from Guaranty Bank in an original amount of \$13,891,648 acquisition and development loan and a \$11,350,000 revolving construction loan. As of March 31, 2005, the combined outstanding balance of these loans was \$12,542,215. Warmington Scripps Associates, L.P. expects the total land acquisition and construction costs to be financed through the foregoing loans, equity contributions and the proceeds of home sales within its project.

As of April 29, 2005, Warmington Scripps Associates, L.P. expects the remaining in-tract development costs for its project to be approximately \$57,000 and home construction costs for The Warmington Collection at StoneBridge units to be approximately \$14.5 million. Warmington Scripps Associates, L.P. expect to finance these costs primarily through the acquisition and construction loans, cash and home sales proceeds

*There is no assurance that amounts necessary to finance the remaining site development and construction costs within Warmington Scripps Associates, L.P.'s project will be available from any source, when needed. Warmington Scripps Associates, L.P. is under no legal obligation of any kind to borrow or expend funds for the development of its property within Improvement Area B. Any contribution of capital by*

*partners of Warmington Scripps Associates, L.P. or any other Warmington Scripps Associates, L.P. entity, or any borrowings by Warmington Scripps Associates, L.P., whether to fund costs of development within Neighborhoods 4 or to pay special taxes, is entirely voluntary.*

*Absorption.* According to Warmington Scripps Associates, L.P., Warmington Scripps Associates, L.P.'s project has a projected absorption rate of 6 to 8 units per quarter, with first move-in's commencing in the fourth quarter of 2005. Completion of all 36 homes is estimated to occur by the end of the second quarter of 2006.

*History of Property Tax Payment; Loan Defaults; Bankruptcy.* Warmington Scripps Associates, L.P. has made the following representations:

- neither it nor any of its current Affiliates (as defined in the Developer Continuing Disclosure Agreement) has ever been delinquent in the payment of any *ad valorem* property taxes, special assessments or special taxes in any material amount,
- neither it nor, to its actual knowledge, any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its development in Improvement Area B of the Community Facilities District or any of its other projects which default would in any way materially and adversely affect its ability to develop its development in Improvement Area B of the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which either is responsible,
- neither it nor any of its Affiliates has any proceeding pending or threatened in which it may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations, and
- no action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to Warmington Scripps Associates, LP. or an Affiliate having been accomplished) against Warmington Scripps Associates, L.P. or any Affiliate or, to Warmington Scripps Associates, L.P.'s actual knowledge, threatened, which if successful, would materially adversely affect the ability of Warmington Scripps Associates, L.P. to complete the development and sale of its property currently owned within Improvement Area B of the Community Facilities District or to pay Improvement Area B of Community Facilities District and the Community Facilities District Special Taxes or *ad valorem* tax obligations when due on its property within Improvement Area B and the Community Facilities District, respectively.

## **IMPROVEMENT AREA C**

As of May 1, 2005, Sycamore Estates LLC is the owner of the property within Improvement Area C. McMillin Companies, LLC or one or more of its assigns and Brookfield Sycamore LLC or one or more of its assigns have options to purchase their designated portions of the project.

### **McMillin Affiliates; McMillin Companies, LLC –Neighborhoods 5 and 6**

One or more McMillin Affiliates which have not yet been formed are expected to acquire 81 residential lots in Neighborhood 5 and 109 residential lots in Neighborhood 6. The managing member of each McMillin Affiliate is expected to be McMillin Companies, LLC. The Manager of the McMillin Affiliate is expected to be McMillin Management Services, L.P., the general partner of which is Corky McMillin Construction Services, Inc., a California corporation. McMillin Companies, LLC is a privately held entity beneficially owned entirely by the McMillin family headed by Macey L. "Corky" McMillin. Corky McMillin started the McMillin organization in 1960 as a real estate development and construction company. Today, the McMillin organization operates in five areas including land development, home building, commercial, realty and mortgage. The home building segment has included the construction of town houses, condominiums, detached homes and also developed master planned communities. The McMillin organization is San Diego's largest and oldest privately owned locally based developer of mixed-use projects. For Fiscal Year 2004, total home closings exceeded 1,909 units. *The McMillin organization's Internet home address is located at mcmillin.com. This Internet address is included for reference only and the information on this Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.*

The McMillin organization is currently involved or has recently (within the past two years) been involved in the following residential development projects:

<b>Neighborhood</b>	<b>Location</b>	<b>Units</b>	<b>Neighborhood</b>	<b>Location</b>	<b>Units</b>
<b>Bakersfield</b>			<b>Liberty Station</b>		
42 <sup>nd</sup> Street	Bakersfield	240	Admiralty Row	Point Loma	80
Capella	Bakersfield	144	Anchor Cove	Point Loma	140
Crystal Ranch	Bakersfield	107	Beacon Point	Point Loma	129
Emerald Estates	Bakersfield	103	<b>Madison Grove</b>		
Park Avenue	Bakersfield	125	Hampton Woods	Bakersfield	122
San Trope	Bakersfield	61	Madison Grove	Bakersfield	209
South San Lauren	Bakersfield	266	<b>McMillin Lomas Verdes</b>		
Venecia	Bakersfield	122	Auburn Land	Chula Vista	92
<b>Calavera Hills</b>			Jasmine	Chula Vista	126
Montana	Carlsbad	102	Mandalay	Chula Vista	101
Ravina	Carlsbad	115	Sienna	Chula Vista	163
<b>Central Valley</b>			<b>Morgan Hill</b>		
Ashton Park	Hanford	182	Artesa	Temecula	116
Bella Vista	Tulare	157	Blackstone	Temecula	37
Bonterra	Tulare	86	Cristal	Temecula	116
Cameron Creek Ranch	Visalia	231	Montevina	Temecula	146
Colby Park	Visalia	131	Ruffino	Temecula	131
Fallbrook Estates	Clovis	130	<b>Rolling Hills Ranch</b>		
Foxwood Estates	Visalia	218	Chambord	Chula Vista	114
Ranch Sante Fe	Visalia	124	Fairhaven	Chula Vista	164
Rustic Oaks	Fresno	113	Quintessa	Chula Vista	98
South Cameron Creek	Visalia	76	<b>StoneBridge Estates</b>		
Tierra Del Sol	Tulare	170	Mill Creek	Scripps Ranch	109
Vista Del Sol	Tulare	72	<b>Temeku Hills</b>		
<b>Imperial Valley</b>			Brookhaven	Temecula	140
Cielo Azul	Imperial	208	Castle Pines	Temecula	85
Farmers Estates	El Centro	139	Cypress Point	Temecula	121
La Brisas North	Calexico	227	Legends	Temecula	186
Parkside East	Brawley	165	Northwind	Temecula	196
Parkside West	Brawley	259	<b>Tuscany</b>		
Sereno	Calexico	142	Portola	Bakersfield	144
Ventanas	Imperial	172	Tuscany	Bakersfield	32

*Description of Project.* The McMillin projects' estimated lot sizes, unit sizes, base sales and price range are set forth below.

<b>Project Name</b>	<b>Minimum Pad Size</b>	<b>Estimated Avg. Unit Size</b>	<b>Estimated Avg. Base Sales Price Range</b>	<b>Total Lots to be Sold</b>
Neighborhood 5 - Not yet named	9,600 sq. ft.	3,893 sq. ft.	\$1,010,249	81
Neighborhood 6 - Not yet named	9,600 sq. ft.	3,263 sq. ft.	\$944,100	109

*Status of Permits and Approvals.* The McMillin Affiliate or Affiliates are expected to purchase the property from Sycamore Estates LLC in a "blue-top" condition in the third quarter of 2005. Construction of regional infrastructure improvements, including roads, sewer and drainage commenced in January 2003 and is estimated to be completed in July 2005. The vesting tentative map was approved in August 1999 encompassing all 341 residential lots within Improvement Area C. The final maps for the 81 residential lots in Neighborhood 5 and 109 residential lots in Neighborhood 6 are anticipated to be recorded before the end of the third quarter of 2005. McMillin Companies, LLC expects to complete mass grading in October 2005. Sycamore Estates LLC estimates it will complete the improvement of the lots to a "blue-top" condition and

complete all offsite improvements required to service Neighborhood 5 and 6 in the third quarter of 2005. In-tract public improvements, consisting of street, curb, gutter, sewer, water and storm drain improvements and dry utilities to each individual lot are estimated to be complete in the third quarter of 2006. Model homes are estimated to commence construction in the fourth quarter of 2005 and production units are estimated to commence construction approximately three months thereafter.

Total in-tract costs to convert the “blue-top” lots (graded with lots terraced and streets cut in but utilities only to the property line) in Neighborhoods 5 and 6 into finished lots (streets paved, curb and gutter in and utilities to each individual lot) are estimated to be approximately \$7.8 million, of which none has been spent as of April 15, 2005.

As of April 15, 2005, no building permits for production units have been issued. There are expected to be four model homes. McMillin Companies, LLC expects a McMillin Affiliate to begin conveying the homes in Neighborhood 5 by the fourth quarter of 2005, and to reach full build-out of Neighborhood 5 by the end of the third quarter of 2008. McMillin Companies, LLC expects a McMillin Affiliate to begin conveying the homes in Neighborhood 6 by the first quarter of 2006, and to reach full build-out of Neighborhood 6 by the end of the third quarter of 2009.

In order to complete the development within Zone 2 / Improvement Area B and Zone 3 / Improvement Area C, Sycamore Estates LLC is required to meet certain milestones with respect to the construction of at least 106 affordable housing units within a specified time period. The 106 affordable housing units are due to be constructed in Zone 2 / Improvement Area B commencing in the third quarter of 2005.

*Environmental Review.* As indicated in “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Review” and “ – Environmental Permits,” most required development approvals for the planned development within Neighborhoods 5 and 6 were obtained over the last several years. Sycamore Estates LLC is not aware of any additional permits required to proceed with development of its properties other than approval of each final map, which are expected to be recorded before the end of the third quarter of 2005, and the usual permits required from the City and applicable local agencies. None of the lots in Neighborhoods 5 or 6 are located within the 100-year flood plain.

*Plan of Finance.* Sycamore Estates LLC financed the purchase of property in the Community Facilities District in part through an acquisition and development loan in the amount of \$25,000,000 from Bank of America. The outstanding balance of the loan varies as development work is performed in connection with improvements by Sycamore Estates LLC in the Community Facilities District. As of April 15, 2005, the outstanding balance was approximately \$20.5 million and the loan is secured by property owned by Sycamore Estates LLC in Improvement Area C.

The financing arrangement for the purchase by the McMillin Affiliates of the 190 residential lots in Neighborhood 5 and 6 from Sycamore Estates LLC in Improvement Area C is expected to be a combination of cash and an acquisition and development loan from a lender yet to be determined. McMillin Companies, LLC expects the total land development and construction costs to be financed through one or more of the following sources: the acquisition and development loan, one or more construction loans, the proceeds of home sales within Improvement Area C, or cash or capital contributions.

*There is no assurance that amounts necessary to finance the remaining site development and construction costs within Neighborhood 5 and 6 will be available from any source, when needed. McMillin Companies, LLC and the McMillin Affiliates are, and will be under no legal obligation of any kind to borrow or expend funds for the development of the property within Neighborhoods 5 and 6. Any contribution of capital by members of the McMillin Affiliate or any other McMillin entity, or any borrowings by the McMillin Affiliates, whether to fund costs of development within Neighborhoods 5 and 6 or to pay special taxes, is entirely voluntary.*

*Absorption.* Sycamore Estates LLC expects the McMillin Affiliate or Affiliates’ projects in the Neighborhood 5 to have a projected absorption rate of 9 units per quarter, commencing in the third quarter of 2006 with final home closings estimated to occur in the third quarter of 2008. Sycamore Estates LLC expects the McMillin Affiliate or Affiliates’ projects in the Neighborhood 6 to have a projected absorption rate of 7.5 units per quarter, commencing in the fourth quarter of 2006 with final home closings estimated to occur in the second quarter of 2009.

*History of Property Tax Payment; Loan Defaults; Bankruptcy.* Sycamore Estates LLC has made the following representations:

- neither it nor, to its actual knowledge, any of its current Affiliates (as defined in the Developer Continuing Disclosure Agreement) has ever been delinquent in the payment of any *ad valorem* property taxes, special assessments or special taxes in any material amount,
- neither it nor any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its development in the Community Facilities District or any of its other projects which default would in any way materially and adversely affect its ability to develop its development in the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which it is responsible,
- neither it nor any of its Affiliates has any proceeding pending or threatened in which it may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations, and
- no action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to Sycamore Estates LLC or an Affiliate having been accomplished) against Sycamore Estates LLC or any Affiliate or, to Sycamore Estates LLC's actual knowledge, threatened, which if successful, would materially adversely affect the ability of Sycamore Estates LLC or an Affiliate to complete the development and sale of the property currently owned within Improvement Area C of the Community Facilities District or to pay Improvement Area C Special Taxes, Community Facilities District special taxes or *ad valorem* tax or other obligations imposed on the property tax bill when due on its property within Improvement Area C and the Community Facilities District, respectively.

**Brookfield Sycamore LLC; Brookfield Affiliates – Neighborhood 7**

Brookfield Sycamore LLC, a Delaware limited liability company (“Brookfield Sycamore LLC”) as a member of Sycamore Estates LLC has an option to acquire all the real property within Neighborhood 7 in Improvement Area C. Brookfield Sycamore LLC expects that one or more Brookfield Affiliates will be formed, to acquire the property in Neighborhood 7. For a description of Brookfield Sycamore LLC's ownership, see Brookfield 8 LLC above.

*Description of Project.* The project in Neighborhood 7's estimated lot sizes, unit sizes, base sales and price range are set forth below. For a description of an affiliate's project in Neighborhood 3B in Improvement Area B, see Brookfield 8 LLC (above).

<u>Project Name</u>	<u>Min. Pad Size</u>	<u>Estimated Unit Size (sq. ft.)</u>	<u>Estimated Base Sales Price Range<sup>(1)</sup></u>	<u>Lots to be Sold</u>
Neighborhood 7 – not yet named	12,000	4,500 sq. ft. - 6,000 sq. ft.	\$1,475,000 – \$1,625,000	151

<sup>(1)</sup> The estimated base sales prices are slightly higher than the \$1,090,000 to \$1,210,000 referenced in the Appraisal.

*Status of Permits and Approvals.* The Brookfield Affiliates are expected to purchase “blue-top” lots, fully entitled, comprising Neighborhood 7 from Sycamore Estates LLC in September 2005. Sycamore LLC estimates mass grading will be completed in October 2005. The vesting tentative map for Neighborhood 7 (Improvement Area C) (VTM 99-0295) was approved on August 7, 2001 encompassing all 151 residential lots within Zone 3 / Improvement Area C. Brookfield Sycamore LLC estimates the final maps for the 151 residential lots in Neighborhood 7 will record in the third and fourth quarters of 2005.

Corky McMillin Construction Services, Inc. on behalf of Sycamore Estates LLC, is estimated to complete the improvement of the lots to a “blue-top” condition and completed all offsite improvements required to serve Neighborhoods 7 in the third quarter of 2005. Corky McMillin Construction Services, Inc., on behalf of Sycamore Estates LLC, is in the process of completing all offsite improvements required to serve Neighborhood 7. In-tract public improvements, consisting of street, curb, gutter, sewer, water and storm drain improvements and dry utilities, to each individual lot are estimated to be completed in the first quarter of 2006. Brookfield Sycamore LLC currently estimates there will be three to six model homes in Neighborhood 7. Brookfield Sycamore LLC expects model homes to begin construction for Neighborhood 7 in the first quarter of 2006, with the completion and grand opening scheduled in third quarter of 2006. The

construction of the production homes is estimated to start in the third quarter of 2006. First sales contracts are expected to be entered into in the third quarter of 2006 for Neighborhood 7.

Total in-tract costs to convert the “blue-top” lots (graded with lots terraced and streets cut in but utilities only to the property line) in Neighborhood 7 into finished lots (streets paved, curb and gutter in and utilities to each individual lot) are estimated to be approximately \$6.7 million, of which none has been spent as of April 15, 2005.

As of April 15, 2005, no building permits for the production units in Neighborhood 7 have been issued.

In order to complete the development within Zone 2 / Improvement Area B and Zone 3 / Improvement Area C, Sycamore Estates LLC is required to meet certain milestones with respect to the construction of at least 106 affordable housing units within a specified time period. The 106 affordable housing units are due to be constructed in Zone 2 / Improvement Area B commencing in the third quarter of 2005.

*Environmental Review.* As indicated in “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Review” and “– Environmental Permits,” most required development approvals for the planned development within Neighborhood 7 were obtained over the last several years. Sycamore Estates LLC is not aware of any additional permits required to proceed with development of its properties other than approval of each final map, which are expected to be recorded before the end of the third quarter of 2005 and the usual permits required from the City and applicable local agencies. None of the lots in Neighborhood 7 are located within the 100-year flood plain.

*Plan of Finance.* As noted above, Sycamore Estates LLC financed the purchase of property in the Community Facilities District in part through an acquisition and development loan in the amount of \$25,000,000 from Bank of America. The outstanding balance of the loan varies as development work is performed in connection with improvements by Sycamore Estates LLC in the Community Facilities District. As of April 15, 2005, the outstanding balance was approximately \$20.5 million and the loan is secured by property owned by Sycamore Estates LLC in Improvement Area C.

The Brookfield Affiliate or Affiliates are expected to finance the purchase of the 151 residential lots in Neighborhood 7 from Sycamore Estates LLC with cash and an acquisition and development loan from a third party lender. Brookfield Sycamore LLC expects the total land acquisition and construction costs to be financed through a combination of borrowings under the anticipated the construction loan, equity contributions and the proceeds of home sales within Neighborhood 7.

As of March 31, 2005, Brookfield Sycamore LLC expects the remaining in-tract development costs within Neighborhoods 7 to be approximately \$8 million and home construction costs for the 151 residential units to be approximately \$74 million. Brookfield Sycamore LLC expects these costs to be financed primarily through third party loans, cash and home sales proceeds.

*There is no assurance that amounts necessary to finance the remaining site development and construction costs within Neighborhood 7 will be available from any source, when needed. Brookfield Sycamore LLC and the Brookfield Affiliates which are expected to be formed are under no legal obligation of any kind to borrow or expend funds for the development of the property within Neighborhood 7. Any contribution of capital by members of the Brookfield Affiliates, Brookfield Sycamore LLC or any other Brookfield entity, or any borrowings by a Brookfield Affiliate to fund costs of development within Neighborhoods 7 or to pay special taxes, is entirely voluntary.*

*Absorption.* According to Brookfield Sycamore LLC, Neighborhood 7 has a projected absorption rate of 9 units per quarter, commencing in the third quarter of 2006 with final home closing estimated to be occur second quarter of 2009.

*History of Property Tax Payment; Loan Defaults; Bankruptcy.* See the description of the representations made by Sycamore Estates LLC above under the caption “– IMPROVEMENT AREA C – McMillin Affiliate; McMillin Companies, LLC – Neighborhoods 5 and 6 – History of Property Tax Payments; Loan Defaults; Bankruptcy.”

## Appraised Property Values

The purpose of the Appraisal was to estimate the market value by tract or future ownership of the “as-is” condition of the taxable property located within the Community Facilities District. The Appraisal reflects the Improvement Area B and Improvement Area C financings. The subject property in Improvement Area B includes property proposed for development with 210 detached single-family residential units and 106 affordable residential multi-family units. (Up to 106 units may be affordable units which are not subject to the Special Tax.) The subject property in Improvement Area C includes property proposed for development with 341 single-family residential units. The Appraisal is based on certain assumptions set forth in Appendix C hereto.

The Appraisal estimated the value of the property in Improvement Area B and Improvement Area C as “finished lots,” that is, the lots have all development entitlements, infrastructure improvements completed, finish grading completed, all in-tract utilities extended to the property line of each lot, street improvements completed, common area improvements/landscaping (associated with the tract) completed, resource agency permits (if necessary), and all development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map (which, as described in “Property Ownership and Development” above, is not yet the condition of the property within the Improvement Areas), less the remaining cost to the Developers to achieve finished lots (based on the status of the development process as of April 15, 2005). The estimate of value was based on fee simple ownership, subject only to easements of record and the lien of the Community Facilities District special taxes and of the Improvement Area Special Taxes.

The Appraiser used a sales comparison approach, in which listings and sales of similar bulk residential properties in the general area are analyzed in order to derive an indication of the most probable sales price of the property being appraised. The estimate of value for the property in Improvement Area B and Improvement Area C was achieved using the sales price of comparable bulk residential lots in the area that were listed or had sold within the prior two years.

Based on the investigation and analyses described in the Appraisal, and subject to all of the premises, assumptions and limiting conditions set forth therein, the Appraiser estimated the market value of the taxable property in Improvement Area B as of April 15, 2005 to be \$91,100,000 and Improvement Area C as of April 15, 2005, to be \$121,600,000. The market value includes the value of extensive grading and infrastructure improvements in Improvement Area B and Improvement Area C. Subject to these assumptions, the Appraiser estimated that the market value of the land within the Improvement Area B and Improvement Area C (subject to the lien of the Special Taxes) as of April 15, 2005, was as follows:

<u>Developer</u>	<u>Project Name</u>	<u>Units</u>	<u>Market Value</u>
<b><u>Improvement Area B</u></b>			
Brookfield 8 LLC	Calabria	92	\$36,100,000
Shea Homes Limited Partnership	Sanctuary	82	37,800,000
Warmington Scripps Associates, L.P.	The Collection	<u>36</u>	<u>17,200,000</u>
Subtotal		210	\$91,100,000
<b><u>Improvement Area C</u></b>			
Sycamore Estates LLC with an option to McMillin Companies, LLC or its assigns	Neighborhood 5	81	\$ 27,100,000
Sycamore Estates LLC with an option to McMillin Companies, LLC or its assigns	Neighborhood 6	109	34,700,000
Brookfield 8 LLC with an option to Brookfield Sycamore LLC or its assigns	Neighborhood 7	<u>151</u>	<u>59,800,000</u>
Subtotal		341	\$121,600,000
<b>Total</b>		<b>551</b>	<b>\$212,600,000</b>

The market values of the property within Improvement Area B and Improvement Area C include the value of tract map approvals and the near finished conditions of such property. The \$91,100,000 and \$121,600,000 aggregate market value reported in the Appraisal results in estimated value-to-lien ratio of 10.08 to 1 with respect to Improvement Area B and 9.02 to 1 with respect to Improvement Area C, calculated in each case with respect to all direct and overlapping tax and assessment debt as of the estimated closing date. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Appraised Property Values,” “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Direct and Overlapping Debt” and “BONDOWNERS’ RISKS – Appraised Values” herein and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Appraisal and for limiting conditions relating to the Appraisal.

*The School District makes no representation as to the accuracy or completeness of the Appraisal. See Appendix C hereto for more information relating to the Appraisal.*

### **Estimated Value-to-Lien Allocation**

As of April 15, 2005, the Developers own in the aggregate 210 final lots in Improvement Area B and Sycamore Estates LLC owns all of the tentative lots in Improvement Area C. Each such entity is responsible for its respective Special Taxes. As a result, in determining the investment quality of the 2005 Bonds, Bondowners should assume that a portion of the Special Taxes in Improvement Area B and Improvement Area C will be paid by the Developers until such time as the parcels are transferred to individual owners. To date, the Developers have been current in their respective obligations with respect to payment of the County *ad valorem* property taxes.

Table 2 shows an estimate of the Special Tax and the allocation of the appraised values based on the status of the property as completed homes, homes under construction and vacant lots.



**Table 2**  
**Community Facilities District No. 11 (StoneBridge Estates)**  
**of the Poway Unified School District**  
**Improvement Area B and Improvement Area C**  
**Value-to-Lien Analysis by Status of Development**  
**(As of April 15, 2005 Appraisal Date of Value)**

**Improvement Area B**

<b>Stage of Development<sup>(1)</sup></b>	<b>Number of Lots<sup>(1)</sup></b>	<b>Total Appraised Value<sup>(1)</sup></b>	<b>Improvement Area B Bonds<sup>(2)</sup></b>	<b>Total Lien</b>	<b>Value-to-Lien Ratio<sup>(3)</sup></b>
Homes Completed-Unsold	0	\$0.00	\$0.00	\$0.00	NA
Homes Uncompleted-Under Construction	0	0.00	0.00	0.00	NA
Vacant Lots	<u>210</u>	<u>91,100,000.00</u>	<u>9,035,000.00</u>	<u>9,035,000.00</u>	10.08:1
<b>Total</b>	<b>210</b>	<b>\$91,100,000.00</b>	<b>\$9,035,000.00</b>	<b>\$9,035,000.00</b>	<b>10.08:1</b>

**Improvement Area C**

<b>Stage of Development<sup>(1)</sup></b>	<b>Number of Lots<sup>(1)</sup></b>	<b>Total Appraised Value<sup>(1)</sup></b>	<b>Improvement Area C Bonds<sup>(2)</sup></b>	<b>Total Lien</b>	<b>Value-to-Lien Ratio<sup>(3)</sup></b>
Homes Completed-Unsold	0	\$0.00	\$0.00	\$0.00	NA
Homes Uncompleted-Under Construction	0	0.00	0.00	0.00	NA
Vacant Lots	<u>341</u>	<u>121,600,000.00</u>	<u>13,475,000.00</u>	<u>13,475,000.00</u>	9.02:1
<b>Total</b>	<b>341</b>	<b>\$121,600,000.00</b>	<b>\$13,475,000.00</b>	<b>\$13,475,000.00</b>	<b>9.02:1</b>

<sup>(1)</sup> Source: Appraisal, dated April 26, 2005.

<sup>(2)</sup> Includes 2005 Bonds to be issued by the Community Facilities District; debt has been allocated equally to each lot, actual allocation of debt will vary depending on size of Unit.

<sup>(3)</sup> Average value-to-lien per lot; actual value-to-lien may vary by Lot.

Table 3 shows the estimated amount of the Special Tax for which each Developer will be responsible and the percentage of the estimated total amount of the Special Tax for Fiscal Year 2005-06, if Special Taxes were to be levied based on current ownership. Interest on the Improvement Area B Bonds is capitalized for 18 months and interest on the Improvement Area C Bonds is capitalized for 24 months so the first year of Special Tax levy in Improvement Area B will be Fiscal Year 2006-07 and the first year of Special Tax levy in Improvement Area C will be Fiscal Year 2007-08, except for levies on Developed Property in Fiscal Year 2005-06 (i.e., those lots for which a building permit was issued on or before May 1, 2005) and thereafter.

**Table 3**  
**Community Facilities District No. 11 (StoneBridge Estates)**  
**of the Poway Unified School District**  
**Improvement Area B / Improvement Area C**  
**Value-to-Lien Analysis by Developer**

**Improvement Area B**

<b>Owner/Merchant Builder</b>	<b>Lots</b>	<b>Appraised Value<sup>(1)</sup></b>	<b>Estimated Improvement Area B FY 2005/06 Special Tax</b>	<b>% of Total Special Tax</b>	<b>Improvement Area B Bond Allocation</b>	<b>Value-to-Lien</b>
Warmington Scripps Associates, L.P.	36	\$17,200,000.00	\$ 98,115.00	16.65%	\$1,504,132.49	11.44:1
Shea Homes Limited Partnership	82	36,100,000.00	240,746.30	40.85%	3,690,713.25	9.78:1
Brookfield 8 LLC	<u>92</u>	<u>37,800,000.00</u>	<u>250,494.38</u>	<u>42.50%</u>	<u>3,840,154.26</u>	9.84:1
Total	210	\$91,100,000.00	\$589,355.68	100.00%	\$9,035,000.00	10.08:1

**Improvement Area C**

<b>Owner/Merchant Builder</b>	<b>Lots</b>	<b>Appraised Value<sup>(1)</sup></b>	<b>Estimated Improvement Area C FY 2005-06 Special Tax</b>	<b>% of Total Special Tax</b>	<b>Improvement Area C Bond Allocation</b>	<b>Value-to-Lien</b>
Sycamore Estates LLC/ McMillin (Neighborhood 5)	81	\$ 27,100,000.00	\$176,004.36	22.23%	\$ 2,995,810.26	9.05:1
Sycamore Estates LLC McMillin (Neighborhood 6)	109	34,700,000.00	190,759.78	24.10%	3,246,965.63	10.69:1
Sycamore Estates LLC/ Brookfield (Neighborhood 7)	<u>151</u>	<u>59,800,000.00</u>	<u>424,894.39</u>	<u>53.67%</u>	<u>7,232,224.11</u>	8.27:1
Total	341	\$121,600,000.00	\$791,658.53	100.00%	\$13,475,000.00	9.02:1

<sup>(1)</sup> Interest is capitalized for 18 months with respect to the Improvement Area B Bonds and for 24 months with respect to the Improvement Area C Bonds. The first Fiscal Year in which Special Taxes are estimated to be levied on Undeveloped Property is Fiscal Year 2006-07 with respect to Improvement Area B and Fiscal Year 2007-08 with respect to Improvement Area C.

Source: Appraisal dated April 26, 2005; David Taussig & Associates, Inc.

**Direct and Overlapping Debt**

Tables 4 and 5 below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within Improvement Area B and Improvement Area C prepared by National Tax Data, Inc. based on the Fiscal Year 2004-05 tax levy and prepared May 6, 2005 (the "Debt Report"). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as sales occur and assessed values increase to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the City or the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District and the Community Facilities District expects to issue additional debt secured by special taxes on Developed Property in the future. See " – Overlapping Assessment and Maintenance Districts" below.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area B and Improvement Area C in whole or in part. Such long term obligations generally are not payable from property taxes, assessment or special taxes on land in Improvement Area B and Improvement Area C. 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.

Additional indebtedness could be authorized by the School District, the County, the City or other public agencies at any time.

The Community Facilities District has not undertaken to commission annual appraisals of the market value of property in the Community Facilities District for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See Appendix E hereto for the form of Community Facilities District Continuing Disclosure Agreement.

**Table 4**  
**Community Facilities District No. 11 (StoneBridge Estates)**  
**of the Poway Unified School District**  
**Improvement Area B**  
**Special Tax Bonds**

**Detailed Direct and Overlapping Debt**

**I. Assessed Value**  
**2004-2005 Secured Roll Assessed Value** **\$24,346,336**

**II. Secured Property Taxes**

<u>Description on Tax Bill<sup>(1)</sup></u>	<u>Type</u>	<u>Total Parcels</u>	<u>Total Levy</u>	<u>% Applicable</u>	<u>Parcels<sup>(2)</sup></u>	<u>Levy Amount</u>
Basic Levy	PROP13	885,571	\$2,588,291,646.68	0.00550%	17	\$142,463.36
City of San Diego Public Safety Communication System Debt Service	GO	338,834	\$1,995,156.45	0.01213%	17	\$242.10
City of San Diego Zoological Exhibits Special Tax	TAX	338,847	\$5,872,881.63	0.01213%	17	\$712.20
County of San Diego Vector Control	VECTOR	505,198	\$1,414,140.00	0.00361%	17	\$51.00
Metropolitan Water District of Southern California Debt Service	GO	847,141	\$23,251,406.40	0.00355%	17	\$826.36
Metropolitan Water District of Southern California Standby Charge	STANDBY	330,625	\$4,157,928.54	0.18950%	17	\$7,879.38
San Diego County Water Authority Standby Charge	STANDBY	336,949	\$3,618,309.38	0.18920%	17	\$6,845.80
<b>2004-2005 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$159,020.20</b>

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2004-2005 ASSESSED VALUATION** **1.21%**

**III. Land Secured Bond Indebtedness**

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels<sup>(1)</sup></u>	<u>Amount</u>
Poway Unified School District CFD No. 11, Imp Area B	CFD	\$9,035,000	\$9,035,000	100.000%	17	\$9,035,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(2)</sup></b>						<b>\$9,035,000</b>

**TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(2)</sup>** **\$9,035,000**

**IV. General Obligation Bond Indebtedness**

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels <sup>(1)</sup></u>	<u>Amount</u>
City of San Diego Public Safety Communication System Debt Service	GO	\$ 25,500,000	\$13,010,000	0.01198%	17	\$1,559
Metropolitan Water District of Southern California Debt Service	GO	\$850,000,000	\$447,475,000	0.00096%	17	\$4,313
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(2)</sup></b>						<b>\$5,872</b>

**TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(2)</sup>** **\$5,872**

<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>	<b>\$9,040,872</b>
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<sup>(1)</sup> An assessment with respect to Scripps-Miramar Ranch Maintenance Assessment District, Zone 2 is levied in Improvement Area A, but is not levied in Improvement Area B or Improvement Area C.

<sup>(2)</sup> Parcels based on January 1, 2004 County Assessor information. Final maps were recorded during 2004.

<sup>(3)</sup> Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

**Table 5  
Community Facilities District No. 11 (StoneBridge Estates)  
of the Poway Unified School District  
Improvement Area C  
Special Tax Bonds**

**Detailed Direct and Overlapping Debt**

**I. Assessed Value**  
2004-2005 Secured Roll Assessed Value **\$7,243,727**

**II. Secured Property Taxes**

<u>Description on Tax Bill<sup>(1)</sup></u>	<u>Type</u>	<u>Total Parcels</u>	<u>Total Levy</u>	<u>% Applicable</u>	<u>Parcels<sup>(2)</sup></u>	<u>Levy Amount</u>
Basic Levy	PROP13	885,571	\$2,588,291,646.68	0.00280%	9	\$72,437.27
City of San Diego Public Safety Communication System Debt Service	GO	338,834	\$1,995,156.45	0.00617%	9	\$123.10
City of San Diego Zoological Exhibits Special Tax	TAX	338,847	\$5,872,881.63	0.00617%	9	\$362.13
County of San Diego Vector Control A	VECTOR	505,198	\$1,414,140.00	0.00191%	9	\$27.00
Metropolitan Water District of Southern California Debt Service	GO	847,141	\$23,251,406.40	0.00181%	9	\$420.18
Metropolitan Water District of Southern California Standby Charge	STANDBY	330,625	\$4,157,928.54	0.14256%	9	\$5,927.36
San Diego County Water Authority Standby Charge	STANDBY	336,949	\$3,618,309.38	0.14233%	9	\$5,149.80
<b>2004-2005 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$84,446.84</b>

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2004-2005 ASSESSED VALUATION** **1.17%**

**III. Land Secured Bond Indebtedness**

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels<sup>(2)</sup></u>	<u>Amount</u>
Poway Unified School District CFD No. 11, Imp Area C	CFD	\$13,475,000	\$13,475,000	100.000%	9	\$13,475,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS<sup>(3)</sup></b>						<b>\$13,475,000</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS<sup>(3)</sup></b>						<b>\$13,475,000</b>

**IV. General Obligation Bond Indebtedness**

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels<sup>(2)</sup></u>	<u>Amount</u>
City of San Diego Public Safety Communication System Debt Service	GO	\$ 25,500,000	\$ 13,010,000	0.00609%	9	\$793
Metropolitan Water District of Southern California Debt Service	GO	\$850,000,000	\$447,475,000	0.00049%	9	\$2,193
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS<sup>(3)</sup></b>						<b>\$2,986</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS<sup>(3)</sup></b>						<b>\$2,986</b>

<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>	<b>\$13,477,986</b>
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<sup>(1)</sup> An assessment with respect to Scripps-Miramar Ranch Maintenance Assessment District, Zone 2 is levied in Improvement Area A, but is not levied in Improvement Area B or Improvement Area C.  
<sup>(2)</sup> Parcels based on January 1, 2004 County Assessor information. Final maps are expected to be recorded during 2005.  
<sup>(3)</sup> Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

Tables 6 and 7 below set forth information regarding the overall tax rates which would have been applicable to a detached single-family residential unit within Improvement Area B and Improvement Area C with 3,780 and 3,263 of building square feet, respectively, utilizing Fiscal Year 2004-05 Special Tax rates from the Improvement Area B and Improvement Area C Rate and Method. Tables 6 and 7 also set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt. Actual levies in future fiscal years will be made in accordance with the applicable Rate and Method.

**Table 6  
Community Facilities District No. 11 (StoneBridge Estates)  
of the Poway Unified School District  
Improvement Area B  
Estimated Fiscal Year 2004-05 Tax Rates**

<u>ASSESSED VALUATION AND PROPERTY TAXES</u>	<u>Percent of Total AV</u>	<u>Projected Amount</u>
Estimated Sale Price <sup>(1)</sup>	\$1,025,000.00	
Homeowner's Exemption	(7,000.00)	
Assessed Value <sup>(2)</sup>	\$1,018,000.00	
<b><i>AD VALOREM</i> PROPERTY TAXES</b>		
General Purposes	1.00000%	\$10,180.00
<i>Ad Valorem</i> Tax Overrides		
City of San Diego Zoological Exhibits	0.00500%	\$50.90
City of San Diego Public Safety Communication System	0.00170%	17.31
City of San Diego County Water Authority	<u>0.00580%</u>	<u>59.04</u>
Total <i>Ad Valorem</i> Property Taxes	1.01250%	\$10,307.25
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES <sup>(3)</sup></b>		
Poway Unified School District CFD No. 11 – Zone 2 <sup>(4)</sup>		\$2,128.74
Poway Unified School District Improvement Area B of CFD No. 11 <sup>(4)</sup>		2,176.53
County Mosquito/Rat Control		3.00
County Water Authority Standby Charge		10.00
Metropolitan Water District Standby Charge		11.51
<b>PROJECTED TOTAL PROPERTY TAXES</b>		<b>\$14,637.03</b>
<u>Projected Total Effective Tax Rate (as % of Estimated Sales Price)</u>		<u>1.44%</u>

<sup>(1)</sup> Estimated sales price for a single-family detached unit containing 3,780 square feet.

<sup>(2)</sup> Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.

<sup>(3)</sup> All assessments assume a lot size of less than one (1) acre of Acreage.

<sup>(4)</sup> The rates used here are for Fiscal Year 2004-05.

Source: David Taussig & Associates, Inc.

**Table 7**  
**Community Facilities District No. 11 (StoneBridge Estates)**  
**of the Poway Unified School District**  
**Improvement Area C**  
**Estimated Fiscal Year 2004-05 Tax Rates**

<u>ASSESSED VALUATION AND PROPERTY TAXES</u>	<u>Percent of Total AV</u>	<u>Projected Amount</u>
Estimated Sale Price <sup>(1)</sup>	\$ 944,100.00	
Homeowner's Exemption	(7,000.00)	
Assessed Value <sup>(2)</sup>	\$937,100.00	
<b><i>AD VALOREM</i> PROPERTY TAXES</b>		
General Purposes	1.00000%	\$9,371.00
<i>Ad Valorem</i> Tax Overrides		
City of San Diego Zoological Exhibits	0.00500%	46.86
City of San Diego Public Safety Communication System	0.00170%	15.93
City of San Diego County Water Authority	<u>0.00580%</u>	<u>54.35</u>
Total <i>Ad Valorem</i> Property Taxes	1.01250%	\$9,488.14
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES <sup>(3)</sup></b>		
Poway Unified School District CFD No. 11 – Zone 3 <sup>(4)</sup>		\$2,113.19
Poway Unified School district Improvement Area C of CFD No. 11 <sup>(4)</sup>		1,757.15
County Mosquito/Rat Control		3.00
County Water Authority Standby Charge		10.00
Metropolitan Water District Standby Charge		11.51
<b>PROJECTED TOTAL PROPERTY TAXES</b>		<b>\$13,473.99</b>
<u>Projected Total Effective Tax Rate (as % of Estimated Sales Price)</u>		<u>1.44%</u>

<sup>(1)</sup> Estimated sales price for a single-family detached unit containing 3,263 square feet.

<sup>(2)</sup> Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.

<sup>(3)</sup> All assessments assume a lot size of less than one (1) acre of Acreage.

<sup>(4)</sup> The rates used here are for Fiscal Year 2004-05. Represents capitalized interest on the Improvement Area B Bonds for 18 months and on the Improvement Area C Bonds for 24 months.

Source: David Taussig & Associates, Inc.

## Overlapping Assessment and Maintenance Districts

### ***Improvement Area B***

*Metropolitan Water District Standby Charge.* The Metropolitan Water District imposes an annual charge at the rate of \$11.50 per acre, or \$11.50 per parcel for parcels one (1) acre or less. This pay-as-you-go charge is used for capital improvements of the water distribution system and the construction and maintenance of reservoirs. This assessment was first levied in the 1992-93 tax year and will continue to be levied for an indefinite period. The Metropolitan Water District holds a public hearing, regarding this assessment, once a year. Parcels with their own well may be exempted from this charge.

*County Water Authority Water Availability Charge.* The County Water Authority imposes an annual charge of \$10.00 per acre, or \$10.00 per parcel for parcels less than one (1) acre. This pay-as-you-go charge is used to fund capital improvements to the water distribution system and will continue to be levied for an indefinite period.

*County Mosquito/Rat Control.* The County Department of Environmental Health imposes this annual direct assessment on all property within the County at the rate of \$3.00 per parcel. Any change to the amount

of this assessment is subject to a vote by the registered voters within the County. This pay-as-you-go assessment is used for vector surveillance and control programs. The County Department of Environmental Health provides free services to residents of the County to control mosquito breeding and rodent activity.

### ***Improvement Area C***

*Metropolitan Water District Standby Charge.* The Metropolitan Water District imposes an annual charge at the rate of \$11.50 per acre, or \$11.50 per parcel for parcels one (1) acre or less. This pay-as-you-go charge is used for capital improvements of the water distribution system and the construction and maintenance of reservoirs. This assessment was first levied in the 1992-93 tax year and will continue to be levied for an indefinite period. The Metropolitan Water District holds a public hearing, regarding this assessment, once a year. Parcels with their own well may be exempted from this charge.

*County Water Authority Water Availability Charge.* The County Water Authority imposes an annual charge of \$10.00 per acre, or \$10.00 per parcel for parcels less than one (1) acre. This pay-as-you-go charge is used to fund capital improvements to the water distribution system and will continue to be levied for an indefinite period.

*County Mosquito/Rat Control.* The County Department of Environmental Health imposes this annual direct assessment on all property within the County at the rate of \$3.00 per parcel. Any change to the amount of this assessment is subject to a vote by the registered voters within the County. This pay-as-you-go assessment is used for vector surveillance and control programs. The County Department of Environmental Health provides free services to residents of the County to control mosquito breeding and rodent activity.

The Community Facilities District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County, the City or any other governmental agency having jurisdiction over all or a portion of the property within the Community Facilities District. Furthermore, nothing prevents the owners of property within the Community Facilities District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a district on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property within the Community Facilities District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the 2005 Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the Community Facilities District to pay the Special Taxes when due.

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See "BONDOWNERS' RISKS – Appraised Values."

### **BONDOWNERS' RISKS**

*In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the 2005 Bonds. The School District cautions prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2005 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area B or Improvement Area C to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the School District to make full and punctual payments of debt service on the 2005 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area B or Improvement Area C.*



## **Risks of Real Estate Secured Investments Generally**

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area B or Improvement Area C, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes, wildfires, landslides and floods), which may result in uninsured losses.

### **Concentration of Ownership**

As of April 15, 2005, Shea Homes Limited Partnership, Warmington Scripps Associates, L.P., and Brookfield 8 LLC are responsible for 100% percent of the Special Taxes in Improvement Area B and Sycamore Estates LLC is responsible for 100% of the Special Tax in Improvement Area C. See “THE COMMUNITY FACILITIES DISTRICT – Property Ownership and Development.” If the Developers are unwilling or unable to pay their Special Tax when due, a potential shortfall in the Bond Service Fund could occur, which would result in the depletion of the related Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Taxes and, consequently, a delay or failure in payments of the principal of or interest on the 2005 Bonds.

No property owner is obligated in any manner to continue to own or develop any of the land it presently owns within Improvement Area B or Improvement Area C. The Special Taxes are not a personal obligation of any developer, of any merchant builder or of any owner of the parcels, and the Community Facilities District can offer no assurance that any current owner or any future owner will be financially able to pay such installments or that it will choose to pay even if financially able to do so.

### **Failure to Develop Properties**

Development of property within Improvement Area B and Improvement Area C may be subject to economic considerations and unexpected delays, disruptions and changes which may affect the willingness and ability of the Developers or any property owner to pay the Special Taxes when due.

Land development is also subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. Final maps have been recorded for all 210 lots within Improvement Area B lots and most discretionary governmental approvals have been obtained with respect to such lots. The property within Improvement Area B is substantially finished and ready for construction of homes. No final maps have been recorded for any lots in Improvement Area C. Improvement Area C is partially developed with public infrastructure improvements and construction, some of which are substantially complete; however, additional approvals are necessary to complete the development. It is possible that the approvals necessary to complete development of the property within Improvement Area B and Improvement Area C will not be obtained on a timely basis. Failure to obtain any such approval could adversely affect land development operations within Improvement Area B and Improvement Area C. In addition, there is a risk that future governmental restrictions on land development within Improvement Area B or Improvement Area C will be enacted, either directly by a governmental entity with jurisdiction or by the voters through the exercise of the initiative power.

The failure to complete the development or the required infrastructure in an Improvement Area of the Community Facilities District or substantial delays in the completion of the development or the required infrastructure for the development due to litigation, the inability to obtain required funding, failure to obtain necessary governmental approval or other causes may reduce the value of the property within Improvement Area B or Improvement Area C and increase the length of time during which Special Taxes will be payable from Undeveloped Property, and may affect the willingness and ability of the owners of property within Improvement Area B or Improvement Area C, as applicable, to pay the Special Taxes when due. See “COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Appraised Property Values.”

Bondowners should assume that any event that significantly impacts the ability to develop land in Improvement Area B or Improvement Area C would cause the property values within Improvement Area B or Improvement Area C to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area B or Improvement Area C to pay the Special Taxes when due.

### **Special Taxes Are Not Personal Obligations**

The current and future owners of land within Improvement Area B and Improvement Area C are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within Improvement Area B and within Improvement Area C, as applicable. If the value of the land within Improvement Area B or Improvement Area C is not sufficient to fully secure the Special Tax, then the Community Facilities District has no recourse against the landowner under the laws by which the Special Tax has been levied and the 2005 Bonds have been issued.

### **The 2005 Bonds Are Limited Obligations of the Community Facilities District**

The Community Facilities District has no obligation to pay principal of and interest on the 2005 Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the applicable Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2005 Bonds.

### **Appraised Values**

The Appraisal summarized in Appendix C hereto estimates the fee simple interest market value of the residential property within Improvement Area B and Improvement Area C. This value is merely the present opinion of the Appraiser, and is qualified by the Appraiser as stated in the Appraisal. The School District has not sought the present opinion of any other appraiser of the value of the Taxable Property. A different present opinion of such value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

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

No assurance can be given that if any of the Taxable Property in Improvement Area B or Improvement Area C should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the amount of estimated market value thereof contained in the Appraisal.

### **Land Development**

All lots are substantially finished and ready for home construction in Improvement Area B, with minimal land development remaining, although home construction remains. Mass grading is expected to be completed in October 2005 in Improvement Area C and Sycamore Estates LLC estimates it will complete the improvements of the lots to a "blue-top" condition and complete all offsite improvement in the third quarter of 2005. A major risk to the Bondowners is that development by the property owners in Improvement Area B and Improvement Area C may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the property owners to pay Special Taxes when due. For example, proposed development within an Improvement Area could be adversely affected by unfavorable economic conditions, competing development projects, an inability of the current owners or future owners of the parcels to obtain financing, fluctuations in the real estate market or interest rates, unexpected increases in development costs, changes in federal, state or local governmental policies relating to the ownership of real estate, faster than expected depletion of existing water allocations, the appearance of previously unknown environmental impacts necessitating preparation of a supplemental environmental impact report, unfavorable economic conditions which might result from factors similar to the September 11, 2001 airline hijackings and

catastrophic destruction of the World Trade Center in New York, New York and damage to the Pentagon in Washington D.C. There can be no assurance that land development operations within Improvement Area B or Improvement Area C will not be adversely affected by the factors described above.

In addition, partially developed land is less valuable than developed land and provides less security for the 2005 Bonds (and therefore to the owners of the 2005 Bonds) should it be necessary for the Community Facilities District to foreclose on undeveloped property due to the nonpayment of Special Taxes. Moreover, failure to complete future development on a timely basis could adversely affect the land values of those parcels which have been completed. Lower land values result in less security for the payment of principal of and interest on the 2005 Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Taxes.

Furthermore, an inability to develop the land within Improvement Area B or Improvement Area C as planned will reduce the expected diversity of ownership of land within Improvement Area B or Improvement Area C, making the payment of debt service on the 2005 Bonds more dependent upon timely payment of the Special Taxes levied on the undeveloped property. Because of the concentration of undeveloped property ownership, the timely payment of the 2005 Bonds depends upon the willingness and ability of the current owners of undeveloped land and any merchant builders to whom finished lots are sold to pay the Special Taxes levied on the undeveloped land when due. Furthermore, continued concentration of ownership increases the potential negative impact of a bankruptcy or other financial difficulty experienced by the existing landowners. See "Concentration of Ownership" above.

### **Burden of Parity Liens, Taxes and Other Special Assessments on the 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 tables in the section entitled "COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Direct and Overlapping Debt" state 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 and furthermore state 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 tables do 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 2005 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 2005 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.

While governmental taxes, assessments and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. See "Hazardous Substances" below.

### **Disclosure to Future Purchasers**

The Community Facilities District has recorded Notices of Special Tax Lien on behalf of itself, Improvement Area B and Improvement Area C in the Office of the San Diego County Recorder on March 5,

2004, as Document Nos. 2004-0086626 and 2004-0086627, respectively. 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 Improvement Area B or Improvement Area C or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision 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 the above 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.

### **Government Approvals**

The Developers or their predecessors have secured most discretionary approvals, permits and government entitlements necessary to develop the land within Improvement Area B and Improvement Area C. Nevertheless, development within Improvement Area B and Improvement Area C is contingent upon the construction of a number of major public improvements as well as the necessary local in-tract improvements. The installation of the necessary improvements and infrastructure is subject to the receipt of construction or building permits from the City and other public agencies. The failure to obtain any such approval could adversely affect construction within Improvement Area B and Improvement Area C. A slow down or stoppage of the construction process could adversely affect land values. No assurance can be given that permits will be obtained in a timely fashion, if at all. The failure to do so may result in the prevention, or significant delays in the development of the projects or portions thereof. See “Failure to Develop Properties” above.

### **Local, State and Federal Land Use Regulations**

There can be no assurance that land development operations within Improvement Area B or Improvement Area C will not be adversely affected by future government policies, including, but not limited to, governmental policies which directly or indirectly restrict or control development. During the past several years, citizens of a number of local communities in California have placed measures on the ballot designed to control the rate of future development. During the past several years, State and federal regulatory agencies have significantly expanded their involvement in local land use matters through increased regulatory enforcement of various environmental laws, including the Endangered Species Act, the Clean Water Act and the Clear Air Act, among others. Such regulations can substantially impair the rate and amount of development without requiring just compensation unless the effect of the regulation is to deny all economic use of the affected property. Bondowners should assume that any event that significantly impacts the ability to construct homes on land in Improvement Area B and Improvement Area C could cause the land values within Improvement Area B and Improvement Area C to decrease substantially and could affect the willingness and ability of the owners of land to pay the Special Taxes when due or to proceed with development of land in Improvement Area B and Improvement Area C. See “Failure to Develop Properties” above.

### **Endangered and Threatened Species**

It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the U.S. Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish and Game Commission under the California Endangered Species Act without a permit. Thus, the presence of an endangered plant or animal could delay development of vacant property in Improvement Area B or Improvement Area C or reduce the value of undeveloped property. Failure to develop the vacant property in Improvement Area B or Improvement Area C as planned, or substantial delays in the completion of the planned development of the property may increase the amount of Special Taxes to be paid by the owners of undeveloped property and affect the willingness and ability of the owners of property within Improvement Area B or Improvement Area C to pay the Special Taxes when due.

At present, other than the species covered by the Mitigation Monitoring and Reporting Program (MMRP) for the Rancho Encantada project and the Sycamore Estates sub-project area, the vacant property within Improvement Area B and Improvement Area C is not known to be inhabited by any plant or animal

species which either the California Fish and Game Commission or the U.S. Fish & Wildlife Service has listed as endangered or threatened. See “THE COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – Environmental Permits” for a discussion of the MMRP. Furthermore, each Developer reports that the vacant property within the Community Facilities District proposed to be developed by such Developer is not known by the applicable Developer to be inhabited by any plant or animal species which either the California Fish and Game Commission or the U.S. Fish & Wildlife Service has proposed for addition to the endangered species list.

## **Hazardous Substances**

While governmental taxes, assessments, and charges are a common claim against the value of a Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to hazardous substances. In general, the owners and operators of parcels within Improvement Area B or Improvement Area C may be required by law to remedy conditions of the parcels related to the 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 substances condition of a property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within Improvement Area B or Improvement Area C be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner (or operator) is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

McMillin Land Development, on behalf of the owner of the land in Improvement Area B and Improvement Area C, retained GEOCON, Inc. to review environmental aspects of the project. The report concluded there was no evidence of polluted soils or other adverse site conditions in or on the land. In addition, P&D Environmental Services, San Diego, California (“P&D”) conducted an environmental site assessment of approximately 2,420 acres of StoneBridge Estates that is proposed to be given to the City for public park land. Review of historical information sources did not indicate that the project had been subjected to past activities that would represent a potential environmental threat or impact to the property. With respect to the proposed park land, the P&D report concluded there was a low potential that old ordinance may be found from military training camps that used the area from approximately 1942 to 1955. However, evidence of high explosive use in the project area was not found. The assessment noted the presence of five pad-mounted high voltage electrical transformers on the proposed park site, but found no evidence of leakage of transformer fluid or soil staining in the vicinity of the transformers during the site visit. The assessment noted that hazardous materials were used in the on-site operations and that there were a couple underground storage tanks for diesel fuel and above ground storage tanks for compressed or liquefied gasses. Some sites found on the Standard Environmental Record sources appear on one or more of the lists reviewed. While the presence of these properties in the vicinity of the property may constitute an environmental risk to the property, evidence was not found during the course of the review which indicate the site had been adversely impacted by the properties nor that they represent an imminent threat to the property.

In March, 2002, the County established new permitting guidelines relating to the testing protocol and mitigation measures (e.g. passive venting and vapor barriers) required with respect to methane vapors. Improvement Area B and Improvement Area C is in the City of San Diego and is not subject to the County’s new guidelines. The Developers have not conducted testing for methane gas.

The value of the property within Improvement Area B and Improvement Area C, as set forth in the appraised values set forth in the Appraisal hereto, does not take into account the possible reduction in marketability and value of any of the parcels of Taxable Property by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The Community Facilities District has not independently verified and is not aware that the owner (or operator) has such a current liability with respect to any of the parcels of Taxable Property, except as expressly noted. However, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

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

### **Insufficiency of the Special Tax**

The principal source of payment of principal of and interest on the 2005 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area B and Improvement Area C, respectively. The annual levy of the Special Tax is subject to the maximum tax rates authorized. 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 2005 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the 2005 Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of each Rate and Method. Application of each Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within Improvement Area B or Improvement Area C, as applicable. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- (1) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government 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 parcels of Taxable Property.
- (2) Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

Except as set forth above under “SECURITY FOR THE 2005 BONDS – Special Taxes” and “– Rates and Methods” herein, each Bond Indenture 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 2005 BONDS – Proceeds of Foreclosure Sales” 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 *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2005 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the School District of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY FOR THE 2005 BONDS – Proceeds of Foreclosure Sales.”

In addition, the Rate and Method limits the increase of Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area B or Improvement Area C. See “SECURITY FOR THE 2005 BONDS – Rates and Methods” herein.

## **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method (see “SECURITY FOR THE 2005 BONDS – Rates and Methods” herein). In addition, the Act provides that properties or entities of the State, federal or local government are exempt from the Special Tax; *provided, however*, that property within Improvement Area B or Improvement Area C 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. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. 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. In the event that additional property is dedicated to the School District or other public entities, this additional property might 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.

## **Depletion of Reserve Funds**

Each Reserve Fund is to be maintained at an amount equal to the applicable Reserve Requirement (see “SECURITY FOR THE 2005 BONDS – Reserve Funds” herein). Funds in a Reserve Fund may be used to pay principal of and interest on the applicable 2005 Bonds in the event the proceeds of the levy and collection of the Special Tax against property within Improvement Area B or Improvement Area C are insufficient. If funds in a Reserve Fund for the applicable 2005 Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bondowners pursuant to the applicable Bond Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within Improvement Area B or Improvement Area C, as applicable, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that a Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

## **Potential Delay and Limitations in Foreclosure Proceedings**

The payment of property owners’ taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE 2005 BONDS – Proceeds of Foreclosure Sales” and “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure Delay” herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Community Facilities District 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 which has made a loan which is secured by property within the Community Facilities District. See “BONDOWNERS’ RISKS – Payments by FDIC and Other Federal Agencies.”

The Community Facilities District and the School District are unable to predict what effect the application of a policy statement by the FDIC regarding payment of state and local real property taxes would have in the event of a delinquency on a parcel within Improvement Area B or Improvement Area C in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and

other factors beyond control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes will take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the Community Facilities District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such Superior Court approval requires the consent of the owners of 75% of the aggregate principal amount of the outstanding 2005 Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of protracted Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the 2005 Bonds. See “Concentration of Ownership” above.

### **Bankruptcy and Foreclosure Delay**

The payment of Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Special Taxes as discussed in the section herein entitled “SECURITY FOR THE 2005 BONDS” may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a judicial foreclosure may be delayed due to congested local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2005 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. 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 2005 Bonds and the possibility of delinquent Special Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in Improvement Area B and Improvement Area C is owned by the Developers, or any other property owner, and such owner is the subject of bankruptcy proceedings, the payment of the Special Tax and the ability of the School District to foreclose the lien of a delinquent unpaid Special Tax could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure.

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



According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declare bankruptcy could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S. C. Section 362(b)(18), which added a new exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S. C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

### **Payments by FDIC and Other Federal Agencies**

The ability of the School District to collect interest and penalties specified by state law and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest.

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real 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 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. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Corporation ("RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The School District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within Improvement Area B and Improvement Area C in which

the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the 2005 Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the applicable Reserve Fund and perhaps, ultimately, a default in payment on the 2005 Bonds. Based upon the secured tax roll as of January 1, 2002, the FDIC does not presently own any of the property in Improvement Area B and Improvement Area C. The School District expresses no view concerning the likelihood that the risks described above will materialize while the 2005 Bonds are outstanding.

### **Factors Affecting Parcel Values and Aggregate Value**

*Geologic, Topographic and Climatic Conditions.* The value of the Taxable Property in Improvement Area B and Improvement Area C in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It can be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that 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, the value of the Taxable Property may well depreciate or disappear.

*Seismic Conditions.* Improvement Area B and Improvement Area C, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in the Community Facilities District could result in substantial damage to properties in Improvement Area B or Improvement Area C which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in greater reliance on undeveloped property in the payment of Special Taxes.

*Legal Requirements.* Other events which may affect the value of a parcel of Taxable Property in Improvement Area B and Improvement Area C 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.

### **No Acceleration Provisions**

The 2005 Bonds do not contain a provision allowing for the acceleration of the 2005 Bonds in the event of a payment default or other default under the terms of the 2005 Bonds or the Bond Indentures. Pursuant to each Bond Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies (see APPENDIX D – “Summary of Certain Provisions of the Bond Indentures” herein). So long as the 2005 Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondowner.

### **District Formation**

California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held in Improvement Area B and in Improvement Area C pursuant to the Act, more than two-thirds of the qualified electors within Improvement Area B and Improvement Area C, consisting of the landowners within the boundaries of Improvement Area B and Improvement Area C, authorized the Community Facilities District to incur bonded indebtedness to finance the City Facilities, as applicable, and approved each applicable Rate and Method. The Supreme Court of the State of California has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

Section 53341 of the Act requires that any action or proceeding to attack, review, set aside, void or annul the levy of a special tax or an increase in a special tax pursuant to the Act shall be commenced within 30 days after the special tax is approved by the voters. No such action has been filed with respect to the Special Tax.

### **Billing of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties within Improvement Area B or Improvement Area C which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE 2005 BONDS – Proceeds of Foreclosure Sales,” for a discussion of the provisions which apply, and procedures which the Community Facilities District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

### **Inability to Collect Special Taxes**

In order to pay debt service on the 2005 Bonds, it is necessary that the Special Tax levied against land within Improvement Area B and Improvement Area C be paid in a timely manner. The Community Facilities District has covenanted in each Bond Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the 2005 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2005 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board of Education to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board of Education with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE 2005 BONDS – Proceeds of Foreclosure Sales.”

### **Right to Vote on Taxes Act**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of the Initiative.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On

July 1, 1997, a bill signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2005 Bonds.

It may be possible, however, for voters of Improvement Area B or Improvement Area C to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2005 Bonds but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2005 Bonds.

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on the Community Facilities District and its obligations can be determined. Certain provisions of the Initiative may be examined by the courts for their constitutionality under both State and federal constitutional law. The Community Facilities District is not able to predict the outcome of any such examination.

The foregoing discussion of the Initiative should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of the Initiative on the 2005 Bonds as well as the market for the 2005 Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of the Initiative.

### **Ballot Initiatives and Legislative Measures**

The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the 2005 Bonds or, if a secondary market exists, that such 2005 Bonds can be sold for any particular price. Although the School District, the Community Facilities District and the Developers have committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the 2005 Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of 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.

## Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” the interest on the 2005 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2005 Bonds as a result of an act or omission of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of each Bond Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2005 Bonds, the School District has covenanted in each Bond Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2005 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2005 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the applicable Bond Indenture. See “THE 2005 BONDS – Redemption.”

## Limitations on Remedies

Remedies available to the Bondowners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2005 Bonds or to preserve the tax-exempt status of the 2005 Bonds. See “Payments by FDIC and other Federal Agencies,” “No Acceleration Provisions” and “Billing of Special Taxes” herein.

**The Board of Education has not evaluated the foregoing risks, and further, is not aware of any evaluation of these risks by the landowners. Since these are largely business risks of the type that landowners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel of Taxable Property, the Board of Education has undertaken financing of the acquisition and construction of the City Facilities without regard to any such evaluation, as an incident to the orderly, planned development of the project site. Thus, formation of the Community Facilities District by the Board of Education in no way implies that the Board of Education has evaluated these risks or the reasonableness of these risks, but to the contrary, the Board of Education has made no such evaluation and is undertaking acquisition and construction of the City Facilities even though such risks may be serious and may ultimately halt or slow the progress of land development and forestall the realization of Taxable Property values.**

## LEGAL MATTERS

### Legal Opinion

The legal opinions of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2005 Bonds will be made available to purchasers at the time of original delivery and are attached hereto as Appendix G. A copy of the legal opinions will be printed on each 2005 Bond. McFarlin & Anderson LLP, Lake Forest, California is serving as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the School District and the Community Facilities District as special counsel to these entities.

### Tax Exemption

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2005 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 Community Facilities District comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the 2005 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Community Facilities District has covenanted in each Bond Indenture 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 2005 Bonds.

In the further opinion of Bond Counsel, interest on the 2005 Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the 2005 Bonds is less than the amount to be paid at maturity of such 2005 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2005 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the 2005 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2005 Bonds is the first price at which a substantial amount of such maturity of the 2005 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2005 Bonds accrues daily over the term to maturity of such 2005 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2005 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2005 Bonds. Owners of the 2005 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2005 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2005 Bonds in the original offering to the public at the first price at which a substantial amount of such 2005 Bonds is sold to the public.

The 2005 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Owners of the 2005 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2005 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 2005 Bonds other than as expressly described above.

### **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 2005 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2005 Bonds might be affected as a result of such an audit of the 2005 Bonds (or by an audit of similar bonds).

### **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the 2005 Bonds. There is no action, suit or proceeding known by the Community Facilities District or the School District to be pending at the present time restraining or enjoining the delivery of the 2005 Bonds or in any way contesting or affecting the validity of the 2005 Bonds or any proceedings of the Community Facilities District or the School District taken with respect to the execution thereof. A no litigation certificate executed by the School District will be delivered to the Underwriter simultaneously with the delivery of the 2005 Bonds.

### **No General Obligation of School District or Community Facilities District**

The 2005 Bonds are not general obligations of the School District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from proceeds of the Special Tax of Improvement Area B or Improvement Area C, as applicable, and proceeds of the Improvement Area B Bonds or Improvement Area C Bonds, respectively, including amounts in the applicable Reserve Fund, Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the

applicable Bond Indenture (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the Improvement Area B Bonds or the Improvement Area C Bonds shall be limited to the Special Taxes to be collected within Improvement Area B or Improvement Area C, as applicable.

### **NO RATINGS**

The 2005 Bonds have not been rated by any securities rating agency.

### **UNDERWRITING**

The Improvement Area B Bonds are being purchased by Stone & Youngberg LLC at a purchase price of \$8,815,035.75 (which represents the aggregate principal amount of the Improvement Area B Bonds of \$9,035,000.00, less original issue discount of \$70,886.75 and less underwriter's discount of \$149,077.50). The Improvement Area C Bonds are being purchased by Stone & Youngberg LLC at a purchase price of \$13,129,327.95 (which represents the aggregate principal amount of the Improvement Area C Bonds of \$13,475,000.00, less original issue discount of \$143,547.05 and less underwriter's discount of \$202,125.00).

The purchase agreement relating to the 2005 Bonds provides that the Underwriter will purchase all of the 2005 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 2005 Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### **PROFESSIONAL FEES**

Except for some Bond Counsel fees paid from advances made to the School District by the Developers, fees payable to certain professionals, including the Underwriter, McFarlin & Anderson LLP, as Disclosure Counsel, Best Best & Krieger LLP, as Bond Counsel, and Zions First National Bank, as the Fiscal Agent, are contingent upon the issuance of the 2005 Bonds. The fees of David Taussig & Associates, Inc., as Special Tax Consultant, are in part contingent upon the issuance of the 2005 Bonds. The fees of Stephen G. White, MAI, as Appraiser, are not contingent upon the issuance of the 2005 Bonds.

### **MISCELLANEOUS**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact. This Official Statement is not to be construed as a contract or agreement between the Community Facilities District and the purchasers or owners of any of the 2005 Bonds.

The execution and delivery of the Official Statement by the Community Facilities District has been duly authorized by the Poway Unified School District on behalf of the Community Facilities District.

COMMUNITY FACILITIES DISTRICT NO. 11  
(STONEBRIDGE ESTATES) OF THE POWAY UNIFIED  
SCHOOL DISTRICT

By: /s/ John Collins  
John Collins, Deputy Superintendent of the Poway  
Unified School District on behalf of Community  
Facilities District No. 11 (StoneBridge Estates) of the  
Poway Unified School District



## APPENDIX A

### GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

*The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor the taxing power of the School District has been pledged to payment of the 2005 Bonds, and the 2005 Bonds will not be payable from any of the School District's revenues or assets.*

#### **Introduction**

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting: Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3098, Attention: Deputy Superintendent.

#### **General Information**

The School District is a school district organized under the laws of the State of California. The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100 square mile area of San Diego County. The School District currently operates 22 (K-5) elementary schools, five (6-8) middle schools, four comprehensive high schools (9-12), one continuation high school and one (1) adult school. The School District includes the City of Poway and the City of San Diego in San Diego County, California. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2004-05 academic year is approximately 31,817. As of January, 2005, the estimated population within the School District's boundaries was approximately 171,705 and as of March 18, 2005, approximately 32,750 students attend schools in the School District.

#### **Administration and Enrollment**

The School District is governed by the Board of Education. The five Board members are elected to four-year terms in alternate slates of three and two in elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election.

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the Board. The School District also employs a Deputy Superintendent, two Area Superintendents for Learning Support Services, a Deputy Superintendent and an Assistant Superintendent of Personnel Support Services.

From Fiscal Year 1994-95 through Fiscal Year 2004-05 the School District's enrollment increased by 3,597, an average of approximately 1 percent per year. Information concerning enrollment for these years is set forth below:

**Poway Unified School District  
Student Enrollment**

	<u>Fiscal Year</u>	<u>Enrollment</u>	<u>District Average Daily Attendance</u>	<u>District Base Revenue Limit</u>
<i>Historical</i>	1994-95	29,152	29,020	\$3,468.39
	1995-96	30,043	29,893	3,615.36
	1996-97	30,626	30,531	3,809.77
	1997-98	31,339	31,214	3,912.12
	1998-99 <sup>(1)</sup>	31,845	30,877	4,214.70
	1999-00	32,536	31,515	4,274.70
	2000-01	32,532	31,203	4,412.70
	2001-02	32,507	31,319	4,679.70
	2002-03	32,754	31,405	4,753.00
	2003-04	33,031	31,663	4,623.54
	2004-05	32,749	31,817	4,809.31

*Source: California Department of Education and the School District.*

<sup>(1)</sup> The decrease in the rate of growth from Fiscal Year 1997-98 is due to State legislation that changed the method of calculating ADA to eliminate excused absences from the total. The legislation also increased the Base Revenue Limit so that the change in methodology did not result in a loss of revenue for districts.

**Labor Relations**

As of May 1, 2005, the School District employed approximately 1,949 certificated professionals and approximately 1,643 classified employees. The certificated professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

**Poway Unified School District  
District Employees**

<u>Labor Organization</u>	<u>Approximate Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Poway Federation of Teachers (PFT), Local 2357	1,949	6/30/07
Service Employees International Union	436	6/30/05
California Schools Employees Association	1,152	6/30/05

*Source: The School District.*

## **Retirement Programs**

The School District participates in the State of California Teachers Retirement System (“STRS”). This plan covers certificated employees. The School District’s contribution to STRS for Fiscal Year 2000-01 was \$8,814,311, in Fiscal Year 2001-02 was \$9,278,909, in Fiscal Year 2002-03 was \$9,633,674, in Fiscal Year 2003-04 was \$9,263,916 and Fiscal Year 2004-05 is budgeted at \$9,478,188. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees Retirement System (“PERS”). This plan covers all classified personnel who are employed 1,000 more hours per fiscal year. The School District’s contribution to PERS for Fiscal Year 2000-01 was \$1,091,941, in Fiscal Year 2001-02 was \$1,229,741, in Fiscal Year 2002-03 was \$2,217,039, in Fiscal Year 2003-04 was \$4,822,739 and Fiscal Year 2004-05 is budgeted at \$4,929,546.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District’s share.

## **Insurance**

The School District maintains commercial insurance or self-insurance for property damage, general liability and workers’ compensation in such amounts and with such retentions and other terms as the School District believes to be adequate based on actual risk exposure and as may be required by statute.

The State of California has authorized the School District to operate a Self-Insured Workers’ Compensation Plan to finance liabilities arising from employee industrial injuries. Under this program, the Fund provides coverage for individual claims up to a limit of \$750,000. Commercial insurance is purchased to defray claim costs exceeding the self-insured retention level.

The School District operates a Self-Insurance Program to cover general liability claim losses up to a limit of \$50,000 per claim and property losses up to \$25,000 per claim. Lower self-insured retentions apply to boiler and machinery/energy systems breakdown (\$1,000 per claim) and crime losses (\$500 per claim). Excess property and liability insurance is acquired through a combination of pooling through a joint powers authorities and purchase of commercial insurance and reinsurance policies.

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**APPENDIX B**

**RATES AND METHODS OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 11  
(STONEBRIDGE ESTATES)  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

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**RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA B OF  
COMMUNITY FACILITIES DISTRICT NO. 11  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A Special Tax shall be levied on and collected in Improvement Area ("IA") B of Community Facilities District ("CFD") No. 11 of the Poway Unified School District ("School District") each Fiscal Year in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA B of CFD No. 11, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other final map, parcel map, condominium plan, or other recorded parcel map at the County.

**"Act"** means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of IA B of CFD No. 11.

**"Annual Special Tax"** means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F.

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds, (ii) Administrative Expenses of IA B of CFD No. 11, (iii) any costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Assessor's Parcel"** means a Lot or parcel of land in IA B of CFD No. 11 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

**"Assessor's Parcel Map"** means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

**"Assessor's Parcel Number"** means that number assigned to an Assessor's Parcel by the Assessor of the County for purposes of identification.

**"Assigned Annual Special Tax"** means the Special Tax of that name as set forth in Section D.

**"Assigned Unit"** means any unit classified as a Assigned Unit in accordance with the Rate and Method of Apportionment of CFD No. 11 of the School District.

**"Associate Superintendent"** means the Associate Superintendent of Business Support Services of the School District or his/her designee.

**"Backup Annual Special Tax"** means the Special Tax of that name described in Section E.

**"Board"** means the Board of Education of the School District or its designee.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of IA B of CFD No. 11 are pledged.

**"Building Permit"** means a permit for the construction of one or more Units, issued by the City, or other public agency in the event the City no longer issues said permits for the construction of Units within IA B of CFD No. 11. For purposes of this definition, "Building Permits" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, and utility improvements not intended for human habitation.

**"Building Square Footage"** or **"BSF"** means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit application for such Unit or other applicable records of the City.

**"Calendar Year"** means any period beginning January 1 and ending December 31.

**"City"** means the City of San Diego.

**"County"** means the County of San Diego.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which a Building Permit was issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels are associated with a Final Subdivision Map recorded on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

**"Exempt Property"** means the property designated as Exempt Property in Section J.

**"Final Subdivision Map"** means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, recorded in the Office of the Recorder of the County.

**"Fiscal Year"** means the period commencing on July 1 of any year and ending the following June 30.

**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a Building Permit for a Unit has been or could be issued, provided that land for which one or more Building Permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.



**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, which can be levied by IA B of CFD No. 11 on any Assessor's Parcel in any Fiscal Year.

**"Net Taxable Acres"** means the total Acreage of all Taxable Property expected to exist in IA A of CFD No. 11 after all Final Subdivision Maps are recorded.

**"Prepayment Amount"** means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel as determined pursuant to Sections G.

**"Proportionately"** means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

**"Special Tax"** means any of the special taxes authorized to be levied in IA B of CFD No. 11 under the Act.

**"Taxable Property"** means all Assessor's Parcels which are not Exempt Property.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property which are not classified as Developed Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

## **SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2004-05, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property taking into consideration the minimum Net Taxable Acres as set forth in Section J. Each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and each Assessor's Parcel of Developed Property shall be classified according to its Building Square Footage.

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax for a given Final Subdivision Map.

### **2. Undeveloped Property**

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

**SECTION D  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 shall be the amount determined by reference to Table 1 according to the Building Square Footage of the Unit.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY  
FISCAL YEAR 2004-05**

Building Square Footage	Assigned Annual Special Tax
≤ 2,650	\$1,358.20
2,651 – 3,000	\$1,491.80
3,001 – 3,250	\$1,625.41
3,251 – 3,500	\$1,792.41
3,501 – 3,750	\$1,959.42
3,751 – 4,000	\$2,176.53
4,001 – 4,250	\$2,393.64
4,251 – 4,500	\$2,627.44
4,501 – 4,750	\$2,811.15
> 4,750	\$2,994.86
* Assigned Units are Exempt Property	

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2004-05 shall be \$5,668.59 per acre of Acreage.

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**SECTION E  
BACKUP ANNUAL SPECIAL TAX**

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

$$B = (Z \times A) / L$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot for the applicable Fiscal Year
Z	=	Assigned Annual Special Tax per Acre of Undeveloped Property for the applicable Fiscal Year
A	=	Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at build-out, as determined by the Associate Superintendent pursuant to Section J
L	=	Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Associate Superintendent.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

**SECTION F  
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA B of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Annual Special Tax Requirement, then the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Annual Special Tax Requirement.

## **SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel, may be prepaid in full at the times and under the conditions set forth in this Section G.1, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Prepayment Times and Conditions**

#### **a. Undeveloped Property**

Prior to the issuance of a Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all the Taxable Property within such Final Subdivision Map may elect in writing to the Associate Superintendent to prepay the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map area in full, as calculated in Section G.2. below. The prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of the Building Permit with respect to such Assessor's Parcel.

#### **b. Developed Property**

In any Fiscal Year following the first Fiscal Year in which such Assessor's Parcel was classified as Developed Property, the owner of such an Assessor's Parcel may prepay the Annual Special Tax obligation for such Assessor's Parcel, as calculated in Section G.2. below.

### **2. Prepayment Amount**

The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

#### **a. Prior to Issuance of Bonds**

The Prepayment Amount for each applicable Assessor's Parcel prior to the issuance of Bonds shall be determined by reference to Table 2.

**TABLE 2**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05**

<b>Building Square Feet</b>	<b>Gross Prepayment Amount</b>
≤ 2,650	\$13,396.28
2,651 – 3,000	\$14,714.06
3,001 - 3,250	\$16,031.84
3,251 – 3,500	\$17,679.07
3,501 – 3,750	\$19,326.29
3,751 – 4,000	\$21,467.69
4,001 – 4,250	\$23,609.07
4,251 – 4,500	\$25,915.18
4,501 – 4,750	\$27,727.13
> 4,750	\$29,539.08

Each July 1, commencing July 1, 2005, the Gross Prepayment Amount applicable to an Assessor's Parcel shall be increased by 2.00% of the amount in effect the prior Fiscal Year.

**b. Subsequent to Issuance of Bonds**

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued or to be issued for that Assessor's Parcel.

2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.2.a. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."

10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of IA B of CFD No. 11 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

## **SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be partially prepaid.

### **1. Partial Prepayment Times and Conditions**

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all the Taxable Property within such Final Subdivision Map may elect in writing to the Board to prepay a portion of the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map, as calculated in Section H.2. below. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first Building Permit with respect to each Assessor's Parcel.

**2. Partial Prepayment Amount**

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount
- P<sub>G</sub> = the Prepayment Amount calculated according to Section G
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA B of CFD No. 11 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Additionally, the notice shall indicate that the Assigned Annual Special Tax and Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**SECTION I  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes of IA B of CFD No. 11 shall be levied for a period of thirty (30) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2050-51.

**SECTION J  
EXEMPTIONS**

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels for which Building Permits were issued on or before May 1 of the prior Fiscal Year for the construction of Assigned Units, (iv) Assessor's Parcels used exclusively by a homeowners' association, (v) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, and (vi) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 92.57 Net Taxable Acres. Assessor's Parcels



which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 92.57 Net Taxable Acres will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

## **SECTION K APPEALS**

Any owner of an Assessor's Parcel claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION L MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA B of CFD No. 11 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA C OF  
COMMUNITY FACILITIES DISTRICT NO. 11  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A Special Tax shall be levied on and collected in Improvement Area ("IA") C of Community Facilities District ("CFD") No. 11 of the Poway Unified School District ("School District") each Fiscal Year in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA C of CFD No. 11, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other final map, parcel map, condominium plan, or other recorded parcel map at the County.

**"Act"** means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of IA C of CFD No. 11.

**"Annual Special Tax"** means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F.

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds, (ii) Administrative Expenses of IA C of CFD No. 11, (iii) any costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Assessor's Parcel"** means a Lot or parcel of land in IA C of CFD No. 11 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

**"Assessor's Parcel Map"** means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

**"Assessor's Parcel Number"** means that number assigned to an Assessor's Parcel by the Assessor of the County for purposes of identification.

**"Assigned Annual Special Tax"** means the Special Tax of that name as set forth in Section D.

**"Assigned Unit"** means any unit classified as an Assigned Unit in accordance with the Rate and Method of Apportionment of CFD No. 11 of the School District.

**"Associate Superintendent"** means the Associate Superintendent of Business Support Services of the School District or his/her designee.

**"Backup Annual Special Tax"** means the Special Tax of that name described in Section E.

**"Board"** means the Board of Education of the School District or its designee.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of IA C of CFD No. 11 are pledged.

**"Building Permit"** means a permit for the construction of one or more Units, issued by the City, or other public agency in the event the City no longer issues said permits for the construction of Units within IA C of CFD No. 11. For purposes of this definition, "Building Permits" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, and utility improvements not intended for human habitation.

**"Building Square Footage" or "BSF"** means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit application for such Unit or other applicable records of the City.

**"Calendar Year"** means any period beginning January 1 and ending December 31.

**"City"** means the City of San Diego.

**"County"** means the County of San Diego.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which a Building Permit was issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels are associated with a Final Subdivision Map recorded on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

**"Exempt Property"** means the property designated as Exempt Property in Section J.

**"Final Subdivision Map"** means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, recorded in the Office of the Recorder of the County.

**"Fiscal Year"** means the period commencing on July 1 of any year and ending the following June 30.

**"Gross Prepayment Amount"** means any amount determined by reference to Table 2 and adjusted as set forth in Section G.

**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a Building Permit for a Unit has been or could be issued, provided that land for which one or more Building Permits

have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, which can be levied by IA C of CFD No. 11 on any Assessor's Parcel in any Fiscal Year.

**"Net Taxable Acres"** means the total Acreage of all Taxable Property expected to exist in IA C of CFD No. 11 after all Final Subdivision Maps are recorded.

**"Prepayment Amount"** means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel as determined pursuant to Sections G.

**"Proportionately"** means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

**"Special Tax"** means any of the special taxes authorized to be levied in IA C of CFD No. 11 under the Act.

**"Taxable Property"** means all Assessor's Parcels which are not Exempt Property.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property which are not classified as Developed Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

## **SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2004-05, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property taking into consideration the minimum Net Taxable Acres as set forth in Section J. Each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and each Assessor's Parcel of Developed Property shall be classified according to its Building Square Footage.

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax for a given Final Subdivision Map.

**2. Undeveloped Property**

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

**SECTION D  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 shall be the amount determined by reference to Table 1 according to the Building Square Footage of the Unit.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY  
FISCAL YEAR 2004-05**

<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
≤ 2,650	\$1,335.35
2,651 – 3,000	\$1,465.13
3,001 – 3,250	\$1,594.92
3,251 – 3,500	\$1,757.15
3,501 – 3,750	\$1,919.39
3,751 – 4,000	\$2,130.29
4,001 – 4,250	\$2,341.19
4,251 – 4,500	\$2,503.42
4,501 – 4,750	\$2,568.31
> 4,750	\$2,860.33
* Assigned Units are Exempt Property	

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2004-05 shall be \$5,370.74 per acre of Acreage.

Each July 1, commencing July 1, 2004, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

### **SECTION E BACKUP ANNUAL SPECIAL TAX**

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

$$B = (Z \times A) / L$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot for the applicable Fiscal Year
Z	=	Assigned Annual Special Tax per acre of Undeveloped Property for the applicable Fiscal Year
A	=	Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at build-out, as determined by the Associate Superintendent pursuant to Section J
L	=	Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Associate Superintendent.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

### **SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA C of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Annual Special Tax Requirement, then the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Annual Special Tax Requirement.

## **SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel, may be prepaid in full at the times and under the conditions set forth in this Section G.1, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Prepayment Times and Conditions**

#### **a. Undeveloped Property**

Prior to the issuance of a Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all the Taxable Property within such Final Subdivision Map may elect in writing to the Associate Superintendent to prepay the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map area in full, as calculated in Section G.2. below. The prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of the Building Permit with respect to such Assessor's Parcel.

#### **b. Developed Property**

In any Fiscal Year following the first Fiscal Year in which such Assessor's Parcel was classified as Developed Property, the owner of such an Assessor's Parcel may prepay the Annual Special Tax obligation for such Assessor's Parcel, as calculated in Section G.2. below.

### **2. Prepayment Amount**

The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.



**a. Prior to Issuance of Bonds**

The Prepayment Amount for each applicable Assessor's Parcel prior to the issuance of Bonds shall be determined by reference to Table 2.

**TABLE 2**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05**

<b>Building Square Feet</b>	<b>Gross Prepayment Amount</b>
≤ 2,650	\$12,991.56
2,651 – 3,000	\$14,254.25
3,001 - 3,250	\$15,516.92
3,251 – 3,500	\$17,095.27
3,501 – 3,750	\$18,673.62
3,751 – 4,000	\$20,725.48
4,001 – 4,250	\$22,777.33
4,251 – 4,500	\$24,355.69
4,501 – 4,750	\$24,987.03
> 4,750	\$27,828.06

Each July 1, commencing July 1, 2005, the Gross Prepayment Amount applicable to an Assessor's Parcel shall be increased by 2.00% of the amount in effect the prior Fiscal Year.

**b. Subsequent to Issuance of Bonds**

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued or to be issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.2.a. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.

8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of IA C of CFD No. 11 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

## **SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be partially prepaid.

### **1. Partial Prepayment Times and Conditions**

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all the Taxable Property within such Final Subdivision Map may elect in writing to the Board to prepay a portion of

the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map, as calculated in Section H.2. below. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first Building Permit with respect to each Assessor's Parcel.

**2. Partial Prepayment Amount**

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount
- P<sub>G</sub> = the Prepayment Amount calculated according to Section G
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA C of CFD No. 11 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**SECTION I  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes of IA C of CFD No. 11 shall be levied for a period of thirty (30) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2050-51.

**SECTION J  
EXEMPTIONS**

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels for which Building Permits were issued on or before May 1 of the prior Fiscal Year for the construction of Assigned Units, (iv)

Assessor's Parcels used exclusively by a homeowners' association, (v) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, and (vi) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 152.87 Net Taxable Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 152.87 Net Taxable Acres will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

## **SECTION K APPEALS**

Any owner of an Assessor's Parcel claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION L MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA C of CFD No. 11 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 11  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A Special Tax shall be levied on and collected in Community Facilities District ("CFD") No. 11 of the Poway Unified School District ("School District") each Fiscal Year in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 11, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other final map, parcel map, condominium plan, or other recorded parcel map at the County.

**"Act"** means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 11.

**"Annual Special Tax"** means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section G.

**"Assessor's Parcel"** means a Lot or parcel of land in CFD No. 11 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

**"Assessor's Parcel Map"** means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

**"Assessor's Parcel Number"** means that number assigned to an Assessor's Parcel by the Assessor of the County for purposes of identification.

**"Assigned Annual Special Tax"** means the Special Tax of that name as set forth in Section D.

**"Assigned Unit"** means any of up to 106 Units assigned this classification in writing to the Associate Superintendent at the Developer's election at the time the applicable Building Permit is issued provided that each such Unit is an Attached Unit. Under no circumstance may the Developer assign more than 106 Units this classification.

**"Associate Superintendent"** means the Associate Superintendent of Business Support Services of the School District or his/her designee.

**"Attached Units"** means an Assessor's Parcel of Residential Property that consists of or shall consist of a building or buildings in which each of the individual Units have at least one common wall with another Unit.

**"Backup Annual Special Tax"** means the Special Tax of that name described in Section E below.

**"Board"** means the Board of Education of the School District or its designee.

**"Building Permit"** means a permit for the construction of one or more Units, issued by the City, or other public agency in the event the City no longer issues said permits for the construction of Units within CFD No. 11. For purposes of this definition, "Building Permits" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, and utility improvements not intended for human habitation.

**"Calendar Year"** means any period beginning January 1 and ending December 31.

**"City"** means the City of San Diego.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit that is not an Assigned Unit or an Attached Unit.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which a Building Permit was issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels are associated with a Final Subdivision Map recorded on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

**"Developer"** means any "Owner" defined as such in the certain School Impact Mitigation and Public Facilities Funding Agreement by and among the School District, Sycamore Estates, LLC, a Delaware limited liability company, Sycamore Estates II, LLC, a Delaware limited liability company, McMillin Montecito 109, LLC, a Delaware limited liability company, Brookfield 6 LLC, a Delaware limited liability company, and Brookfield 8 LLC, a Delaware limited liability company.

**"Exempt Property"** means the property designated as Exempt Property in Section K.

**"Final Subdivision Map"** means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, recorded in the Office of the Recorder of the County.

**"Fiscal Year"** means the period commencing on July 1 of any year and ending the following June 30.

**"Gross Prepayment Amount"** means any amount determined by reference to Tables 6, 7, 8 and 9 and adjusted as set forth in Section H.

**"Indenture"** means the bond indenture, master trust agreement, fiscal agent agreement, or similar document regardless of title, pursuant to which Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds are issued and which establishes the terms and conditions for the payment of applicable bonds as modified, amended and/or supplemented from time to time in accordance with its terms.



**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a Building Permit for a Unit has been or could be issued, provided that land for which one or more Building Permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 11 on any Assessor's Parcel in any Fiscal Year.

**"Net Taxable Acres"** means the total Acreage of all Taxable Property expected to exist in a given Zone after all Final Subdivision Maps are recorded.

**"Partial Prepayment Amount"** means the amount required to prepay a portion of the Annual Special Tax obligation of any Assessor's Parcel determined pursuant to Section I.

**"Prepayment Amount"** means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel, as determined pursuant to Sections H.

**"Prepayment Ratio"** means with respect to an Assessor's Parcel, for each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, the ratio of (i) the Annual Special Tax revenue or portion thereof applicable to the Assessor's Parcel at the time each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds were issued and which were used in providing the minimum debt service coverage required to issue such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board, to (ii) the sum of all Annual Special Tax revenue used in providing the minimum debt service coverage required to issue such series of applicable Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board.

**"Proportionately"** means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

**"Regularly Retired Principal"** means the principal amount of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds that have been paid as scheduled pursuant to the Indenture under which they were reserved, whether by virtue of maturing principal or regularly scheduled mandatory sinking fund redemptions.

**"Residential Property"** means all Assessor's Parcels of Developed Property for which a Building Permit was issued for the construction of a Unit.

**"Special Tax"** means any of the special taxes authorized to be levied in CFD No. 11 under the Act.

**"Taxable Property"** means all Assessor's Parcels which are not Exempt Property.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property which are not classified as Developed Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

**"Zone"** means the areas identified as a Zone and illustrated in Section N.

**"Zone 1"** means all property located within the area identified as Zone 1 in Section N, subject to interpretation by the Board.

**"Zone 1 Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 1 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 1, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 1 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 1 Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Zone 1 Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes within Zone 1 of CFD No. 11 are pledged.

**"Zone 2"** means all property located within the area identified as Zone 2 in Section N, subject to interpretation by the Board.

**"Zone 2 Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 2 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 2, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 2 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 2 Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Zone 2 Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes within Zone 2 of CFD No. 11 are pledged.

**"Zone 3"** means all property located within the area identified as Zone 3 in Section N, subject to interpretation by the Board.

**"Zone 3 Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 3 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 3, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 3 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 3 Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Zone 3 Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes within Zone 3 of CFD No. 11 are pledged.

**"Zone 4"** means all property located within the area identified as Zone 4 in Section N, subject to interpretation by the Board.

**"Zone 4 Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay (i) annual debt service on all outstanding Zone 4 Bonds, (ii) Administrative Expenses of CFD No. 11 applicable to property within Zone 4, (iii) any costs associated with the release of funds from an escrow account established in association with Zone 4 Bonds, (iv) any amount required to establish or replenish any reserve funds established in association with the Zone 4 Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Zone 4 Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes within Zone 4 of CFD No. 11 are pledged.

## **SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2004-05, each Assessor's Parcel in CFD No. 11 shall be assigned to a Zone. Each Assessor's Parcel in a Zone shall be classified as Taxable Property or Exempt Property taking into consideration minimum Net Taxable Acreage as set forth in Section J. Each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and each Assessor's Parcel of Developed Property shall be classified according to Unit type.

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax for such Zone or (ii) the Backup Annual Special Tax for a given Final Subdivision Map.

### **2. Undeveloped Property**

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property within a particular Zone in any Fiscal Year shall be the Assigned Annual Special Tax for such Zone.

**SECTION D  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2004-05 shall be the amount determined by reference to Tables 1, 2, 3, or 4 according to the Zone in which the Assessor's Parcel is located and the Unit type.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY WITHIN ZONE 1  
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,019.35
Assigned Unit	\$0.00

**TABLE 2**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY WITHIN ZONE 2  
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,128.74
Assigned Unit	\$0.00

**TABLE 3**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY WITHIN ZONE 3  
FISCAL YEAR 2004-05**

Unit Type	Assigned Annual Special Tax
Attached Unit / Detached Unit	\$2,113.19
Assigned Unit	\$0.00

**TABLE 4**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR DEVELOPED PROPERTY WITHIN ZONE 4  
FISCAL YEAR 2004-05**

<b>Unit Type</b>	<b>Assigned Annual Special Tax</b>
Attached Unit / Detached Unit	\$2,019.35
Assigned Unit	\$0.00

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property in each Zone shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

The Assigned Annual Special Tax per acre of Acreage for an Assessor's Parcel of Undeveloped Property within a particular Zone for Fiscal Year 2004-05 shall be determined by reference to Table 5.

**TABLE 5**

**ASSIGNED ANNUAL SPECIAL TAX  
FOR UNDEVELOPED PROPERTY  
FISCAL YEAR 2004-05**

<b>Zone</b>	<b>Assigned Annual Special Tax</b>
1	\$9,947.69 per acre
2	\$4,829.16 per acre
3	\$4,713.79 per acre
4	\$9,947.69 per acre

Each July 1, commencing July 1, 2005, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property in each Zone shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**SECTION F  
BACKUP ANNUAL SPECIAL TAX**

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

$$B = (Z \times A) / L$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot for the applicable Fiscal Year
Z	=	Assigned Annual Special Tax per Acre of Undeveloped Property for the applicable Zone for the applicable Fiscal Year
A	=	Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at build-out, as determined by the Associate Superintendent pursuant to Section K
L	=	Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

## SECTION G METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

### Zone 1

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 1 of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Zone 1 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 1 Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 1 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 1 Annual Special Tax Requirement.

## **Zone 2**

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 2 of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Zone 2 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 2 Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 2 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 2 Annual Special Tax Requirement.

## **Zone 3**

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 3 of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

**First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Zone 3 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 3 Annual Special Tax Requirement.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 3 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 3 Annual Special Tax Requirement.

## **Zone 4**

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in Zone 4 of CFD No. 11 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

- First:** The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.
- Second:** If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Zone 4 Annual Special Tax Requirement, then an Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Zone 4 Annual Special Tax Requirement.
- Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second steps is less than the Zone 4 Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property shall be increased Proportionately from the Assigned Annual Special Tax up to the Maximum Annual Special Tax to satisfy the Zone 4 Annual Special Tax Requirement.

## **SECTION H PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 11 with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount.

### **1. Bond Proceeds Allocation**

Prior to the calculation of any Tax Prepayment Amount, a calculation shall be performed to determine the amount of Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special obligation is to be prepaid, if any. For purposes of this, calculation Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds shall equal the par amount of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds. For each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds times the Prepayment Ratio applicable to such Assessor's Parcel for such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds. For each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds, an amount of Regularly Retired Principal shall also be allocated to each Assessor's Parcel to be calculated pursuant to Section H.3E. If, after such allocations, the amount of (i) Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds allocated to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid less the amount of Regularly Retired Principal allocated to such Assessor's Parcel is less than (ii) the sum of all the Gross Prepayment Amounts applicable to



such Assessor's Parcel pursuant to Section H.2., then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Tables 6,7,8 or 9 of Section H.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section H.3.

**2. Prepayment Amount for Assessor's Parcel with Allocation of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds Less than Applicable Gross Prepayment Amounts**

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section H.2. shall be calculated by (i) counting all the Units of each Unit type applicable to such Assessor's Parcel, (ii) multiplying the sum of the Units for each Unit type for such Assessor's Parcel by the applicable Gross Prepayment Amount per Unit for the Zone in which such Assessor's Parcel is located as set forth in Table 6,7, 8 or 9, and (iii) adding all the products derived from the immediately preceding step. This sum is the Prepayment Amount for the Assessor's Parcel calculated pursuant to H.2. The Gross Prepayment Amounts shall be determined by reference to Tables 6, 7, 8 or 9.

**TABLE 6**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05  
FOR PROPERTY WITHIN ZONE 1**

<b>Unit Type</b>	<b>Gross Prepayment Amount</b>
Attached Unit/Detached Unit	\$19,484.84 per Unit
Assigned Unit	\$0.00 per Unit

**TABLE 7**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05  
FOR PROPERTY WITHIN ZONE 2**

<b>Unit Type</b>	<b>Gross Prepayment Amount</b>
Attached Unit/Detached Unit	\$21,106.97 per Unit
Assigned Unit	\$0.00 per Unit

**TABLE 8**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05  
FOR PROPERTY WITHIN ZONE 3**

<b>Unit Type</b>	<b>Gross Prepayment Amount</b>
Attached Unit/Detached Unit	\$21,133.13 per Unit
Assigned Unit	\$0.00 per Unit

**TABLE 9**

**PREPAYMENT AMOUNT FOR FISCAL YEAR 2004-05  
FOR PROPERTY WITHIN ZONE 4**

<b>Unit Type</b>	<b>Gross Prepayment Amount</b>
Attached Unit/Detached Unit	\$19,484.84 per Unit
Assigned Unit	\$0.00 per Unit

**3. Prepayment Amount for Assessor's Parcel with Allocation of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds Equal to or Greater than Applicable Gross Prepayment Amounts**

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section H.3 shall be the amount calculated as shown below.

Zone 1 Bond, Zone 2 Bond, Zone 3 Bond or Zone 4 Bond proceeds allocated to Assessor's Parcel pursuant to Section H.1  
plus A. Redemption Premium  
plus B. Defeasance  
plus C. Prepayment Fees and Expenses  
less D. Reserve Fund Credit  
less E. Regularly Retired Principal  
less F. Partial Prepayment Credit  
equals Prepayment Amount

Detailed explanations of items A through F follows:

A. Redemption Premium

The Redemption Premium is calculated by multiplying (i) the principal amount of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds to be redeemed with the proceeds of the Prepayment Amount by (ii) the applicable redemption premium, if any, on the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds to be redeemed.

B. Defeasance

The Defeasance is the amount needed to pay interest on the portion of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds to be

redeemed with the proceeds of the Prepayment Amount until the earliest call date of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds to be redeemed, net of interest earnings to be derived from the reinvestment of the Prepayment Amount until the redemption date of the portion of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds to be redeemed with the Prepayment Amount. Such amount of interest earnings will be the amount reasonably estimated by the Board.

C. Prepayment Fees and Expenses

The Prepayment Fees and Expenses are the costs of the computation of the Prepayment Amount and an allocable portion of the costs of redeeming Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds and recording any notices to evidence the prepayment and the redemption, as calculated reasonably by the Board.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the sum of (i) the reduction in the applicable reserve fund requirement resulting from the redemption of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds with the Prepayment Amount, plus (ii) the reduction in the applicable reserve fund requirement attributable to the allocable portion of regularly scheduled retirement of principal that has occurred, as well as any other allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts. The allocable portion of regularly scheduled retirement of principal that has occurred means the total regularly scheduled retirement of principal that has occurred with respect to each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds. The allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts means the total principal retired not related to Prepayment Amounts or Partial Prepayment Amounts with respect to each series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds.

E. Regularly Retired Principal

The Regularly Retired Principal of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds times the applicable Prepayment Ratio for each such series of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds, or Zone 4 Bonds.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring prior to the issuance of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds will be credited in full. Partial prepayments of the Annual Special Tax obligation occurring subsequent to the issuance of Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds will be credited in an amount equal to the greatest amount of principal of the Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds that could have been redeemed with the Partial Prepayment Amount(s), taking into account Redemption Premium, Defeasance, Prepayment Fees and Expenses and Reserve Fund Credit, if any, but exclusive of restrictions limiting early redemption on the basis of dollar increments, i.e., the full amount of the Partial Prepayment Amount(s) will be taken into account in the calculation. The sum of all applicable partial prepayment credits is the Partial Prepayment Credit.

With respect to an Annual Special Tax obligation that has been prepaid, the Board shall reasonably indicate in the records of CFD No. 11 that there has been a prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such prepayment of Annual Special Taxes, to indicate reasonably the prepayment of Annual Special Taxes and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease. Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property within the Zone in which such Assessor's Parcel is located both prior to and after the proposed prepayment, net of an allocable portion of Administrative Expenses, is at least 1.1 times the annual debt service in each Fiscal Year on all outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds and such prepayment will not impair the security of all outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

**SECTION I  
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Subdivision Map, the owner of no less than all of the property within such Final Subdivision Map may elect to prepay any portion of the applicable Annual Special Tax obligation for all of the Assessor's Parcels within such Final Subdivision Map. The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Board of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage of the Annual Special Tax obligation to be prepaid. The partial prepayment of each Annual Special Tax obligation shall be collected at the issuance of each applicable Building Permit, provided that the Annual Special Tax obligation with respect to model Units for which Building Permits have already been issued must be partially prepaid at the time of the election. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

$P_G$  = the Prepayment Amount calculated according to Section H

F = the percentage of the Annual Special Tax obligation which the owner of the Assessor's Parcel is partially prepaying.

With respect to any Assessor's Parcel's Annual Special Tax obligation that is partially prepaid, the Board shall indicate in the records of CFD No. 11 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment, to indicate the partial prepayment of Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax and for the Assessor's Parcels has been reduced by an amount equal to the percentage, which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 11, net of an allocable portion of Administrative Expenses, is at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Zone 1 Bonds, Zone 2 Bonds, Zone 3 Bonds or Zone 4 Bonds.

## **SECTION J TERMINATION OF SPECIAL TAX**

Annual Special Taxes of CFD No. 11 shall be levied within Zone 1, Zone 2 and Zone 3 for a period of thirty (30) Fiscal Years after the last series of Bonds have been issued for the applicable Zone. Annual Special Taxes of CFD No. 11 shall be levied within Zone 4 for a period of thirty (30) Fiscal Years after the issuance of the last Building Permit for a Lot within Zone 4. Annual Special Taxes shall not be levied in any Zone after Fiscal Year 2050-51.

## **SECTION K EXEMPTIONS**

### **Zones 1, 2 and 3**

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, and (v) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 56.23 Net Taxable Acres in Zone 1, 92.57 Net Taxable Acres in Zone 2, and 152.87 Net Taxable Acres in Zone 3. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 56.23 Net Taxable Acres in Zone 1, 92.57 Net Taxable Acres in Zone 2, and 152.87 Net

Taxable Acres in Zone 3 will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

#### **Zone 4**

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by or irrevocably offered to the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowner's association, (v) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, and (iv) Assessor's Parcel for which a Final Subdivision Map has not been recorded.

### **SECTION L APPEALS**

Any owner of an Assessor's Parcel claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

### **SECTION M MANNER OF COLLECTION**

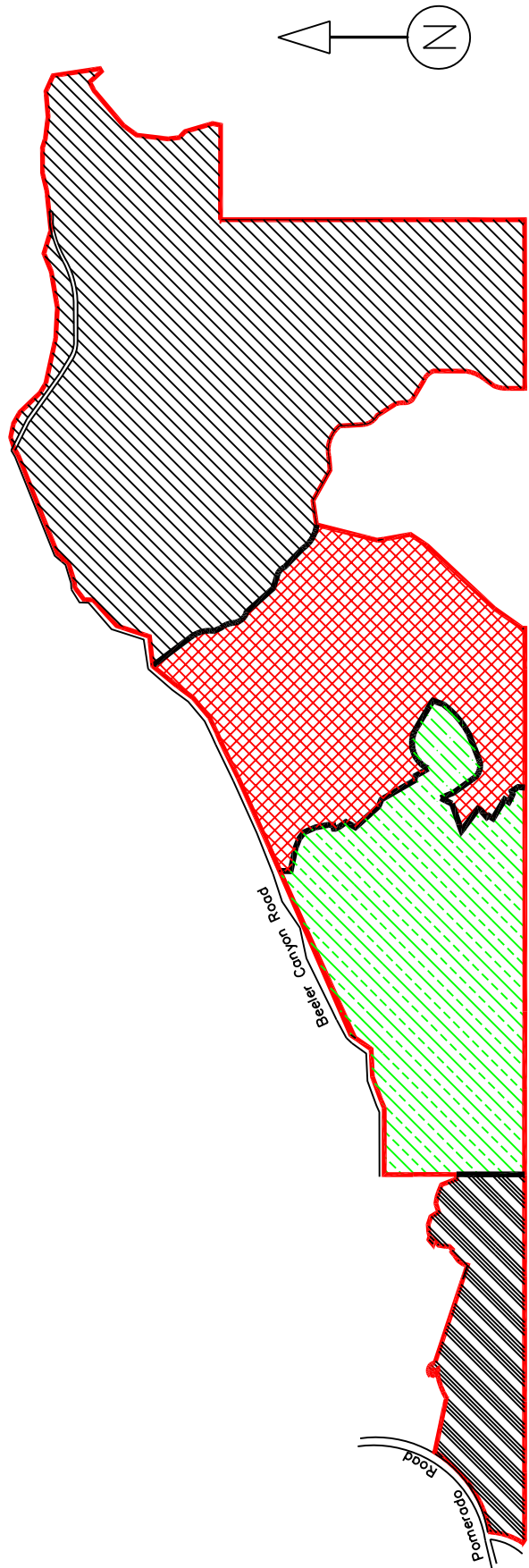
The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 11 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

### **SECTION N MAP OF ZONES**

(Under separate cover)

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SECTION N  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
MAP OF ZONES



LEGEND

	Boundaries of Community Facilities District No. 11
	Zone Boundaries
	Zone 1
	Zone 2
	Zone 3
	Zone 4

Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

SECTION N  
EXHIBIT "A"  
LEGAL DESCRIPTION OF  
IMPROVEMENT AREA A OF  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11

THOSE CERTAIN PARCELS OF LAND SITUATED IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

LOTS 8, 9 AND 10 OF MONTECITO, ACCORDING TO MAP THEREOF NO. 14588 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON MAY 9, 2003.

TOGETHER WITH:

MONTECITO – UNIT 1, ACCORDING TO MAP THEREOF NO. 14621 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON JULY 1, 2003.

TOGETHER WITH:

MONTECITO – UNIT 2, ACCORDING TO MAP THEREOF NO. 14634 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON JULY 22, 2003.

TOGETHER WITH:

MONTECITO – UNIT 3, ACCORDING TO MAP THEREOF NO. 14707 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON OCTOBER 30, 2003.



SECTION N  
 EXHIBIT "A"  
 LEGAL DESCRIPTION OF  
 IMPROVEMENT AREA B OF  
 POWAY UNIFIED SCHOOL DISTRICT  
 COMMUNITY FACILITIES DISTRICT NO. 11

That certain parcel of land in the City of San Diego, County of San Diego, State of California being a portion of land described in deed recorded December 18 2001 as Document No. 2001-0930032 and re-recorded May 24 2002 as Document No. 2002-0443974 in the Office of the County Recorder of San Diego County described as follows:

BEGINNING at the South quarter corner of Section 30, Township 14 South, Range 1 West, San Bernardino Meridian; thence along the southerly line of said Section 30 North 87°54'09" West 2859.85 feet to the southeast corner of Section 25, Township 14 South, Range 2 West, San Bernardino Meridian; thence along the southerly line of said Section 25 North 85°54'41" West 2760.47 feet to the westerly line of the southeast quarter of said Section 25; thence along said westerly line North 00°37'33" East 2522.40 feet to the northerly right-of-way line of Beeler Canyon Road, dedicated per document recorded September 14, 1971 as File No. 207577 of Official Records of said county; thence along said northerly right-of-way line the following courses: South 86°24'30" East 1076.89 feet; thence North 50°14'12" East 374.42 feet; thence North 87°45'12" East 784.88 feet; thence North 36°01'59" East 475.65 feet; thence North 63°45'44" East 1104.34 feet; thence North 78°14'09" East 609.34 feet; thence North 53°31'09" East 679.95 feet; thence North 72°13'51" East 453.56 feet; thence leaving said northerly right-of-way line South 17°45'47" East 70.00 feet; thence South 63°51'45" West 155.32 feet; thence South 01°10'38" West 129.80 feet; thence North 78°05'41" East 308.57 feet; thence South 68°55'43" East 131.21 feet; thence South 52°07'04" East 106.08 feet; thence South 23°43'40" East 160.50 feet; thence South 11°22'42" East 168.91 feet; thence South 00°34'26" East 69.79 feet; thence South 78°48'20" West 50.87 feet; thence South 00°34'19" East 18.93 feet; thence South 25°31'11" East 60.92 feet; thence South 36°10'29" East 104.87 feet; thence South 29°27'09" West 141.86 feet; thence South 38°28'57" East 328.59 feet; thence South 41°46'14" East 26.76 feet; thence South 08°10'39" West 10.19 feet; thence South 41°45'57" East 84.96 feet; thence South 00°05'45" West 9.89 feet; thence South 41°45'58" East 104.83 feet; thence South 02°51'43" East 8.23 feet; thence South 67°36'37" East 98.95 feet; thence South 35°55'41" East 24.78 feet; thence South 06°21'02" West 8.58 feet; thence South 41°09'05" East 117.73 feet; thence South 07°05'35" West 7.46 feet; thence South 36°25'50" East 118.18 feet; thence South 19°17'08" West 8.74 feet; thence South 29°33'36" East 120.16 feet; thence South 05°33'40" West 11.38 feet; thence South 28°45'15" East 67.93 feet; thence South 37°22'57" East 38.36 feet; thence South 16°01'46" West 8.17 feet; thence South 31°55'09" East 73.45 feet; thence South 19°07'24" East 32.64 feet; thence South 25°59'33" West 8.19 feet; thence South 18°52'46" East 129.19 feet; thence North 78°37'02" East 60.29 feet; thence South 29°08'18" East 133.36 feet; thence South 31°51'39" East 60.03 feet; thence South 62°07'02" East 5.00 feet; thence North 27°52'58" East 21.13 feet to the beginning of a tangent curve concave southeasterly and having a radius of 642.00 feet; thence along said curve northeasterly 154.14 feet through a central angle of 13°45'24"; thence tangent from said curve North 41°38'22" East 57.49 feet to the beginning of a tangent curve concave southeasterly and having a radius of 314.00 feet; thence along said curve northeasterly 54.48 feet through a central angle of 09°56'29" to a point of compound curvature with a curve concave southeasterly and having a radius of

SECTION N  
EXHIBIT "A"  
LEGAL DESCRIPTION OF  
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POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(Cont.)

647.00 feet, a radial line of said curves from said point bears South 38°25'09" East; thence along said curve northeasterly 122.02 feet through a central angle of 10°48'20" to a point of compound curvature with a curve concave southeasterly and having a radius of 314.00 feet, a radial line of said curves from said point bears South 27°36'49" East; thence along said curve northeasterly 54.48 feet through a central angle of 09°56'29"; thence tangent from said curve North 72°19'40" East 57.49 feet to the beginning of a tangent curve concave southerly and having a radius of 642.00 feet; thence along said curve easterly 575.45 feet through a central angle of 51°21'23"; thence tangent from said curve South 56°18'57" East 249.25 feet to the beginning of a tangent curve concave northeasterly and having a radius of 986.00 feet; thence along said curve southeasterly 49.38 feet through a central angle of 02°52'10"; thence tangent from said curve South 59°11'07" East 49.79 feet to the beginning of a tangent curve concave southwesterly and having a radius of 1014.00 feet; thence along said curve southeasterly 50.78 feet through a central angle of 02°52'10" to a point of reverse curvature with a curve concave northwesterly and having a radius of 20.00 feet, a radial line of said curve from said point bears North 33°41'03" East; thence along said curve easterly and northeasterly 31.42 feet through a central angle of 90°00'00"; thence radially from said curve South 56°18'57" East 62.00 feet; thence South 33°41'03" West 5.00 feet to the beginning of a tangent curve concave northeasterly and having a radius of 20.00 feet; thence along said curve southerly and southeasterly 31.42 feet through a central angle of 90°00'00"; thence radially from said curve South 33°41'03" West 64.00 feet to a point on a tangent curve concave southeasterly and having a radius of 20.00 feet; thence along said curve westerly and southwesterly 31.42 feet through a central angle of 90°00'00"; thence tangent from said curve South 33°41'03" West 269.79 feet to the beginning of a tangent curve concave northwesterly and having a radius of 1631.00 feet; thence along said curve southwesterly 1233.03 feet through a central angle of 43°18'56"; thence tangent from said curve South 76°59'59" West 176.23 feet to the beginning of a tangent curve concave northeasterly and having a radius of 231.00 feet; thence along said curve westerly 262.84 feet through a central angle of 65°11'36"; thence tangent from said curve North 37°48'25" West 61.07 feet to the beginning of a tangent curve concave southwesterly and having a radius of 769.00 feet; thence along said curve northwesterly 35.33 feet through a central angle of 02°37'57"; thence tangent from said curve North 40°26'22" West 106.84 feet to the beginning of a tangent curve concave northeasterly and having a radius of 531.00 feet; thence along said curve northwesterly 111.07 feet through a central angle of 11°59'03"; thence non-tangent from said curve North 73°31'44" West 25.27 feet; thence North 33°30'21" West 36.28 feet; thence North 30°33'26" West 68.54 feet; thence North 69°37'13" West 32.64 feet; thence South 71°19'01" West 86.87 feet; thence South 08°39'00" East 17.54 feet; thence South 42°01'00" West 40.25 feet; thence South 27°09'46" West 74.92 feet; thence South 26°55'04" East 9.72 feet; thence South 24°38'37" West 106.11 feet; thence South 26°39'38" West 77.82 feet; thence South 43°26'15" West 74.43 feet; thence South 49°08'47" West 73.08 feet; thence South 55°06'04" West 90.57 feet; thence South 59°12'02" West 71.39 feet; thence South 69°29'39" West 44.16 feet;

SECTION N  
EXHIBIT "A"  
LEGAL DESCRIPTION OF  
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POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(Cont.)

thence South 73°32'15" West 111.82 feet; thence South 75°06'45" West 122.14 feet;  
thence South 17°33'17" West 50.63 feet; thence South 18°21'23" East 60.82 feet;  
thence South 24°12'47" East 83.16 feet; thence South 32°08'14" East 100.69 feet;  
thence South 21°55'45" East 83.41 feet; thence South 34°15'22" East 33.74 feet;  
thence South 23°17'58" East 54.07 feet; thence South 73°13'19" East 4.06 feet;  
thence South 26ve °01'26" East 81.11 feet; thence South 08°52'32" East 23.51 feet;  
thence South 20°11'06" West 34.96 feet; thence South 48°22'19" West 125.86 feet;  
thence South 39°12'04" East 25.34 feet; thence South 44°42'09" West 69.97 feet;  
thence South 58°30'16" East 309.20 feet; thence South 33°42'38" East 64.40 feet;  
thence South 62°48'05" East 78.90 feet; thence South 67°53'11" East 41.75 feet;  
thence North 34°12'57" East 34.88 feet; thence South 34°18'39" East 100.21 feet;  
thence South 10°51'15" West 71.22 feet to the southerly line of said Section 30;  
thence along said southerly line North 87°53'51" West 72.79 feet to the POINT OF  
BEGINNING.

SECTION N  
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 IMPROVEMENT AREA C OF  
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 COMMUNITY FACILITIES DISTRICT NO. 11

That certain parcel of land in the City of San Diego, County of San Diego, State of California being a portion of land described in deed recorded December 18 2001 as Document No. 2001-0930032 and re-recorded May 24 2002 as Document No. 2002-0443974 in the Office of the County Recorder of San Diego County described as follows:

COMMENCING at the southwest corner of Section 30, Township 14 South, Range 1 West San Bernardino Meridian; thence along the southerly line of said section South 87°54'09" East 2859.85 feet; thence continuing along said southerly line South 87°53'51" East 72.79 feet to the TRUE POINT OF BEGINNING; thence leaving said southerly line North 10°51'15" East 71.22 feet; thence North 34°18'39" West 100.21 feet; thence South 34°12'57" West 34.88 feet; thence North 67°53'11" West 41.75 feet; thence North 62°48'05" West 78.90 feet; thence North 33°42'38" West 64.40 feet; thence North 58°30'16" West 309.20 feet; thence North 44°42'09" East 69.97 feet; thence North 39°12'04" West 25.34 feet; thence North 48°22'19" East 125.86 feet; thence North 20°11'06" East 34.96 feet; thence North 08°52'32" West 23.51 feet; thence North 26°01'26" West 81.11 feet; thence North 73°13'19" West 4.06 feet; thence North 23°17'58" West 54.07 feet; thence North 34°15'22" West 33.74 feet; thence North 21°55'45" West 83.41 feet; thence North 32°08'14" West 100.69 feet; thence North 24°12'47" West 83.16 feet; thence North 18°21'23" West 60.82 feet; thence North 17°33'17" East 50.63 feet; thence North 75°06'45" East 122.14 feet; thence North 73°32'15" East 111.82 feet; thence North 69°29'39" East 44.16 feet; thence North 59°12'02" East 71.39 feet; thence North 55°06'04" East 90.57 feet; thence North 49°08'47" East 73.08 feet; thence North 43°26'15" East 74.43 feet; thence North 26°39'38" East 77.82 feet; thence North 24°38'37" East 106.11 feet; thence North 26°55'04" West 9.72 feet; thence North 27°09'46" East 74.92 feet; thence North 42°01'00" East 40.25 feet; thence North 08°39'00" West 17.54 feet; thence North 71°19'01" East 86.87 feet; thence South 69°37'13" East 32.64 feet; thence South 30°33'26" East 68.54 feet; thence South 33°30'21" East 36.28 feet; thence South 73°31'44" East 25.27 feet to a point on a non-tangent curve concave northeasterly and having a radius of 531.00 feet, a radial line of said curve from said point bears North 61°32'41" East; thence along said curve southeasterly 111.07 feet through a central angle of 11°59'03"; thence tangent from said curve South 40°26'22" East 106.84 feet to the beginning of a tangent curve concave southwesterly and having a radius of 769.00 feet; thence along said curve southeasterly 35.33 feet through a central angle of 02°37'57"; thence tangent from said curve South 37°48'25" East 61.07 feet to the beginning of a tangent curve concave northeasterly and having a radius of 231.00 feet; thence along said curve easterly 262.84 feet through a central angle of 65°11'36"; thence tangent from said curve North 76°59'59" East 176.23 feet to the beginning of a tangent curve concave northwesterly and having a radius of 1631.00 feet; thence along said curve northeasterly 1233.03 feet through a central angle of 43°18'56"; thence tangent from said curve North 33°41'03" East 269.79 feet to the beginning of a tangent curve concave southeasterly and having a radius of 20.00 feet; thence along said curve northeasterly and easterly 31.42 feet through a central angle of 90°00'00"; thence radially from said curve North 33°41'03" East 64.00 feet to the beginning of a tangent curve concave northeasterly and having a radius of 20.00 feet; thence along said curve

SECTION N  
 EXHIBIT "A"  
 LEGAL DESCRIPTION OF  
 IMPROVEMENT AREA C OF  
 POWAY UNIFIED SCHOOL DISTRICT  
 COMMUNITY FACILITIES DISTRICT NO. 11

northwesterly and northerly 31.42 feet through a central angle of 90°00'00"; thence tangent from said curve North 33°41'03" East 5.00 feet; thence North 56°18'57" West 62.00 feet to a point on a tangent curve concave northwesterly and having a radius of 20.00 feet; thence along said curve southwesterly and westerly 31.42 feet through a central angle of 90°00'00" to a point of reverse curvature with a curve concave southwesterly and having a radius of 1014.00 feet, a radial line of said curve from said point bears South 33°41'03" West; thence along said curve northwesterly 50.78 feet through central angle of 02°52'10"; thence tangent from said curve North 59°11'07" West 49.79 feet to the beginning of a tangent curve concave northeasterly and having a radius of 986.00 feet; thence along said curve northwesterly 49.38 feet through a central angle of 02°52'10"; thence tangent from said curve North 56°18'57" West 249.25 feet to the beginning of a tangent curve concave southerly and having a radius of 642.00 feet; thence along said curve westerly 575.45 feet through a central angle of 51°21'23"; thence tangent from said curve South 72°19'40" West 57.49 feet to the beginning of a tangent curve concave southeasterly and having a radius of 314.00 feet; thence along said curve southwesterly 54.48 feet through a central angle of 09°56'29" to a point of compound curvature with a curve concave southeasterly and having a radius of 647.00 feet, a radial line of said curves from said point bears South 27°36'49" East; thence along said curve southwesterly 122.02 feet through a central angle of 10°48'20" to a point of compound curvature with a curve concave southeasterly and having a radius of 314.00 feet, a radial line of said curves from said point bears South 38°25'09" East; thence along said curve southwesterly 54.48 feet through a central angle of 09°56'29"; thence tangent from said curve South 41°38'22" West 57.49 feet to the beginning of a tangent curve concave southeasterly and having a radius of 642.00 feet; thence along said curve southwesterly 154.14 feet through a central angle of 13°45'24"; thence tangent from said curve South 27°52'58" West 21.13 feet; thence North 52°39'18" West 7.10 feet; thence North 31°51'39" West 57.72 feet; thence North 29°08'18" West 133.36 feet; thence South 78°37'02" West 60.29 feet; thence North 18°52'46" West 129.19 feet; thence North 25°59'33" East 8.19 feet; thence North 19°07'24" West 32.64 feet; thence North 31°55'09" West 73.45 feet; thence North 16°01'46" East 8.17 feet; thence North 37°22'57" West 38.36 feet; thence North 28°45'15" West 67.93 feet; thence North 05°33'40" East 11.38 feet; thence North 29°33'36" West 120.16 feet; thence North 19°17'08" East 8.74 feet; thence North 36°25'50" West 118.18 feet; thence North 07°05'35" East 7.46 feet; thence North 41°09'05" West 117.73 feet; thence North 06°21'02" East 8.58 feet; thence North 35°55'41" West 24.78 feet; thence North 67°36'37" West 98.95 feet; thence North 02°51'43" West 8.23 feet; thence North 41°45'58" West 104.83 feet; thence North 00°05'45" East 9.89 feet; thence North 41°45'57" West 84.96 feet; thence North 08°10'39" East 10.19 feet; thence North 41°46'14" West 26.76 feet; thence North 38°28'57" West 328.59 feet; thence North 29°27'09" East 141.86 feet; thence North 36°10'29" West 104.87 feet; thence North 25°31'11" West 60.92 feet; thence North 00°34'19" West 18.93 feet; thence North 78°48'20" East 50.87 feet; thence North 00°34'26" West 69.79 feet; thence North 11°22'42" West 168.91 feet; thence North 23°43'40" West 160.50 feet; thence North 52°07'04" West 106.08 feet; thence North 68°55'43" West 131.21 feet; thence South 78°05'41" West 308.57 feet; thence North 01°10'38" East 129.80 feet; thence North 63°51'45" East 155.32 feet; thence North 17°45'47" West 70.00 feet to the northerly right-of-way line of Beeler Canyon Road, dedicated per document recorded September 14, 1971 as File No. 207577 of Official Records of said county; thence along said northerly right-of-way line the following courses: North 72°13'51"

SECTION N  
EXHIBIT "A"  
LEGAL DESCRIPTION OF  
IMPROVEMENT AREA C OF  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 11  
(Cont.)

East 1589.15 feet; thence North 64°37'55" East 695.08 feet; thence North 50°13'08" East 430.16 feet; thence North 36°58'13" East 344.33 feet; thence North 40°19'05" East 556.76 feet; thence leaving said northerly right-of-way line South 42°39'42" East 821.19 feet; thence South 39°22'14" East 168.00 feet; thence South 14°48'47" East 297.37 feet; thence South 44°03'03" East 96.69 feet; thence South 55°04'46" East 143.44 feet; thence South 37°13'44" East 48.94 feet; thence South 08°16'52" East 90.67 feet; thence South 21°58'21" East 115.02 feet; thence South 58°57'04" East 146.65 feet; thence South 62°50'33" East 125.51 feet; thence South 36°49'14" East 99.28 feet; thence South 19°40'57" East 73.41 feet; thence South 30°15'17" East 91.39 feet; thence South 62°36'37" East 89.94 feet; thence South 48°07'12" East 229.60 feet; thence South 67°32'34" East 114.56 feet; thence South 56°31'48" East 304.84 feet; thence South 36°13'56" East 140.54 feet; thence South 08°20'11" East 122.71 feet; thence South 45°22'04" East 145.70 feet; thence South 54°19'42" East 281.04 feet; thence South 73°35'55" East 158.89 feet; thence South South 14°14'39" West 1171.33 feet; thence South 10°15'13" East 482.28 feet; thence South 20°34'50" West 363.07 feet; thence South 43°02'56" West 1683.66 feet; thence South 35°02'11" West 654.61 feet to the southerly line of Section 29, Township 14 South, Range 1 West, San Bernardino Meridian; thence along said southerly line North 88°09'11" West 664.80 feet; thence continuing along said southerly line North 87°53'51" West 2430.67 feet to the TRUE POINT OF BEGINNING

**APPENDIX C**

**SUMMARY APPRAISAL REPORT**

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SUMMARY APPRAISAL REPORT

COVERING

Poway Unified School District  
Community Facilities District No. 11 (StoneBridge Estates)  
Improvement Areas B and C

DATE OF VALUE:

April 15, 2005

SUBMITTED TO:

Sandra G. Burgoyne  
Poway Unified School District  
13626 Twin Peaks Rd.  
Poway, CA 92064-3098

DATE OF REPORT:

April 26, 2005

SUBMITTED BY:

Stephen G. White, MAI  
1370 N. Brea Blvd., Suite 205  
Fullerton, CA 92835

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# Stephen G. White, MAI



Real Estate Appraiser

1370 N. BREA BLVD., SUITE 205 · FULLERTON, CALIFORNIA 92835-4128  
(714) 738-1595 · FAX (714) 738-4371

April 26, 2005

Sandra G. Burgoyne  
Poway Unified School District  
13626 Twin Peaks Rd.  
Poway, CA 92064-3098

Re: Community Facilities District No. 11  
(StoneBridge Estates) Improvement Areas B  
and C

Dear Ms. Burgoyne:

In accordance with your request and the District's authorization, I have completed a Complete Appraisal of the taxable properties within Improvement Areas B and C of the above-referenced Community Facilities District (CFD). Improvement Area B consists of a total of 210 single-family residential lots that are owned by three separate builders, and the lots currently range from blue-top to near finished condition. Improvement Area C consists of a total of 341 single-family residential lots that are owned by the master developer but have been optioned in three tracts or neighborhoods to two different builders, and these lots are currently in the process of being graded.

The purpose of this appraisal is to estimate the market value of the three separate ownerships in Improvement Area B and the three separate tracts in Improvement Area C, reflecting the as is condition of the land. This appraisal also reflects the proposed public bond financing, as well as the tax rate of  $\pm 1.4\%$ - $1.5\%$ , including special taxes, to the future homeowners.

Based on the inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

## **Improvement Area B**

<b><u>Ownership</u></b>	<b><u>Builder Name</u></b>	<b><u>Tract Name</u></b>	<b><u>Market Value</u></b>
Warmington Scripps Assoc., L.P.	Warmington Homes	The Warmington Collection	\$17,200,000
Brookfield 8 LLC	Brookfield Homes	Calabria	\$36,100,000
Shea Homes Limited Partnership	Shea Homes	Sanctuary	<u>\$37,800,000</u>
			\$91,100,000

## **Improvement Area C**

<b><u>Ownership</u></b>	<b><u>Builder Name</u></b>	<b><u>Area Name</u></b>	
Sycamore Estates, LLC	McMillin Homes	Neighborhood 5	\$ 27,100,000
Sycamore Estates, LLC	McMillin Homes	Neighborhood 6	\$ 34,700,000
Sycamore Estates, LLC	Brookfield Homes	Neighborhood 7	<u>\$ 59,800,000</u>
			\$121,600,000

MS. SANDRA G. BURGOYNE  
APRIL 26, 2005  
PAGE 2

The following is the balance of this 55-page Summary Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen G. White", is written over a horizontal line.

Stephen G. White, MAI  
(State Certified General Real Estate  
Appraiser No. AG 013311)

SGW:sw  
Ref: 05015

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## CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the properties that are the subject of this report.
9. No one provided significant professional assistance to the person signing this report, other than data research by my associate, Kirsten Patterson.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

  
\_\_\_\_\_  
Stephen G. White, MAI  
(State Certified General Real Estate  
Appraiser No. AG013311)

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal has been based upon the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal descriptions provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
2. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in the report are based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there are no encroachments or trespasses unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the property, but the values estimated in this



**ASSUMPTIONS AND LIMITING CONDITIONS,** Continuing

appraisal are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Official Statement, as required for the bond issuance.
13. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

**SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS**

1. Estimates of the remaining costs to get the lots in the various subject tracts from as is condition to “finished lots” have been obtained from the property owners, and these figures have been assumed to be reasonably accurate and have been relied upon in this appraisal.
2. The valuation has assumed that the CFD bond-financed facilities will include ±\$6,400,000 to finance non-school facilities in Improvement Area B and ±\$10,000,000 to finance non-school facilities in Improvement Area C.

## **PURPOSE AND USE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the market value by tract or future ownership of the as is condition of the taxable property located within Community Facilities District No. 11 (StoneBridge Estates) Improvement Areas B and C of the Poway Unified School District, reflecting the proposed public bond financing. This Summary Appraisal Report is to be used as required in the bond issuance.

## **SCOPE OF THE APPRAISAL**

It is the intent of this Complete Appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in a Summary Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. This has included an inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of various maps and documents relating to the properties and the existing and planned subdivision and development; obtaining of comparable land sales and new-home pricing from a variety of sources; and analysis of all of the data to the value conclusions.

## **DATE OF VALUE**

The date of value for this appraisal is April 15, 2005.

## **PROPERTY RIGHTS APPRAISED**

This appraisal is of the fee simple interest in the subject properties, subject to the special tax and assessment liens.

## **DEFINITION OF MARKET VALUE**

The most probable price, as of a specified date, in cash or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue duress.

## **DEFINITION OF FINISHED LOT**

This term describes the condition of residential lots in a single-family subdivision for detached homes in which the lots are fully improved and ready for homes to be built. This reflects that the lots have all development entitlements, infrastructure improvements completed, finish grading completed, all in-tract utilities extended to the property line of each lot, street improvements completed, common area improvements/landscaping (associated with the tract) completed, resource agency permits (if necessary), and all

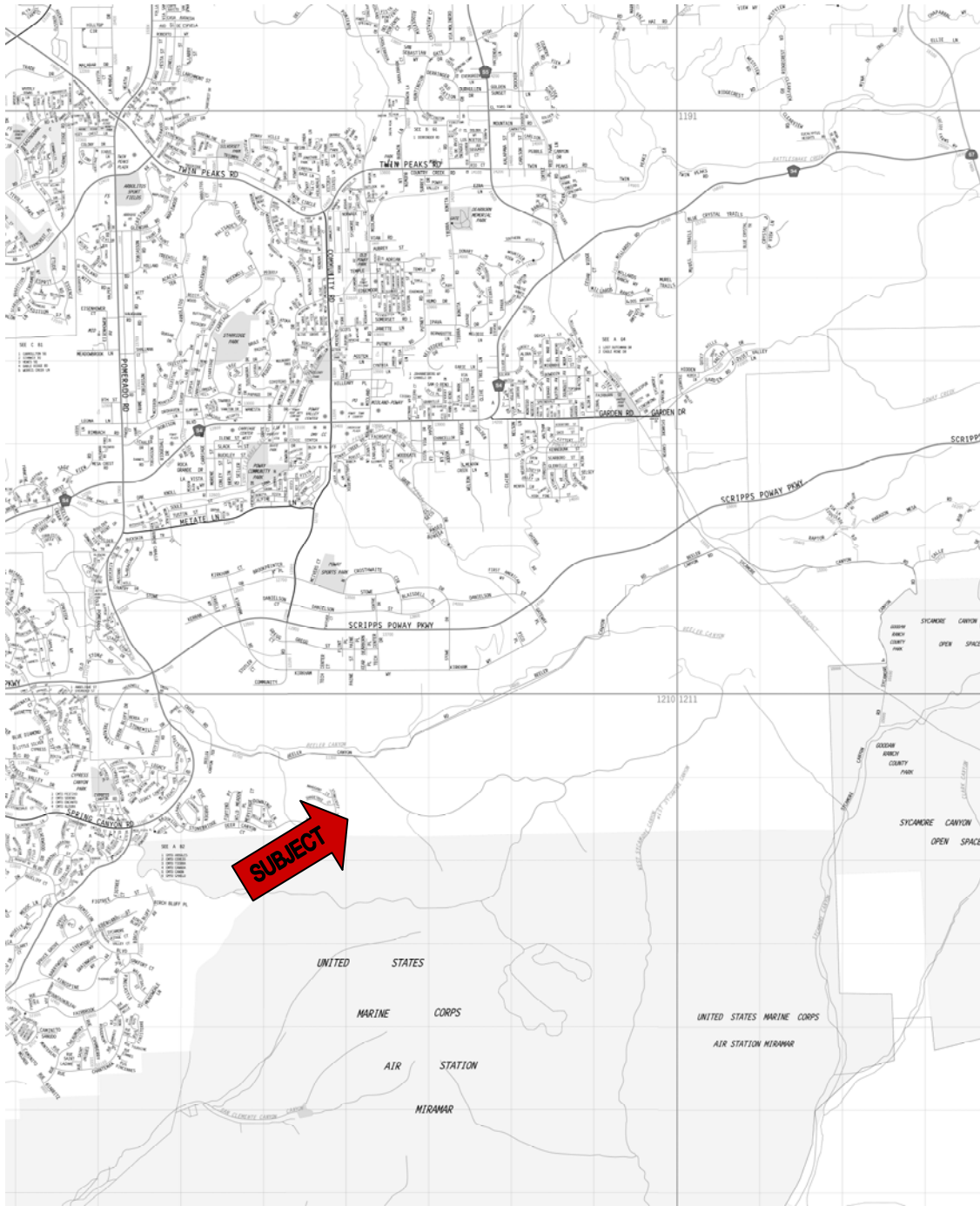
**DEFINITION OF FINISHED LOT, Continuing**

development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map.

**DEFINITION OF BLUE-TOP LOT**

This term describes residential lots in a single-family subdivision for detached homes in which the lots and streets have been rough graded, and the offsite infrastructure of streets and utilities are completed to the tract, but not within the tract.

# LOCATION MAP



## **INTRODUCTION**

### **GENERAL LOCATION**

The map on the opposite page indicates the approximate location of the subject properties that extend east and northeast from the arrow on the map. The master-planned community of StoneBridge Estates lies along both sides of Stonebridge Pkwy., extending for  $\pm 2$  miles easterly from Pomerado Rd., in the City of San Diego. Improvement Area B is located  $\pm 1\frac{1}{4}$  miles east of Pomerado Rd., and Improvement Area C is located farther to the east.

The community of StoneBridge Estates is located in the far northeast part of the City of San Diego, about 4 miles east of the I-15 Freeway. Within  $\frac{1}{4}$  mile to the north is the south end of the City of Poway, and nearly adjacent to the south is the U.S. Marine Corps Air Station Miramar. Nearby to the northeast is unincorporated County area, and just over 4 miles to the southeast is the City of Santee. The general area within San Diego to the west of StoneBridge Estates is known as Scripps Ranch, and farther west are the communities of Scripps Miramar Ranch and Miramar Ranch North.

The master-planned community of StoneBridge Estates is discussed in greater detail on following pages. The subject properties consist of the existing three tracts which comprise Improvement Area B plus the three future tracts that will comprise Improvement Area C.

### **DESCRIPTION OF SURROUNDINGS**

To the north of the subject property the land slopes down into Beeler Canyon. This canyon area is a sparsely developed rural residential area with various scattered homes on large lots, but is mostly undeveloped area as well as including a wildlife corridor that extends east and then northeast. Farther north the land slopes up to a higher mesa area, on which is the 700-acre South Poway Business Park, about  $\frac{1}{2}$  mile north and northwest of the subject. To the east of the business park is undeveloped and hilly land that extends for some distance. To the west of the business park is mostly undeveloped land that extends to Pomerado Rd.

To the west of the subject property is the west portion of StoneBridge Estates (Improvement Area A) that is currently being developed with three tracts of homes and is discussed later. Beyond Pomerado Rd. to the northwest, is a single-family residential area, part of which is the Scripps Ranch area within San Diego and part of which is within the City of Poway. The homes nearest the subject along Pomerado Rd., were built in the early to mid-1990's, and typically range in size from  $\pm 1,800$  s.f. to 3,000 s.f., with lot sizes of  $\pm 4,000$  s.f. minimum. Recent sale prices indicate the range of about \$640,000 to \$830,000.

## **DESCRIPTION OF SURROUNDINGS, Continuing**

Farther west and northerly of Pomerado Rd./Spring Canyon Rd. is a tract of detached homes on  $\pm 2,500$  s.f. to 3,000 s.f. lots. These homes were built in the mid-1990's, typically ranging in size from  $\pm 1,200$  s.f. to 1,600 s.f., and recent sales indicate the prices from \$470,000 to \$600,000.

Nearby to the southwest of the subject, at the southeast quadrant where Pomerado Rd. angles to the south/southwest, is a small tract of fairly new homes on small lots. Builder sales in September through November 2003 indicated the price range from \$488,000 to \$580,000 and the only recent resale indicates a price of \$725,000. Farther to the southwest is a tract of homes on  $\pm 3,000$  s.f. minimum lots that was built in the mid-1990's. The homes range in size from about 1,600 s.f. to 1,900 s.f., and the most recent sales indicate the price range of \$580,000 to \$660,000.

To the south of the subject property is the north end of the U.S. Marine Corps Air Station Miramar which extends for many miles to the south. The land adjacent to the subject property is mostly undeveloped and hilly, with some nearby communications and electrical facilities.

To the east of the subject property is a large area of undeveloped and hilly land. Nearby to the east is the Sycamore Canyon County Open Space Preserve, to the northeast is unincorporated County area, and to the southeast is part of the Miramar Air Station.







In summary, the subject property is located at the edge of a fairly new residential area in this northeast part of San Diego, with much surrounding undeveloped land that includes the Beeler Canyon area and the Miramar Air Station. There is also the nearby business park in Poway, but this is relatively distant from the subject property.

## **OVERVIEW OF CFD NO. 11**

Community Facilities District No. 11 comprises the entire planned community of StoneBridge Estates (formerly called Rancho Encantada), which consists of a total of approximately 2,658 gross acres. This land is planned to be developed with a total of 828 single family homes and 106 apartment units, and this reflects that over 80% of the land will remain as natural open space.

The overall CFD is divided into Improvement Areas A through C, and the planned current financing involves the issuance of special tax bonds for only Improvement Areas B and C. Thus, only the properties included in these two Improvement Areas are included in this appraisal.

# STONEBRIDGE *Estates*

-  Mill Creek  
By McMullin Homes
-  Astoria  
By Brookfield Homes
-  Calabria  
By Brookfield Homes
-  Sanctuary  
By Shea Homes
-  The Collection  
By Warrington Homes, California
-  Future Residential
-  Trail Systems

## Trails System

- Connections to:
- Goodan Ranch Preserve
  - Sycamore Canyon Preserve
  - City of Poway Trail System
  - Los Peñasquitos Canyon

## Community Node

- Riparian Educational Center

## Village Town Center

- HOA Open Space
- Community Meeting and Gathering Area

Mission Trails  
Regional Park  
West Sycamore  
Region (1,800 acres)

Future Rental Housing  
by Fairfield Development

Future Private School

Future 8-acre Park

Pomerado Rd.

StoneBridge Pkwy.

Tot Lot

6-acre Park



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## DESCRIPTION OF STONEBRIDGE ESTATES

### Overview

StoneBridge Estates is a master planned community that contains a total of  $\pm 2,658$  acres. Approximately 510 acres is planned to be developed with 828 single family homes within eight different neighborhoods and a 106-unit apartment complex for affordable housing, plus a school site and two park sites. The balance of over 80% of the gross acreage will remain as open space, including 1,800 acres that will become Mission Trails Regional Park North.

The residential development will be fairly spread out with much open space of canyon and hill areas between and/or around the various neighborhoods. The main collector street into and through the community is and will be meandering and tree-lined, with set-back sidewalks, split-rail fences and stone pilasters, and lush landscaping. In addition, the in-tract streets will be curving and meandering, with many single-loaded streets and cul-de-sacs. There will also be 11 miles of multi-use trails traversing the site, connecting to a countywide system. These factors will create a rural setting and a country feel, though still within just  $3\frac{1}{2}$  miles of the I-15 Freeway.

The homes in the community will range from just under 3,000 s.f. to near 6,000 s.f., and the lots will range from  $\pm 5,000$  s.f. minimum to about .75 acre in size. The smaller homes on smaller lots are in the first phase of the community, and the largest homes on the largest lots will be in later phases. As of early 2004 the home pricing was projected to be from the \$600,000's to over \$1,000,000, and the current actual pricing ranges from the mid \$800,000's to near \$1,500,000.

The first phase of StoneBridge Estates (Improvement Area A) comprises 277 homes within three separate neighborhoods that are located at the west end of the community, nearest Pomerado Rd. These three tracts are summarized as follows:

**Mill Creek (McMillin Homes):** to be a total of 109 homes; 2,947 s.f. to 3,390 s.f. in size on  $\pm 5,000$  s.f. minimum lots; the current base pricing is \$857,990 to \$913,990, with lot premiums ranging up to \$37,000; there are currently 64 closed sales plus 24 escrows or reservations.

**Astoria (Brookfield Homes):** to be a total of 121 homes; 3,110 s.f. to 3,750 s.f. in size on  $\pm 6,000$  s.f. minimum lots; the current base pricing is \$885,000 to \$965,000, with lot premiums ranging up to \$65,000; through the end of March 2005 there were 34 closed plus 23 escrows.

**Calabria (Brookfield Homes):** to be a total of 47 homes; 3,780 s.f. to 5,050 s.f. in size on  $\pm 8,000$  s.f. minimum lots; the current projected base pricing is \$1,025,000 to \$1,125,000, with average lot premiums of  $\pm \$50,000$ ; homes have yet been released for sale.

The second phase of the community (Improvement Area B) comprises a total of 210 vacant lots in a near finished condition that will be developed with three different tracts of homes by three different builders. Construction is just underway on one of



## **DESCRIPTION OF STONEBRIDGE ESTATES, Continuing**

the tracts, but has not yet started on the other two tracts. The third and last phase of the community (Improvement Area C) comprises a total of 341 lots that are currently in process of being graded. It is anticipated that there will be three different tracts of homes by two different builders. (Note: this appraisal is only of the second and third phases of the community, or Improvement Areas B and C.)

### **Streets and Access**

Access to StoneBridge Estates is by Stonebridge Pkwy. that extends easterly from Pomerado Rd. Pomerado Rd. is a two-lane roadway along the westerly side of the subject community and to the south, becoming a four-lane roadway farther to the north, nearer Scripps Poway Pkwy. The intersection of Pomerado Rd. and Stonebridge Pkwy. is signalized.

Stonebridge Pkwy. is a four-lane divided roadway that ultimately will extend easterly through all of the community. It is currently paved to near the easterly end of the second phase of the community (Improvement Area B), but is only a graded dirt roadway and still being graded farther to the east. All of the tracts in Improvement Areas B and C have primary access off of this street.

### **Utilities**

The utilities for the community are provided as follows:

Water & Sewer:	City of San Diego
Gas & Electric:	San Diego Gas & Electric
Telephone:	SBC
Cable:	Time Warner and Cox

### **Zoning/Approvals**

The overall community is covered by the Rancho Encantada Precise Plan, and it together with Planned Residential Development Permits and Vesting Tentative Tract Maps were approved by the City in August 2001. The final tract maps for the three tracts (neighborhoods) in Improvement Area B recorded in October and December 2004. The final tract maps for Improvement Area C are anticipated to record from May through August 2005.

### **Drainage/Flood Hazard**

Drainage is and will be within master-planned facilities that have been and will be constructed throughout the community. Per FEMA Flood Map Panel No. 060295 1366F and 1367F, dated June 19, 1997, the subject properties are located in Zone X, consisting of areas determined to be outside of the 100-year floodplain.

## DESCRIPTION OF STONEBRIDGE ESTATES, Continuing

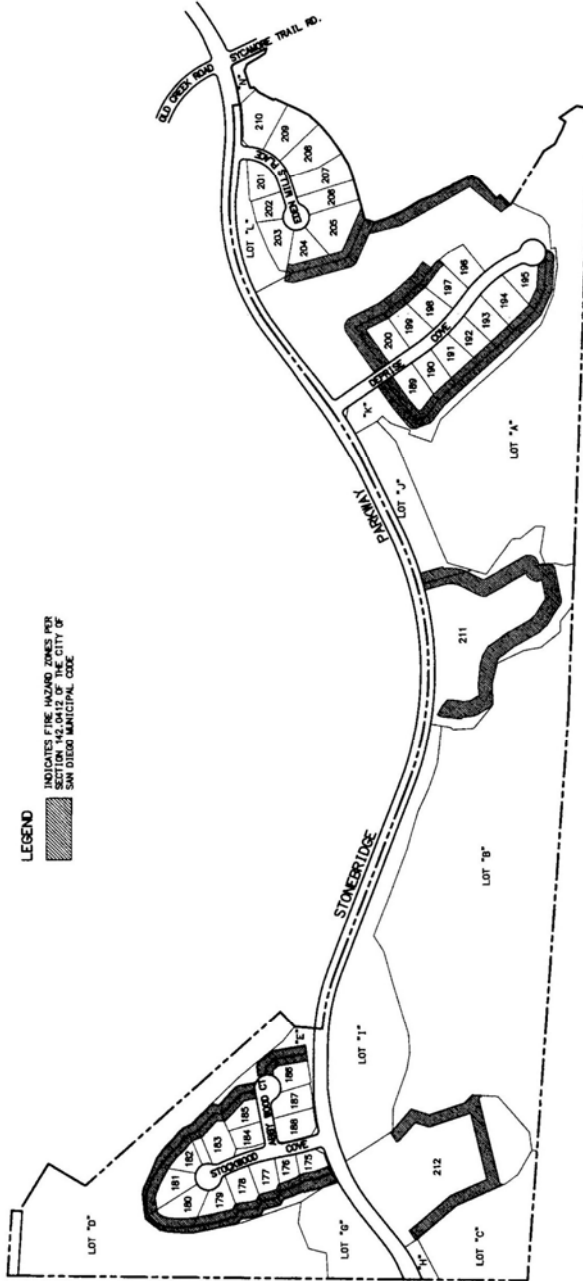
### **Soil/Seismic/Environmental Conditions**

Soils and environmental studies were completed by GEOCON, Inc. and P&D Environmental Services, and essentially these studies concluded that there was no evidence of polluted soils or other adverse conditions in or on the land. It is also noted that the subject property is not located within an Alquist Priolo Earthquake Fault Zone.

This appraisal has assumed that, for all of the subject lots, all necessary grading and compacting has been or will be properly completed by the master developer and builders; that there are no abnormal soil or geological conditions that would affect the development of the lots as planned; that all necessary environmental permits and approvals have been obtained for single family residential development as planned; and that there are no other environmental conditions, including endangered species or habitat, watercourses or wetlands that would have a negative effect on the planned development. Furthermore, it has been assumed that all required mitigation measures have taken place, or are reflected in the costs to complete the lots from as is condition to finished lots.

# THE WARMINGTON COLLECTION

**SYCAMORE ESTATES - UNIT 3**  
**MAP NO. 14895**  
**NON-TITLE SHEET**



**LEGEND**  
INDICATES FIRE HAZARD ZONE PER SECTION 142.0412 OF THE CITY OF SUN DIEGO MUNICIPAL CODE



**IMPROVEMENT AREA B-THE WARMINGTON COLLECTION  
(WARMINGTON HOMES)**

**PROPERTY DATA**

**Location**

This tract is comprised of three small and separate neighborhood areas which are located to the north and south of Stonebridge Pkwy., at Stockwood Cove, Deprise Cove and Eden Mills Pl.

**Record Owner/Ownership History**

The current owner of the property is Warmington Scripps Associates, L.P., and their common builder name is Warmington Homes. They purchased these lots from McMillin Montecito 47, LLC, with 26 lots acquired by deed recorded in November 2004 and 10 lots acquired by deed recorded in February 2005. The sale was negotiated in August 2004 at a total price of \$18,990,000 or \$527,500 per lot, with the seller to deliver finished lots other than fees of \$8,754 per lot to be paid by the buyer.

McMillin Montecito 47, LLC had acquired the lots from Sycamore Estates, LLC (of which they are a partner) by deeds recorded in November and December 2004. The price was based on \$333,333 per lot, and this was negotiated in August 2003.

**Legal Description**

This tract is described as Lots 175 through 210 of Sycamore Estates Unit 3, in the City of San Diego, County of San Diego, per Map No. 14895 recorded October 21, 2004.

**Assessor Data-2004/05**

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm$ 1.4-1.5% including the special taxes for this CFD.

**No. of Lots/Lot Sizes**

This tract comprises a total of 36 lots, with a minimum and typical pad size of  $\pm$ 100' x 120' or  $\pm$ 12,000 s.f. The actual lot sizes range from 16,254 s.f. to 76,528 s.f., or an average of 29,255 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

## PROPERTY DATA, Continuing

### **Streets and Access**

Stonebridge Pkwy. provides the access to the three separate neighborhoods or segments of the tract. The west neighborhood has the in-tract streets of Stockwood Cove and Abby Wood Ct., the center neighborhood has the in-tract street of Deprise Cove, and the east neighborhood has the in-tract street of Eden Mills Pl. All of these streets are cul-de-sacs. In addition, all of these streets have been improved with paving, curbs and gutters.

### **Physical Condition/Topography/View**

All of the subject lots are in a mostly finished condition from a physical standpoint, other than minor items to complete such as final in-tract street improvements, common area/slope landscaping, etc.

The west neighborhood has a gradual slope down from Stonebridge Parkway, with minor terracing between some of the lots. The 11 lots around the perimeter back to open space, with the 7 lots along the west and north sides having canyon and territorial views.

The center neighborhood has a gradual slope up from Stonebridge Parkway with terracing between the lots. All lots back to open space that slopes up from each lot, and there are no significant views.

The lots in the east neighborhood are level with each other, mostly above grade of Stonebridge Parkway, and well below grade of the lots being graded to the south. Only a few of these lots have minor territorial views to the west.

### **Title Report**

Preliminary Reports by First American Title Company dated January 28, 2005 and February 28, 2005, Order Nos. DIV-1563460 (06) and DIV-1675616 (06) have been reviewed. The reports cite 34 and 16 exceptions to title, respectively, many of which are easements for utilities and several of which pertain to the Poway Unified School District CFD No. 11. Many of the other documents listed were involved with the planning and mapping approvals for the overall community. No pertinent exceptions were noted that would negatively impact the development of the subject lots with homes, as planned.

### **Existing and Proposed Development**

The 36 lots are planned to be developed with a tract of homes called The Warmington Collection at StoneBridge Estates. As of the April 15, 2005 date of

## PROPERTY DATA, Continuing

value, construction had just started on 12 homes with trenching and foundation work underway, and the remaining 24 lots were in a vacant and near finished condition.

There are three floor plans that are described as follows:

**Residence One (Expanded):** 4,141 s.f., one story, with 4 bedrooms, 4½ baths, large central courtyard with fireplace, intimate second courtyard, covered rear loggia, and 4-space tandem garage; optional flex room in lieu of the tandem portion of the garage that adds ±154 s.f.; optional casita (per location) that adds ±393 s.f.

**Residence Two (Expanded):** 4,613 s.f., two story, with 5 bedrooms, 5½ baths, covered central loggia with fireplace, rear porch, and an expanded 5-space tandem garage; optional rear loggia with fireplace in lieu of part of the tandem portion of the garage, optional porte cochere, and optional casita (per location) that adds 393 s.f.

**Residence Three:** 4,735 s.f., two story, with 5 bedrooms, library, 5½ baths, large central courtyard, covered outdoor media and entertaining area with wet bar and fireplace, and a 4-space tandem garage; optional casita (per location) that adds 393 s.f.

The current base pricing is \$1,215,000 for Residence One, \$1,280,000 for Residence Two, and \$1,316,000 for Residence Three. The actual release pricing (including lot premiums and certain options) is \$1,327,000 to \$1,367,000 for Residence One, \$1,450,000 to \$1,521,000 for Residence Two, and \$1,455,000 to \$1,545,000 for Residence Three. The lot premiums range from \$0 to \$150,000, or an average of near \$40,000 over all of the lots.

The first sales release of 12 homes took place on February 12, 2005, and there are currently 10 homes reserved and 2 still available. It is projected that these homes will be completed and available for occupancy in December 2005. The second release is scheduled for April 23, 2005.

### **Highest and Best Use**

The term highest and best use is defined as that use which is reasonable and probable, and supports the highest present value of the land or improvements, also described as the most profitable use which is legal, physically possible and financially feasible as of the effective date of the appraisal.

The highest and best use is concluded to be for continued build-out of the subject tract of homes. This use is legal by the planning approvals and the recorded tract maps, and it is physically possible as the lots are in a near finished condition. In addition, the use is financially feasible as evidenced by the strong demand for both vacant/buildable residential lots as well as new homes in this general area that has resulted in significantly increasing prices in recent years.

In considering the supportability of the pricing of the subject homes, the best support is by the good sales activity on these homes with 10 reservations having taken place

## PROPERTY DATA, Continuing

thus far. It is also noted that these homes are essentially the same product and similar pricing as the Belsera at Santaluz tract that is currently being built by Warmington, except that the Residence One and Two homes at the subject tract are the expanded plans. In the Belsera tract, there has been strong sales activity with 43 homes released for sale and 38 sold, including 21 closed sales and 10 more to close in the next few weeks.

As previously indicated, the current base pricing for the Mill Creek and Astoria tracts of homes (in the first phase of StoneBridge Estates) ranges from \$857,990 to \$965,000. The home sizes of 2,947 s.f. to 3,750 s.f. are much smaller than the subject homes, and the lot pad sizes of 5,000 s.f. and 6,000 s.f. minimum are also much smaller than the subject lots. The current projected base pricing for the Calabria tract of homes is a range of \$1,025,000 to \$1,125,000. The home sizes of 3,780 s.f. to 5,050 s.f. range from smaller to slightly larger than the subject, but the lot pad sizes of 9,600 s.f. minimum are smaller than the subject.

In summary, it appears that the current pricing for the subject homes is supportable, and this is evidenced by the good sales activity thus far.

## VALUATION

### Method of Analysis

The Sales Comparison Approach is used to estimate the value of the subject lots, as if in a finished lot condition. This approach considers recent sales of bulk residential lots from the general area in comparison to the subject property on a finished lot basis. Then, a deduction is made for the estimated remaining costs to get the subject lots from the as is condition to finished lot condition, resulting in a value indication for the as is condition of the lots. Lastly, consideration is given to an appropriate cost allocation to the homes under construction, over and above the finished lot value.

### Analysis of Finished Lot Value

A search was made for recent sales of bulk single-family residential lots in the general area. A detailed tabulation of the residential land sales data is in the Addenda section at the end of this report. The following discussion and analysis references the 10 sales in that tabulation.

**Sale No. 1** represents the recent sale of the subject property to Warmington, reflecting the two takedowns consisting of the total of 36 lots. This sale was negotiated in August 2004, with the takedowns closing in November 2004 and February 2005, at the indicated price reflecting \$536,254 per finished lot. Thus,

## VALUATION, Continuing

there could be a minor upward time adjustment since the price was negotiated, but I have concluded that this supports a close indication for the subject at current date.

**Sale No. 2** represents the recent sale of lots to Shea Homes that comprises another subject property in Improvement Area B, as discussed later. This sale was also negotiated in August 2004 and the sale closed in January 2005 at the price reflecting \$530,754 per finished lot. These lots are similar to the subject in terms of the 12,000 s.f. minimum pad size, but relatively fewer of the lots have view potential or back to open space. In addition, the bulk size of this sale at 82 lots is much larger than the subject at 36 lots, and this tends to result in a lower price per lot. Overall, the indication at \$530,754 per finished lot supports a close lower limit for the subject.

**Sale Nos. 3, 4 and 5** are located in the developing master-planned community of 4S Ranch. This community is located about 7 miles northwesterly of StoneBridge Estates, in unincorporated area adjacent to the west of the Rancho Bernardo area. The 4S Ranch community is considered to be inferior to the subject location and community, and this is evidenced by the lower home pricing in 4S Ranch in comparison to the home pricing in StoneBridge Estates. In addition, the overall tax rate of up to  $\pm 1.9\%$  is higher than the subject.

**Sale No. 3** is located in Neighborhood Three, which is the newly-developing area at the northerly end of 4S Ranch. This sale represents three current escrows to three different builders of 5,000 s.f. minimum lots based on prices of \$390,000 to \$410,000 per finished lot. The sales were negotiated in September 2004 and are due to close by December 2005. The lots will be delivered by the master developer in near finished condition, with recorded final tract maps. Only a limited number of these lots will have territorial view potential.

In comparison to the subject property, the general location is slightly inferior, the view potential is inferior, and the lots are much smaller at 5,000 s.f. minimum. Thus, the indications at \$390,000 to \$410,000 per finished lot support far lower limits for the subject. However, it is also of interest that a sale of 5,000 s.f. lots in Neighborhood Three of 4S Ranch, negotiated in mid-2003 and closed in March 2004, was at a price of \$225,000 per finished lot. This is evidence of the significant upward value trend over time that has occurred on lots as well as on home prices.

**Sale No. 4** is located at the far south end of 4S Ranch, and in Neighborhood Two that is mostly built-out. This was a sale of 7,250 s.f. minimum pad lots, but most are larger with an average size of 9,800 s.f. The sale was negotiated in mid-2003 and the closing was delayed until March 2005 due to delays in getting the tract map recorded. The price was based on \$300,000 per finished lot, and the lots were delivered by the master developer in near finished condition, and with the recorded tract map. This sale is in a low valley area, but due to the terracing, about one-third of the lots have territorial views and the other lots back to open space.



## VALUATION, Continuing

Initially, the price needs to be adjusted significantly up for time since the price was negotiated not quite two years ago. As noted for Sale No. 3, there was a  $\pm 78\%$  price increase from mid-2003 to September 2004 for the 5,000 s.f. lots. However, this is considered to be an aberration and not indicative of a typical increase. The master developer considers that these lots could likely be sold for \$450,000 per finished lot at current date, and this would indicate a 50% increase. It is also noted that the proforma home pricing for this sale was \$750,000 to \$780,000 as of mid to late 2003, and the current pricing ranges from  $\pm \$981,000$  to \$1,044,000, and this indicates a  $\pm 32\%$  increase. Lastly, I am aware of land sales activity in another community where the currently pending land sales indicate prices that are  $\pm 40\text{-}50\%$  higher than sales that closed in the mid to latter part of 2003.

Considering an upward time adjustment of at least 40% to the price of \$300,000 per finished lot, a current indication is at \$420,000 per finished lot. This supports a far lower limit for the subject due to the inferior location, smaller lots and inferior view potential.

**Sale No. 5** is also located at the south end of 4S Ranch in Neighborhood Two, nearby to the west of Sale No. 4. This was a sale of lots with 15,000 s.f. minimum pad size based on a price of \$350,000 per finished lot. Similar to Sale No. 4, the sale was negotiated in mid-2003 and did not close until March 2005, and the lots were delivered by the master developer in near finished condition. These lots are also located in a lower valley area, thus the views to about half of the lots are only down the valley or to the surrounding hills. The proforma home pricing was not available, but the current plans are for homes of  $\pm 3,800$  s.f. to 5,600 s.f. with pricing from \$1,100,000 to \$1,600,000.

Similar to Sale No. 4, an upward time adjustment of 40% is applied to the sale price of \$350,000 per finished lot, which results in a current indication at \$490,000 per finished lot. This supports a close but firm lower limit for the subject due to the inferior location and view potential being more than offsetting to the slightly larger pad sizes of the lots.

**Sale No. 6** is located at the west side of the master-planned community of Santaluz, being nearby to the west of Camino Del Sur and southerly of San Dieguito Rd. Santaluz include much rolling open space, a golf course, and community facilities including pool and tennis courts, etc. This was a sale of lots with  $\pm 1/2$ -acre or  $\pm 22,000$  s.f. minimum pad sizes, with the overall lot sizes being  $\pm 1$  to 1.7 acres. The lots were delivered in a semi-finished condition with a recorded tract map. Most of the lots back to open space and/or have limited territorial views of valley areas and distant hills.

This sale was negotiated in mid-2003 at a price reflecting \$630,000 per finished lot, and also on a phased takedown basis. There have been three takedowns thus far

## VALUATION, Continuing

totaling 10 lots which closed in December 2003, August 2004 and October 2004, and there will be two remaining takedowns. These lots are being developed with semi-custom homes ranging in size from  $\pm 4,000$  s.f. to 6,000 s.f., and the current pricing ranges from  $\pm \$1,700,000$  to  $\$3,000,000$ .

In comparison to the subject, the location in Santaluz is considered to be superior, the lots are substantially larger, the view potential is similar, but the overall tax rate is slightly higher. The superior factors are evidenced by the larger homes and much higher home pricing on these lots than on the subject lots. Overall, these factors are considered to be far more than offsetting to an upward time adjustment since the price was negotiated, though a time adjustment is also minimized somewhat by the lengthy phased takedown nature of the transaction. Overall, this sale supports a far upper limit for the subject at  $\$630,000$  per finished lot.

**Sale No. 7** is located in the newer, Phase II area of Black Mountain Ranch which is called Del Sur. This area is to the north of Santaluz and to the west of 4S Ranch, and primary access will be by the extension of Camino Del Sur. This newer area of Black Mountain Ranch is planned and approved to include a total of  $\pm 3,300$  dwelling units ranging from attached units to larger estate homes, plus commercial development, three schools, and a golf course with resort hotel.

This sale is comprises the North Cluster of 59 lots with a minimum pad size of 9,000 s.f., though most are 12,000 to 13,000 s.f. pad sizes. Some of the lots will have territorial views over canyons and open space and of nearby hills. This is a current escrow that is due to close in May at a price reflecting  $\$585,000$  per finished lot. The tract will be gated and the proforma home pricing ranges from just under  $\$1,200,000$  to near  $\$1,300,000$ .

In comparison to the subject, the gated location within Black Mountain Ranch/Del Sur is considered to be superior, the minimum lot sizes are slightly smaller but the average size is fairly similar, and the overall tax rate is slightly higher. The proforma home pricing is fairly similar to the subject pricing, though the proforma home pricing was estimated some months ago. Overall, I have concluded that the price of  $\$585,000$  per finished lot supports a close but firm upper limit for the subject.

**Sale Nos. 8 and 9** are located in the master-planned community of San Elijo Hills, which is in the south part of the City of San Marcos, about 15 miles northwesterly of the subject. This is a newly-developing master-planned community that has a wide range of new housing product, plus a town center/commercial center, schools, 19-acre community park, and much surrounding open space. This is also a coastal-oriented community, with distant ocean views from many of the sites, as well as canyon and city lights views. It has been a very successful community in terms of the rapid rate of home sales, the significant price increases, and the strong demand for the buildable land. In general, the location of this community is inferior to the

## VALUATION, Continuing

subject in terms of the proximity to major employment centers, but this is at least partially offset by the coastal proximity and good views, including distant ocean views. In addition, the overall tax rate of 1.75% is slightly higher than the subject.

**Sale No. 8** was a sale of 5,100 s.f. minimum lots (60' by 85') that was negotiated in October 2003 and closed in December 2003. These were delivered as blue-top lots, and the sale price reflected \$327,000 per finished lot. This is a good view-oriented site with distant ocean and city lights views to some lots and territorial views to many other lots. The buyer plans to build homes of 2,600 s.f. to 3,000 s.f., with projected base pricing of \$560,000 to \$600,000, and lot premiums ranging from \$50,000 to \$200,000. It is noted that the current base pricing for these homes is in the low \$700,000's, which indicates an increase of about 25%.

In comparison to the subject, the location is inferior, the minimum lot sizes are substantially smaller, but the view potential is superior. Considering the date of sale negotiation in October 2003, and based on previous discussion for Sale Nos. 4 and 5, an upward time adjustment of less than 40%, say 35% would be supportable. Based on my knowledge of currently pending land sales activity in this community, this adjustment is supportable to conservative. Based on a 35% adjustment, the current indication is at ±\$458,000 per finished lot, and this supports a far lower limit for the subject.

**Sale No. 9** is located adjacent to Sale No. 8, and was a sale to the same builder of 5,500 s.f. minimum lots (55' by 100') that was negotiated in August 2003 and closed in mid January 2004. These were delivered as blue-top lots, and the sale price reflected \$341,000 per finished lot. This is also a good view-oriented site with distant ocean and city lights views to some of the lots and territorial views to many other lots. The buyer planned to build homes of 3,000 s.f. to 3,600 s.f., with projected base pricing of \$620,000 to \$670,000, and lot premiums of \$50,000 to \$200,000. The current base pricing ranges from the high \$700,000's to the low \$800,000's, or an increase of 26-27%.

The comparison to the subject is similar to that for Sale No. 8, except that the negotiated took place several months prior. Considering an upward time adjustment of 40% results in a current indication at ±\$477,000 per finished lot, and this is also a far lower limit for the subject due to the inferior location and much smaller lot sizes, partially offset by the superior view potential.

**Sale No. 10** is located in the La Costa Greens project in Carlsbad, east of El Camino Real and north of Alga Rd., and about 20 miles northwest of the subject. It is part of a new master-planned community with various tracts of homes fronting along the northerly part of the La Costa Resort & Spa golf course. This was a sale of 82 lots, 7,500 s.f. minimum size, of which 10 lots front along the golf course and many other lots back to open space and/or terrace up a hill with territorial views. The deal was

## VALUATION, Continuing

negotiated in November 2003 and closed in June 2004 at a price reflecting \$420,000 per finished lot. The specific proforma base pricing for the homes is not known but was indicated to be well below \$900,000, and it is noted that the current pricing is from the mid \$900,000's to just over \$1,000,000.

In comparison to the subject, the general Carlsbad location and in close proximity to the I-5 Freeway is considered to be fairly similar, but the location in La Costa Greens and on the golf course is superior. The minimum lot size is much smaller than the subject, but the tax rate is slightly lower at 1.3-1.4%. Considering an upward time adjustment of 35% results in a current indication at \$567,000 per finished lot. This supports a close indication to close upper limit for the subject due to the superior location/golf course frontage and lower tax rate being offsetting or more to the smaller lot sizes.

In summary, on the basis of price per finished lot, the sales data supports far lower limits from \$390,000 to \$477,000, a close but firm lower limit at \$490,000, a close lower limit at \$530,754, a close indication at \$536,254, a close indication to close upper limit at \$567,000, a close but firm upper limit at \$585,000, and a far upper limit at \$630,000.

Alternatively, on the basis of a finished lot ratio (price per finished lot divided by average base home price), five of the data items indicate the overall range from 39% to 56%. The indications at the high end of the range are from the sales in San Elijo Hills, and reflect substantial view premiums over and above the base pricing, which results in higher finished lot ratios and is superior to the subject view potential. The indication at the low end of the range is from a sale in 4S Ranch, which is considered to be an inferior location to the subject and with inferior view potential. The other two items are at 45% and 47%, and are slightly superior locations though fairly similar in terms of the view premium potential.

I have concluded on a finished lot ratio of 43-44%, and applied this to the average base price of ±\$1,270,000 for the subject homes. This results in the following:

$$\$1,270,000 \times .43-.44 = \$546,100 \text{ to } \$558,800/\text{finished lot}$$

Based on the foregoing, the most supportable range for the subject is \$536,254 to \$558,800 per finished lot, with the low end of the range being the sale price for the subject lots. However, it is noted that the sale price was negotiated last August, and market conditions would support at least a minor upward time adjustment. I have concluded on a finished lot value for the subject property of \$545,000 per finished lot.

## VALUATION, Continuing

### **Deduction for Remaining Costs to get to Finished Lots**

It is noted that the sale of the subject lots from the master developer to Warmington provides that the master developer will deliver the lots in a finished condition, except for certain fees in the amount of \$8,754 per lot (sewer, water and library) to be paid by the builder at time of pulling building permits. However, there are still minor remaining in-tract costs to get to finished lots, as well as significant remaining master developer costs to complete the infrastructure (master development costs) in all of Improvement Area B. While these costs are the responsibility of the master developer, an appropriate allocation to the subject lots is still considered as a deduction to the value to reflect that the lots are not yet to a finished condition, including all necessary infrastructure.

The remaining master development costs for all of Improvement Area B are a total of \$18,609,809, and this includes the primary items of grading & drainage, Beeler utility access, Stonebridge Pkwy. & landscape, Old Creek Rd. & landscape, Sycamore Trails Rd. and two parks. However, a deduction from these costs is made for the CFD bond proceeds that will be a reimbursement for costs of certain non-school facilities. As previously indicated, these proceeds are estimated to be ±\$6,400,000 for Improvement Area B. Thus, the net remaining costs are \$18,609,809 less \$6,400,000 or \$12,209,809. Allocated over the total of 210 lots in Improvement Area B, the indication is a cost allocation of \$58,142 per lot for the subject lots.

Then, the remaining in-tract costs specific to the subject lots are estimated at \$100,000. Lastly are the fees to the builder in the amount of \$8,754 per lot. Since building permits have been pulled on 12 lots, the remaining amount of the fees applies only to 24 lots.

Thus, the total cost deduction applicable to the subject lots is calculated as follows:

Master Development Cost Allocation: 36 lots @ \$58,142/lot =	\$2,093,112
In-Tract Costs:	+ 100,000
Fees: 24 lots @ \$8,754/lot =	+ 210,096
	<u>\$2,403,208</u>

### **Allocation to Homes Under Construction**

As previously indicated, there are 12 homes that are in the early stage of construction. However, in addition to payment of building permit fees, only minimal work of trenching for foundations had been completed on most but not all of the 12 lots. Thus, for conservative valuation purposes, no additional value has been attributed to these lots over and above the finished lot value.

**VALUATION, Continuing**

**Conclusion of Value**

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

36 vacant lots @ \$545,000, if finished condition =	\$19,620,000
Less remaining costs to get to finished condition:	- <u>2,403,208</u>
Value Indication, As Is:	\$17,216,792

Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject The Warmington Collection tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$17,200,000**

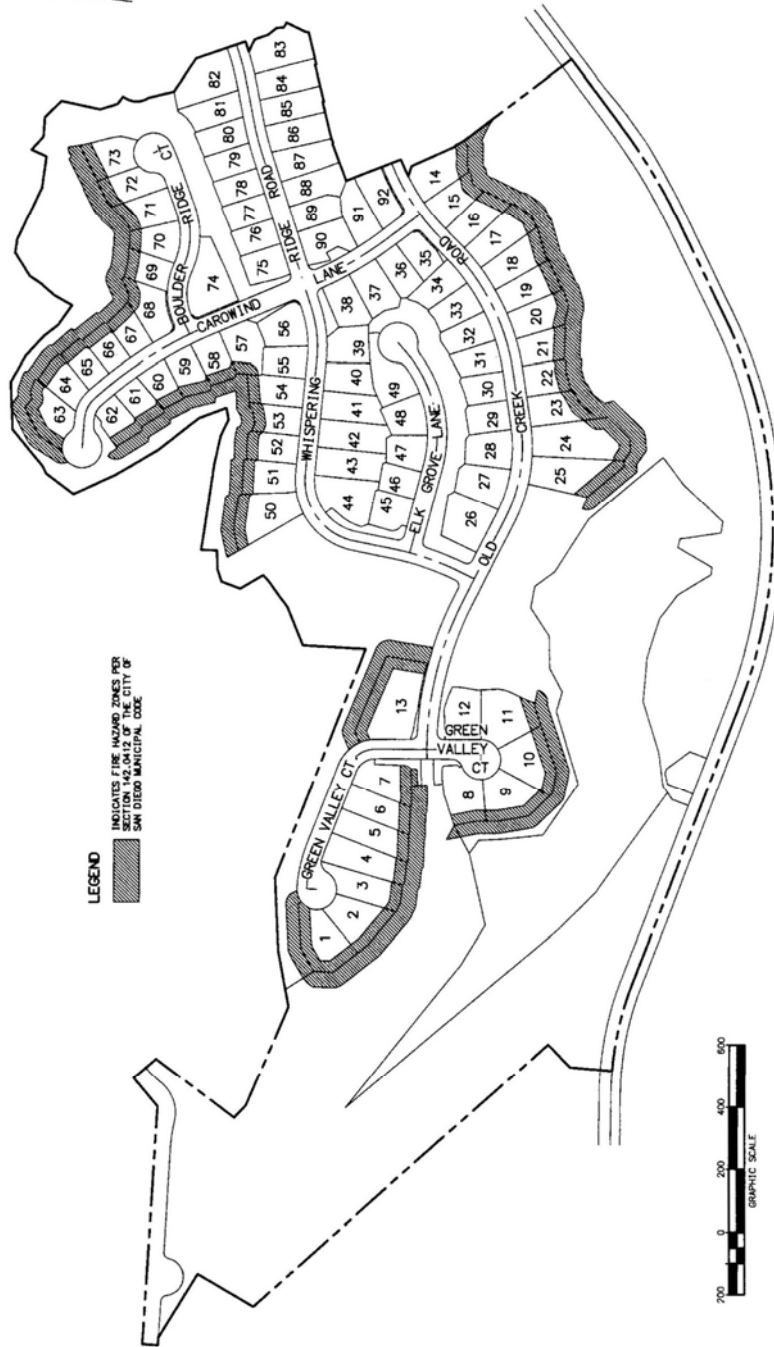
**(SEVENTEEN MILLION TWO HUNDRED THOUSAND DOLLARS)**

# CALABRIA

**SYCAMORE ESTATES - UNIT 1**  
**NON-TITLE SHEET**  
**MAP NO. 14931**



**LEGEND**  
INDICATES FIRE HAZARD ZONES FOR  
NOTATION IN FIGURE OF THE CITY OF  
SAN Geronimo MUNICIPAL CODE



## **IMPROVEMENT AREA B-CALABRIA (BROOKFIELD HOMES)**

### **PROPERTY DATA**

#### **Location**

This tract is located along both sides of Old Creek Rd.,  $\pm\frac{1}{4}$  mile northwest of Stonebridge Pkwy.

#### **Record Owner/Ownership History**

The current owner of the property is Brookfield 8 LLC, and their common builder name is Brookfield Homes. They acquired these lots from Sycamore Estates, LLC by deed recorded in December 2004 at a price of \$26,709,677 or \$290,323 per lot. This is for the lots to be delivered in finished condition, other than fees of \$8,754 per lot to be paid by the buyer. However, it is noted that this price was set in August 2003, and that the buyer is one of the partners comprising the selling entity.

#### **Legal Description**

This tract is described as Lots 1 through 92 of Sycamore Estates-Unit 1, in the City of San Diego, County of San Diego, per Map No. 14931, recorded December 17, 2004.

#### **Assessor Data-2004/05**

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm 1.4-1.5\%$  including the special taxes for this CFD.

#### **No. of Lots/Lot Sizes**

This tract comprises a total of 92 lots, with a minimum and typical pad size of  $\pm 80'$  x  $120'$  or  $\pm 9,600$  s.f. The actual lot sizes range from 11,234 s.f. to 41,993 s.f., or an average of 17,599 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

#### **Streets and Access**

Primary access to the tract is by Stonebridge Pkwy. to Old Creek Rd., and secondary access is by Beeler Canyon Rd. to Old Creek Rd. The in-tract streets include Old Creek Rd., Green Valley Ct., Whispering Ridge Rd., Elk Grove Ln., Carowind Ln. and Boulder Ridge Ct. All of these streets except for Old Creek Rd. are cul-de-sacs. It is also noted that work is still underway to complete the paving on these in-tract streets.



## PROPERTY DATA, Continuing

### Physical Condition/Topography/View

All of the subject lots are in a mostly finished condition from a physical standpoint, other than items to complete such as the final in-tract street improvements, common area/slope landscaping, etc.

The overall tract sits well above grade of Stonebridge Pkwy., and there is a gradual terracing of lots down to the north and west. About half of the lots back to open space and/or have territorial views to the north, west or south.

### Title Report

A Preliminary Report by First American Title Company dated March 28, 2005, Order No. 1740848 (15) has been reviewed. The report cites 40 exceptions to title, but similar to the discussion for The Warmington Collection, many of these are easements for utilities and several pertain to the Poway Unified School District CFD No. 11. Many of the other documents listed were involved with the planning and mapping approvals for the overall community. No pertinent exceptions were noted that would negatively impact the development of the subject lots with homes, as planned.

### Proposed Development

The 92 lots are planned to be developed with a continuation of the tract of homes called Calabria that are currently under construction in the first phase of StoneBridge Estates (Improvement Area A). As of the April 15, 2005 date of value, all 92 lots are vacant and in a near finished condition, with no construction yet underway.

There are four floor plans for these homes that are described as follows:

**Residence 1:** 3,780 s.f., one story, with 4 bedrooms, 3½ baths, plus bonus room or library (or optional office), central courtyard with optional fireplace, and a 2-car garage plus a separate compact space.

**Residence 2:** 4,340 s.f., two story, with 4 bedrooms, 4½ baths, plus bonus room (or optional bedroom 5) and library, mostly enclosed front courtyard with optional fireplace, and a 2-car garage plus a separate compact space.

**Residence 3:** 4,804 s.f., two story, with 5 bedrooms, 4½ baths, plus library or music room (or optional office), covered front porch, and a 2-car garage plus a separate compact space.

**Residence 4:** 5,120 s.f., two story, with 5 bedrooms, 4½ baths, plus library (or optional office), central courtyard with optional fireplace, covered front porch, and a 2-car garage plus a separate compact space.

Homes have not yet been released for sale, but the current projected base pricing is \$1,025,000 for Residence 1, \$1,055,000 for Residence 2, \$1,085,000 for Residence

## PROPERTY DATA, Continuing

3, and \$1,125,000 for Residence 4. The projected lot premiums are an average of  $\pm$ \$50,000.

It is projected that the first building permits in this future area of the 92 lots will be pulled in the fourth quarter of this year, with the first sale closings to homebuyers in the second quarter of 2006.

### Highest and Best Use

This is the same as for The Warmington Collection.

## VALUATION

### Method of Analysis

This is the same as for The Warmington Collection.

### Analysis of Finished Lot Value

The analysis is fairly similar to that for The Warmington Collection, except that these subject lots are smaller at 9,600 s.f. minimum pad, and are planned to be developed with homes that range from smaller to larger, but are lower in price for even the largest plan.

Sale Nos. 1 and 2 are the sales of the adjacent or nearby lots in StoneBridge Estates and support firm upper limits at  $\pm$ \$531,000 and \$536,000 per finished lot due to the larger lot sizes. Sale Nos. 3 and 4 support far lower limits at \$390,000 to \$420,000 per finished lot due to the much smaller lots and inferior location. Sale No. 5 supports a close but firm upper limit at \$490,000 per finished lot due to the much larger lots as being more than offsetting to the inferior location.

Sale Nos. 6 and 7 support far upper limits at \$585,000 and \$630,000 per finished lot due to the much larger lots and/or the superior locations. Sale Nos. 8 and 9 support close indications at \$458,000 and \$477,000 per finished lot, due to the far superior view potential being more than offsetting to the smaller lots and slightly inferior overall location. Sale No. 10 supports a far upper limit at \$567,000 per finished lot due to the superior location/golf course frontage and slightly lower tax rate being more than offsetting to the smaller lots.

In summary, the most supportable range is well over \$420,000 per finished lot but under \$490,000 per finished lot. Considering a finished lot ratio of 43-44% and the projected average base pricing of  $\pm$ \$1,072,500, the following indication results:

$$\$1,072,500 \times .43-.44 = \$461,175 \text{ to } \$471,900/\text{finished lot}$$

## VALUATION, Continuing

Based on the foregoing, I have concluded on a value of \$470,000 per finished lot for the subject tract.

### Deduction for Remaining Costs to get to Finished Lots

This discussion is also the same as for The Warmington Collection. Thus, the cost allocation for the master development costs is \$58,142 per lot, and the remaining in-tract costs specific to this tract is estimated at \$1,000,000. Lastly, there are the fees of \$8,754 per lot which apply to all 92 lots. This results in the following:

Master Development Cost Allocation: 92 lots @ \$58,142/lot =	\$5,349,064
In-Tract Costs:	+1,000,000
Fees: 92 lots @ \$8,754/lot =	+ 805,368
	<u>\$7,154,432</u>

### Conclusion of Value

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

92 vacant lots @ \$470,000, if finished condition =	\$43,240,000
Less remaining costs to get to finished condition:	<u>- 7,154,432</u>
Value Indication, As Is:	\$36,085,568

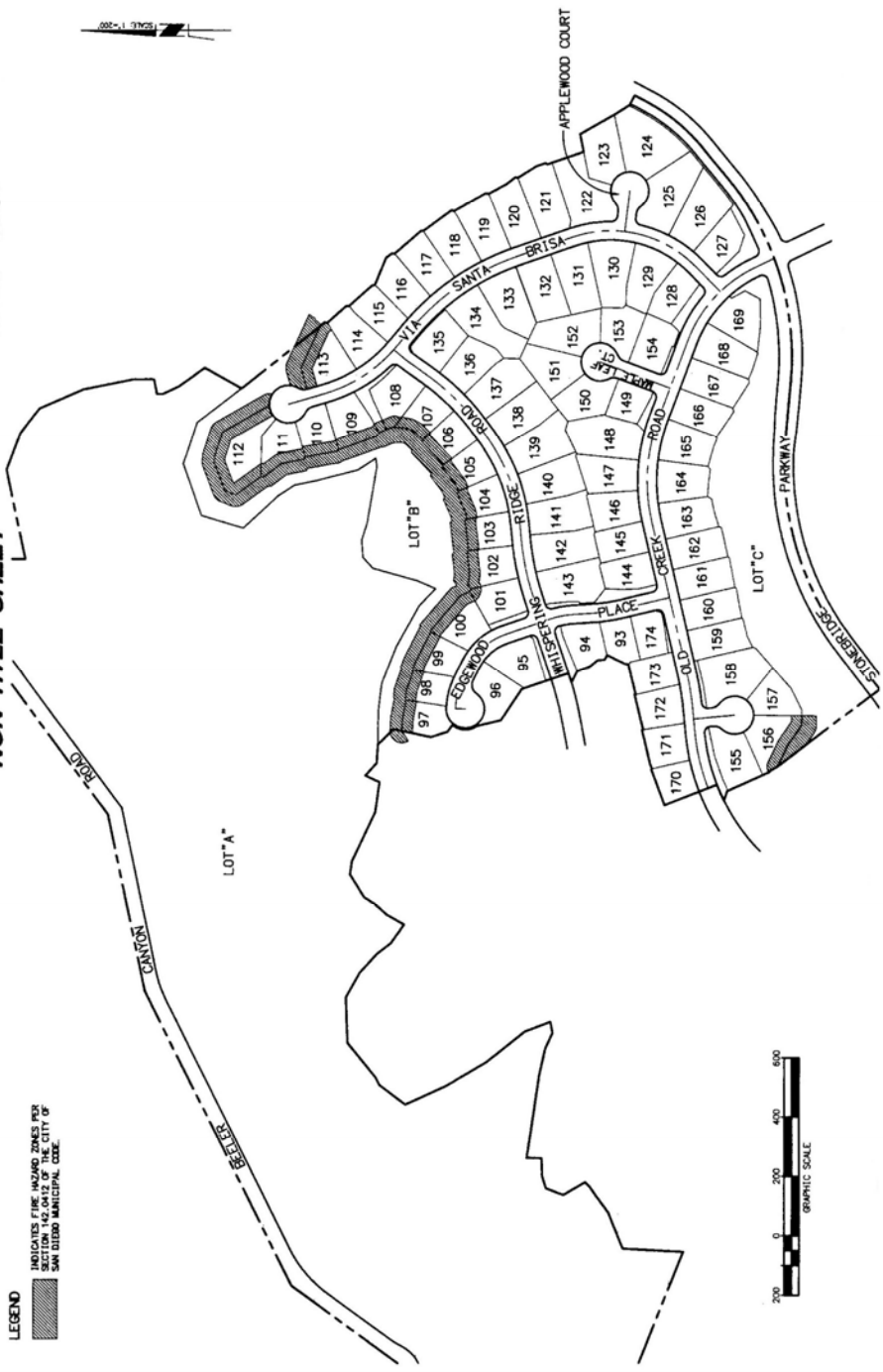
Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject Calabria tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$36,100,000**

**(THIRTY-SIX MILLION ONE HUNDRED THOUSAND DOLLARS)**

# SANCTUARY

**SYCAMORE ESTATES - UNIT 2**  
**MAP NO. 14932**  
**NON-TITLE SHEET**



**LEGEND**  
INDICATES FIRE HAZARD ZONES PER  
SPECIAL ORDINANCE OF THE CITY OF  
SANDUSKI MUNICIPAL CODE.



## **IMPROVEMENT AREA B-SANCTUARY (SHEA HOMES)**

### **PROPERTY DATA**

#### **Location**

This tract is located on the north side of Stonebridge Pkwy. at Old Creek Rd. and extending northerly and northwesterly.

#### **Record Owner/Ownership History**

The current owner of the property is Shea Homes Limited Partnership, and their common builder name is Shea Homes. They purchased these lots from McMillin Montecito 47, LLC by deed recorded in January 2005. The sale was negotiated in August 2004 at a total price of \$42,804,000 or \$522,000 per lot, with the seller to deliver finished lots other than fees of \$8,754 per lot to be paid by the buyer.

McMillin Montecito 47, LLC had acquired the lots from Sycamore Estates, LLC (of which they are a partner) by deeds recorded in November and December 2004. The price was based on \$333,333 per lot, and this was negotiated in August 2003.

#### **Legal Description**

This tract is described as Lots 93 through 174 of Sycamore Estates Unit 2, in the City of San Diego, County of San Diego, per Map No. 14932, recorded December 17, 2004.

#### **Assessor Data-2004/05**

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm 1.4-1.5\%$  including the special taxes for this CFD.

#### **No. of Lots/Lot Sizes**

This tract comprises a total of 82 lots, with a minimum and typical pad size of  $\pm 100'$  x  $120'$  or  $\pm 12,000$  s.f. The actual lot sizes range from 14,222 s.f. to 36,312 s.f., or an average of 22,052 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

#### **Streets and Access**

Primary access to the tract is by Stonebridge Pkwy. to Old Creek Rd. The in-tract streets include Old Creek Rd., Via Santa Brisa, Applewood Ct., Maple Leaf Ct., Whispering Ridge Rd., Edgewood Pl. and Olive Knoll Ct. Five of these streets are

## **PROPERTY DATA, Continuing**

cul-de-sacs. It is also noted that work is still underway to complete the paving on these in-tract streets.

### **Physical Condition/Topography/View**

All of the subject lots are in a mostly finished condition from a physical standpoint, other than items to complete such as the final in-tract street improvements, common area/slope landscaping, etc.

The overall tract ranges from slightly to well above grade of Stonebridge Pkwy., and there is a gradual terracing of lots down to the north and west. About 35% of the lots back to open space and about half of the lots have territorial views to the north, south or east.

### **Title Report**

A Preliminary Report by First American Title Company dated February 17, 2005, Order No. DEC-1804767 (sp) has been reviewed. The report cites 17 exceptions to title, and the discussion is similar to that for The Warmington Collection and Calabria.

### **Proposed Development**

The 82 lots are planned to be developed with a tract of homes called Sanctuary. As of the April 15, 2005 date of value, all 82 lots are vacant and in a near finished condition, with no construction yet underway. There will be three floor plans of homes, and the only available information at this point in time is that the sizes will be 4,408 s.f., 5,131 s.f. and 5,556 s.f. The projected base pricing is \$1,200,000 for Plan 1, \$1,250,000 for Plan 2 and \$1,330,000 for Plan 3. The lot premiums are projected to range up to ±\$100,000, with an average of \$45,000 over all of the lots.

The projected timing is that construction of the model homes will start in June, construction of the production homes will start in August, with the first phase to be released for sale in August.

### **Highest and Best Use**

This is the same as for The Warmington Collection.

## **VALUATION**

### **Method of Analysis**

This is the same as for The Warmington Collection.

## VALUATION, Continuing

### Analysis of Finished Lot Value

The analysis is very similar to that for The Warmington Collection. As previously discussed, the sale price for these subject lots (Sale No. 2) was \$5,500 per lot lower than the price for The Warmington Collection lots (Sale No. 1), and it was considered that this was due to fewer of the lots having view potential or backing to open space, as well as the bulk size of 82 lots being much larger than the bulk size of 36 lots for Sale No. 1. It is also considered that the lot sizes are very similar, and the projected home pricing for each tract is very similar.

Considering these factors, I have concluded on a value for the subject lots slightly above the sale price of \$530,754 per finished lot that was negotiated in August 2004, but slightly below the conclusion of \$545,000 per finished lot for The Warmington Collection. Thus, the conclusion for these subject lots is at \$540,000 per finished lot.

### Deduction for Remaining Costs to get to Finished Lots

This discussion is also the same as for The Warmington Collection. Thus, the cost allocation for the master development costs is \$58,142 per lot, and the remaining in-tract costs specific to this tract are also estimated at \$1,000,000. Lastly, there are the fees of \$8,754 per lot which apply to all 82 lots. This results in the following:

Master Development Cost Allocation: 82 lots @ \$58,142/lot =	\$4,767,644
In-Tract Costs:	+1,000,000
Fees: 82 lots @ \$8,754/lot =	<u>+ 717,828</u>
	\$6,485,472

### Conclusion of Value

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

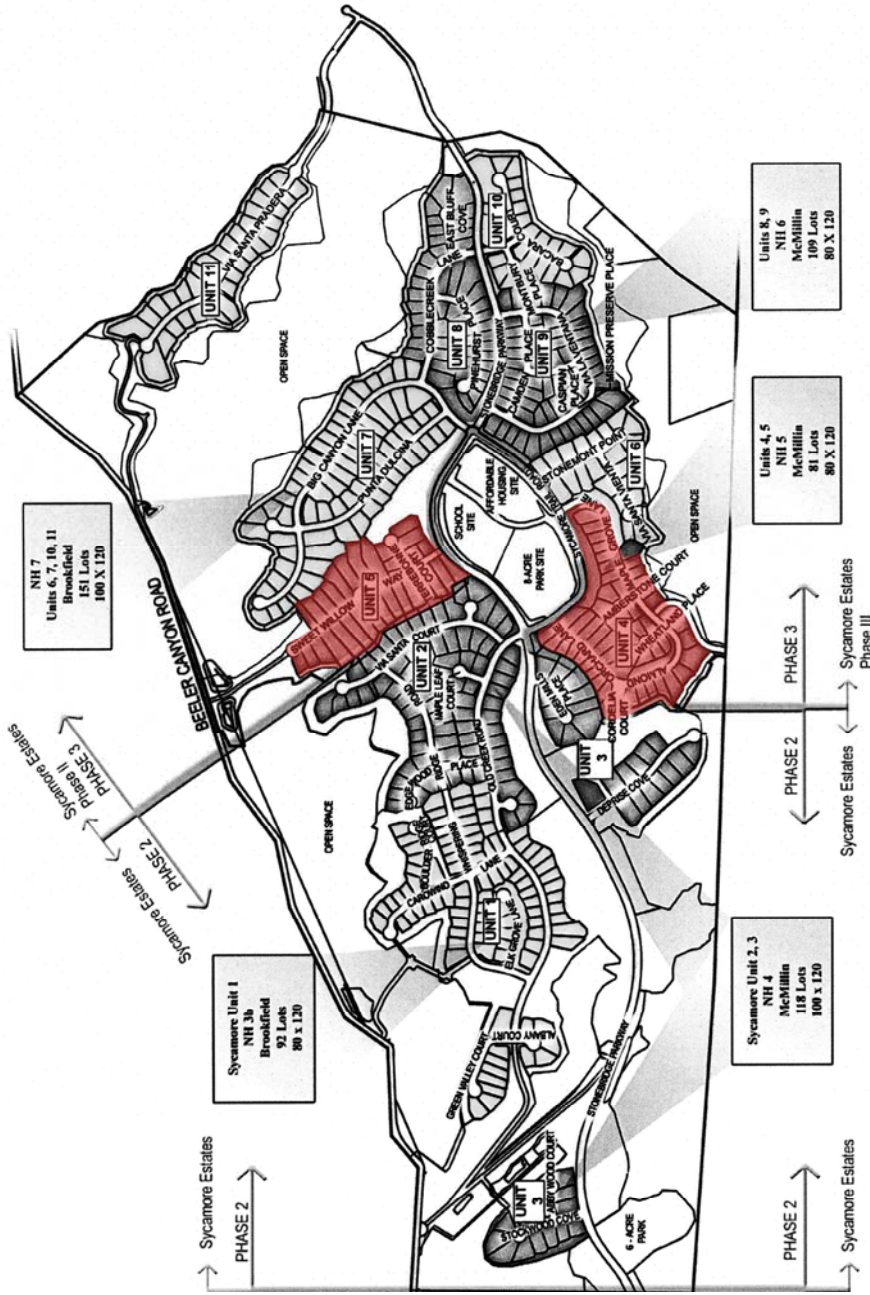
82 vacant lots @ \$540,000, if finished condition =	\$44,280,000
Less remaining costs to get to finished condition:	<u>- 6,485,472</u>
Value Indication, As Is:	\$37,794,528

Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject Sanctuary tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$37,800,000**

**(THIRTY-SEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS)**

# IMPROVEMENT AREA C-NEIGHBORHOOD 5



## NEIGHBORHOOD PHASING PLAN Stonebridge Estates

February 2, 2005



**The Corky McMillin Companies**  
RESIDENTIAL • COMMERCIAL • MARINE • BUSINESS

Units 8, 9  
NH 6  
McMillin  
109 Lots  
80 X 120

Units 4, 5  
NH 5  
McMillin  
81 Lots  
80 X 120

Sycamore Unit 2, 3  
NH 4  
McMillin  
118 Lots  
100 X 120

NH 7  
Units 6, 7, 10, 11  
Brookfield  
151 Lots  
100 X 120

Sycamore Unit 1  
NH 3a  
Brookfield  
92 Lots  
80 X 120



## IMPROVEMENT AREA C-NEIGHBORHOOD 5

### PROPERTY DATA

#### Location

This tract (neighborhood) consists of two separate segments, one of which is located at the southwest corner of Stonebridge Pkwy. and Sycamore Trail Rd., and the other of which is located on the north side of Stonebridge Pkwy. at Sweet Willow Way.

#### Record Owner/Ownership History

The current owner of the property is Sycamore Estates, LLC. They are the master developer who acquired the land for the overall community of Sycamore Estates in December 2001. These lots are due to be sold to McMillin Communities (one of the partners of Sycamore Estates, LLC) in September 2005 at a price of \$29,686,500 or \$366,500 per lot, reflecting finished condition other than fees in the amount of \$11,054 per lot.

#### Legal Description

This tract is described as Lots 211 through 263 of Sycamore Estates Phase II Unit 4, a vesting tentative map for which the final map is due to be recorded in May 2005; and Lots 264 through 291 of Sycamore Estates Phase II Unit 5, a vesting tentative map for which the final map is due to be recorded in August 2005.

#### Assessor Data-2004/05

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm 1.4-1.5\%$  including the special taxes for this CFD.

#### No. of Lots/Lot Sizes

This tract comprises a total of 81 lots, with a minimum and typical pad size of  $\pm 80'$  x  $120'$  or  $\pm 9,600$  s.f. The actual lot sizes range from 10,498 s.f. to 54,189 s.f., or an average of 23,574 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

#### Streets and Access

Access to the south segment of the tract is by Stonebridge Pkwy. to Sycamore Trail Rd., with the in-tract streets including Almond Orchard Ln., Maple Grove Ln., Cordelia Ct., Wheatland Pl. and Amberstone Ct. Access to the north segment of the tract is by Stonebridge Pkwy. to Sweet Willow Way, with the in-tract streets

## **PROPERTY DATA, Continuing**

including Sweet Willow Way and Terrebonne Ct. All of these streets, including Stonebridge Pkwy., are currently in process of being graded.

### **Physical Condition/Topography/View**

All of the subject lots are currently in the process of being graded, as part of the overall grading operation on Improvement Area C.

The south segment of the tract is on a higher plateau area, well above grade of the lots adjacent to the northwest and west that are in Improvement Area B. In addition, the lots will terrace up slightly to the south. Thus, about half of the lots will back to open space around the perimeter with territorial views to the northwest, west and south, and a few other lots may have territorial views to the north above the lower lots. Other lots will be across Sycamore Trail Rd. and above grade of the school site.

The lots in the north segment of the tract will have a gradual terracing down to the north and east, but only a few lots will back to open space or have minor territorial view.

### **Title Report**

A Preliminary Report by First American Title Company dated November 23, 2004, Order No. DIV-824725 (06), has been reviewed. This report appears to cover all of Improvement Area C, and it cites 22 exceptions to title. Similar to previous discussion, many of these exceptions pertain to public roads or utilities, and also include the Poway Unified School District CFD No. 11. No pertinent exceptions were noted that would negatively impact the development of the subject lots with homes, as planned.

### **Proposed Development**

The 81 lots are planned to be developed with a tract of homes with an average home size of 3,893 s.f., and with projected average base pricing of \$1,010,249. As of the April 15, 2005 date of value, the lots are currently in the grading process.

### **Highest and Best Use**

This is the same as for The Warmington Collection.

## **VALUATION**

### **Method of Analysis**

This is the same as for previous analyses.

## VALUATION, Continuing

### **Analysis of Finished Lot Value**

The analysis is similar to previous analyses, considering the subject lots at ±9,600 s.f. minimum/typical size, a bulk size of 81 lots, and fairly typical territorial view potential as other tracts in the community. However, due to the amount of competing product that will be coming on-line in earlier phases of the community, there could be a discount to the value of the subject lots at current date to reflect that the development potential of the subject lots is likely farther out in time. This is also the case due to the physical condition of the subject lots being some months away from blue-top and ultimately finished condition.

Thus, it is significant that the subject lots are positioned for and are planned to be developed with a smaller and lower-priced home than the product to be developed in Improvement Area B. This is considered to be a positive factor in terms of providing for better segmentation of product in the community and providing for sooner development potential of the subject lots due to less directly competing product.

Considering a finished lot ratio of 43-44% and the average projected home price of \$1,010,249, the following indication results:

$$\$1,010,249 \times .43-.44 = \$434,407 \text{ to } \$444,510/\text{fin. lot}$$

Based on the foregoing discussion and prior analyses, I have concluded on a value for the subject lots at \$440,000 per finished lot.

### **Deduction for Remaining Costs to get to Finished Lots**

Similar to the previous discussion for The Warmington Collection, the master developer has significant remaining costs to complete the infrastructure (master development costs) for Improvement Area C, as well as the remaining in-tract costs to get to finished lots for the three tracts in Improvement Area C, plus the appropriate fees to the builder.

The remaining master development costs for all of Improvement Area C are estimated to be a total of \$26,426,271, and this includes the primary items of grading & drainage, Beeler utility access, water tank & pump station, Stonebridge Pkwy., trails, Mission Trails Park, parkway landscape, and Site J demolition. However, a deduction from these costs is made for the CFD bond proceeds that will be a reimbursement for costs of certain non-school facilities. As previously indicated, these proceeds are estimated to be ±\$10,000,000 for Improvement Area C. Thus, the net remaining costs are \$26,426,271 less \$10,000,000 or \$16,426,271. Allocated over the total of 341 lots in Improvement Area C, the indication is a cost allocation of \$48,171 per lot for the subject lots.

## VALUATION, Continuing

Then, the estimated remaining in-tract costs to get the subject lots from blue-top condition to finished lots are \$3,724,845, plus the fees of \$11,054 per lot which applies to all 81 lots. Thus, the total cost deduction applicable to the subject lots is calculated as follows:

Master Development Cost Allocation: 81 lots @ \$48,171/lot =	\$3,901,851
In-Tract Costs:	+3,724,845
Fees: 81 lots @ \$11,054/lot =	<u>+ 895,374</u>
	\$8,522,070

### Conclusion of Value

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

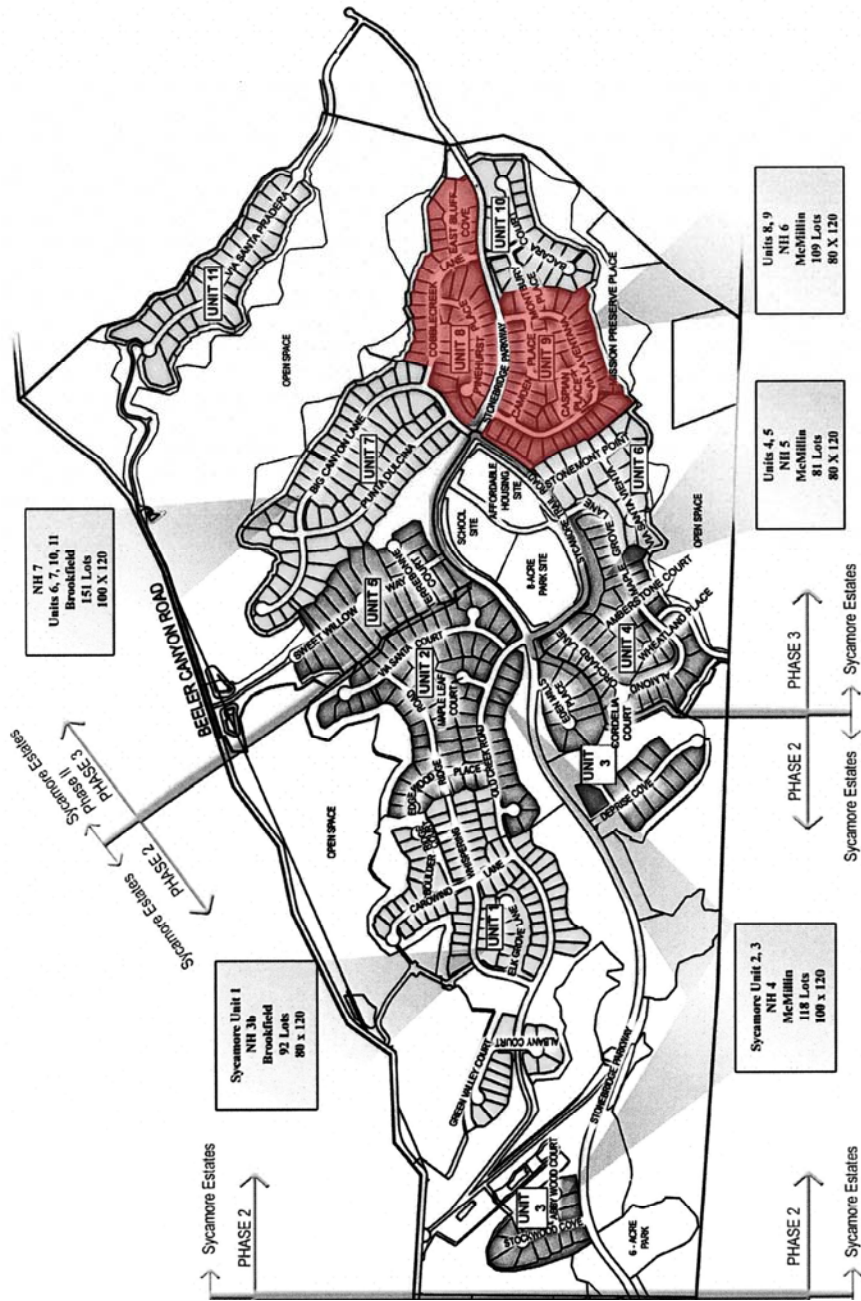
81 vacant lots @ \$440,000, if finished condition =	\$35,640,000
Less remaining costs to get to finished condition:	<u>- 8,522,070</u>
Value Indication, As Is:	\$27,117,930

Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject Improvement Area C-Neighborhood 5, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$27,100,000**

**(TWENTY-SEVEN MILLION ONE HUNDRED THOUSAND DOLLARS)**

# IMPROVEMENT AREA C-NEIGHBORHOOD 6



NH 7  
Units 6, 7, 10, 11  
Brookfield  
151 Lots  
100 X 120

Sycamore Unit 1  
NH 3b  
Brookfield  
92 Lots  
88 X 120

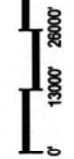
Sycamore Unit 2, 3  
NH 4  
McMillin  
118 Lots  
100 X 120

Units 4, 5  
NH 5  
McMillin  
81 Lots  
80 X 120

Units 8, 9  
NH 6  
McMillin  
109 Lots  
80 X 120

## NEIGHBORHOOD PHASING PLAN Stonebridge Estates

February 2, 2005



**The Corky McMillin Companies**  
RESIDENTIAL DEVELOPMENT • COMMERCIAL • MULTI-FAMILY

## IMPROVEMENT AREA C-NEIGHBORHOOD 6

### PROPERTY DATA

#### Location

This tract (neighborhood) is located on both sides of Stonebridge Pkwy., easterly from Sycamore Trail Rd./Big Canyon Ln.

#### Record Owner/Ownership History

The current owner of the property is Sycamore Estates, LLC. These lots are due to be sold to McMillin Communities in September 2005 at a price of \$39,430,750 or \$361,750 per lot, reflecting finished condition other than fees in the amount of \$11,054 per lot.

#### Legal Description

This tract is described as Lots 383 through 430 of Sycamore Estates Phase II Unit 8, a vesting tentative map for which the final map is due to be recorded in August 2005; and Lots 431 through 491 of Sycamore Estates Phase II Unit 9, a vesting tentative map for which the final map is due to be recorded in June 2005.

#### Assessor Data-2004/05

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm 1.4-1.5\%$  including the special taxes for this CFD.

#### No. of Lots/Lot Sizes

This tract comprises a total of 109 lots, with a minimum and typical pad size of  $\pm 80'$  x  $120'$  or  $\pm 9,600$  s.f. The actual lot sizes range from 10,977 s.f. to 50,747 s.f., or an average of 18,130 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

#### Streets and Access

Access to the tract is by Stonebridge Pkwy. The north part of the tract accesses from Cobble Creek Ln. off of Stonebridge Pkwy., and the other in-tract streets are Pinehurst Pl. and East Bluff Cove. The south part of the tract accesses from Mission Preserve Pl. and Via La Ventana off of Stonebridge Pkwy., and the other in-tract streets are Camden Pl. and Caspian Pl. All of these streets, including Stonebridge Pkwy., are currently in process of being graded.

## PROPERTY DATA, Continuing

### **Physical Condition/Topography/View**

All of the subject lots are currently in the process of being graded, as part of the overall grading operation on Improvement Area C.

The lots in the north part of the tract will have a gradual terrace down to the north and east, and about 30% of the lots will back to the canyon/open space area to the north with territorial views. There will be limited, if any, view potential to few other lots. The lots in the south part of the tract will have a gradual terrace down to the south and east, and about 15% of these lots will back to the canyon/open space area to the south. There will be limited, if any, view potential to few other lots.

### **Title Report**

This is the same as for Improvement Area C-Neighborhood 5.

### **Proposed Development**

The 109 lots are planned to be developed with a tract of homes with an average home size of 3,263 s.f., and with projected average base pricing of \$944,100. As of the April 15, 2005 date of value, the lots are currently in the grading process.

### **Highest and Best Use**

This is the same as for The Warmington Collection.

## VALUATION

### **Method of Analysis**

This is the same as for previous analyses.

### **Analysis of Finished Lot Value**

The discussion and analysis is similar to Improvement Area C-Neighborhood 5. It is also noted that these are similar size lots at 9,600 s.f. minimum and typical pad size, though the location is slightly less desirable being located across Sycamore Trail Rd. from the future apartment site. In addition, the planned homes are smaller and lower-priced than on Neighborhood 5.

Considering a finished lot ratio of 43-44% and the average projected home price of \$944,100, the following indication results:

$$\$944,100 \times .43-.44 = \$405,963 \text{ to } \$415,404/\text{fin. lot}$$

## VALUATION, Continuing

Based on the foregoing discussion and prior analyses, I have concluded at the upper end of this range, or a value for the subject lots at \$415,000 per finished lot.

### Deduction for Remaining Costs to get to Finished Lots

This is similar to Improvement Area C-Neighborhood 5. Thus, initially there is the master development cost allocation of \$48,171 per lot to these 109 lots. In addition there are the in-tract costs to get these lots from blue-top to finished condition, and these are estimated at \$4,089,952 plus fees of \$11,054 per lot. This results in a total cost deduction allocable to the subject lots as follows:

Master Development Cost Allocation: 109 lots @ \$48,171/lot =	\$ 5,250,639
In-Tract Costs:	+ 4,089,952
Fees: 109 lots @ \$11,054/lot =	+ 1,204,886
	\$10,545,477

### Conclusion of Value

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

109 vacant lots @ \$415,000, if finished condition =	\$45,235,000
Less remaining costs to get to finished condition:	<u>- 10,545,477</u>
Value Indication, As Is:	\$34,689,523

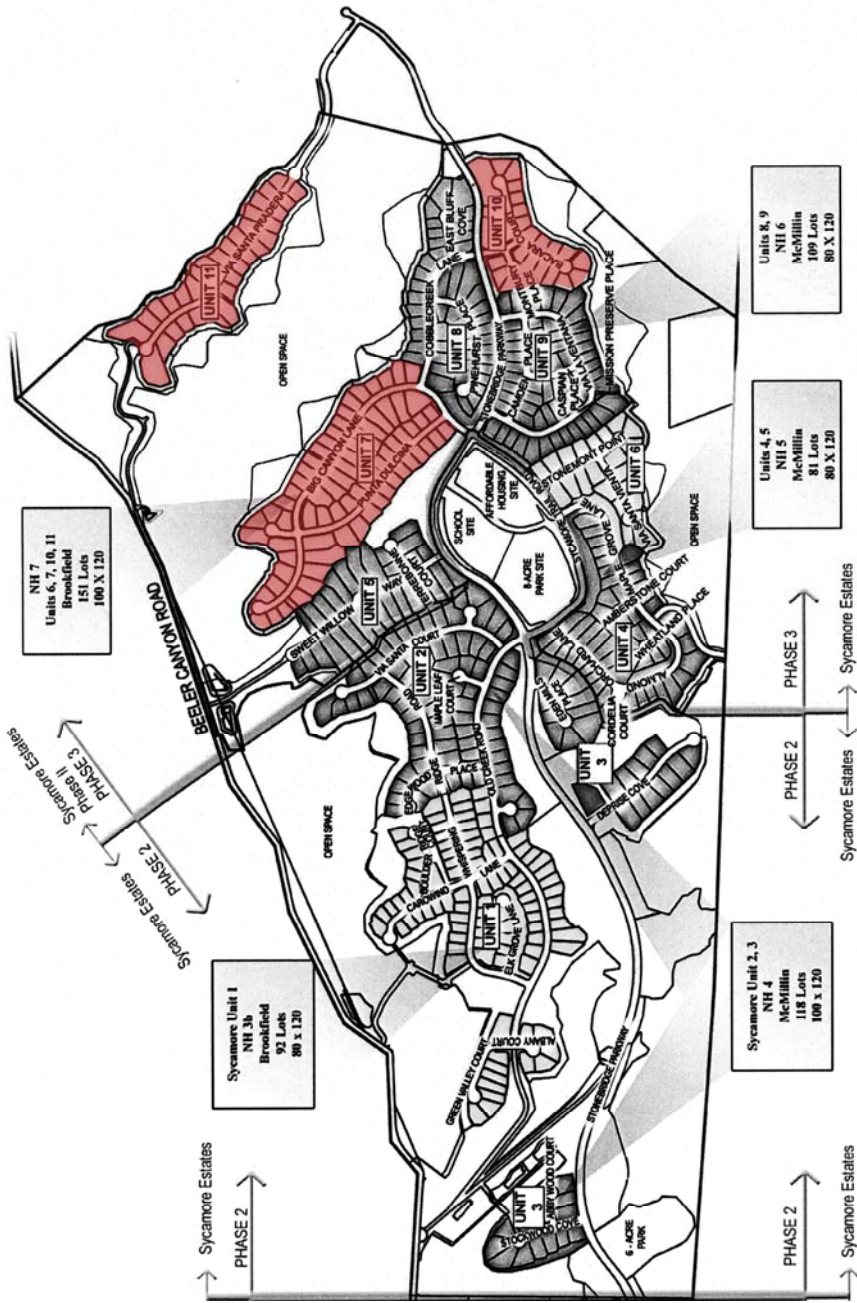
Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject Improvement Area C-Neighborhood 6, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$34,700,000**

**(THIRTY-FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS)**



# IMPROVEMENT AREA C-NEIGHBORHOOD 7



NH 7  
Units 6, 7, 10, 11  
Brookfield  
151 Lots  
100 X 120

Sycamore Unit 1  
NH 3b  
Brookfield  
92 Lots  
89 X 120

Sycamore Unit 2, 3  
NH 4  
McMillin  
118 Lots  
100 X 120

Units 4, 5  
NH 5  
McMillin  
81 Lots  
80 X 120

Units 8, 9  
NH 6  
McMillin  
109 Lots  
80 X 120

## NEIGHBORHOOD PHASING PLAN Stonebridge Estates

February 2, 2005



**The Corky McMillin Companies**  
RESIDENTIAL • COMMERCIAL • HEALTH • RETAIL

## **IMPROVEMENT AREA C-NEIGHBORHOOD 7**

### **PROPERTY DATA**

#### **Location**

This tract (neighborhood) consists of four separate segments with the northwest segment located at the northerly corner of Stonebridge Pkwy. and Big Canyon Ln.; the northeast segment located along Via Santa Pradera, northwesterly of the easterly end of Stonebridge Pkwy.; the southwest segment located at the southeast corner of Sycamore Trail Rd. and Maple Grove Ln.; and the southeast segment located on the south side of Stonebridge Pkwy. at Cobble Creek Ln.

#### **Record Owner/Ownership History**

The current owner of the property is Sycamore Estates, LLC. These lots are due to be sold to Brookfield Homes (one of the partners of Sycamore Estates, LLC) in September 2005 at a price of \$66,666,500 or \$441,500 per lot, reflecting finished condition other than fees in the amount of \$11,054 per lot.

#### **Legal Description**

This tract is described as Lots 292 through 311 of Sycamore Estates Phase II Unit 6, a vesting tentative map for which the final map is due to be recorded in May 2005; Lots 312 through 382 of Sycamore Estates Phase II Unit 7, a vesting tentative map for which the final map is due to be recorded in August 2005; Lots 492 through 518 of Sycamore Estates Phase II Unit 10, a vesting tentative map for which the final map is due to be recorded in June 2005; and Lots 519 through 551 of Sycamore Estates Phase II Unit 11, a vesting tentative map for which the final map is due to be recorded in June 2005.

#### **Assessor Data-2004/05**

Assessor information is not yet available for the individual subject lots. The tax rate area is 08-122 with a base tax rate of 1.01%, but the projected total tax rate to future homeowners is  $\pm$ 1.4-1.5% including the special taxes for this CFD.

#### **No. of Lots/Lot Sizes**

This tract comprises a total of 151 lots, with a minimum and typical pad size of  $\pm$ 100' x 120' or  $\pm$ 12,000 s.f. The actual lot sizes range from 13,634 s.f. to 61,725 s.f., or an average of 22,488 s.f., but this includes from a minor to a significant amount of side and/or rear slope area to most of the lots.

## PROPERTY DATA, Continuing

### **Streets and Access**

Primary access to each segment of the tract is off of Stonebridge Pkwy. The northwest segment then accesses from Big Canyon Ln., and the other in-tract street is Punta Dulcina; the northeast segment has the single in-tract street of Via Santa Pradera which comes off of Stonebridge Pkwy.; the southwest segment access off of Sycamore Trail Rd. at Maple Grove Ln., with in-tract streets of Stonemont Pl. and Via Santa Vienta; and the southeast segment accesses off of Stonebridge Pkwy. at Cobble Creek Ln., with the other in-tract streets of Bacara Ct. and Montbury Pl. All of these streets, including Stonebridge Pkwy., are currently in process of being graded.

### **Physical Condition/Topography/View**

All of the subject lots are currently in the process of being graded, as part of the overall grading operation on Improvement Area C.

The lots in the northwest segment of the tract will have a gradual terrace down to the north, and about half of the lots will back to open space, though only about 35% of the lots will territorial views. All of the lots in the northeast segment will back to canyon/open space and have territorial views. The lots in the southwest segment will terrace slightly down to the south, and only a few of the lots will back to canyon/open space and have territorial views. About half of the lots in the southeast segment of the tract will back to canyon/open space and have territorial views.

### **Title Report**

This is the same as for Improvement Area C-Neighborhood 5.

### **Proposed Development**

The 151 lots are planned to be developed with a tract of homes with three floor plans having approximate sizes of 4,500 s.f., 5,500 s.f. and 6,000 s.f. The projected average base pricing is \$1,090,000, \$1,170,000 and \$1,210,000. As of the April 15, 2005 date of value, the lots are currently in the grading process.

### **Highest and Best Use**

This is the same as for The Warmington Collection.

## VALUATION

### Method of Analysis

This is the same as for previous analyses.

### Analysis of Finished Lot Value

The discussion and analysis is similar to Improvement Area C-Neighborhoods 5 and 6, though these are slightly larger lots at 12,000 s.f. minimum and typical pad size. While one segment of the tract is across Sycamore Trail Rd. from the future apartment site, the other three segments have good open space orientation and territorial view potential. It is also noted that the planned homes are larger and higher-priced than on Neighborhoods 5 and 6.

Considering a finished lot ratio of 43-44% and the average projected home price of  $\pm$ \$1,157,000, the following indication results:

$$\$1,157,000 \times .43-.44 = \$497,510 \text{ to } \$509,080/\text{fin. lot}$$

Based on the foregoing discussion and previous analyses, I have concluded at the lower end of this range, or a value for the subject lots at \$500,000 per finished lot.

### Deduction for Remaining Costs to get to Finished Lots

This is similar to Improvement Area C-Neighborhood 5. Thus, initially there is the master development cost allocation of \$48,171 per lot to these 151 lots. In addition there are the in-tract costs to get these lots from blue-top to finished condition, and these are estimated at \$6,701,039 plus fees of \$11,054 per lot. This results in a total cost deduction allocable to the subject lots as follows:

Master Development Cost Allocation: 151 lots @ \$48,171/lot =	\$ 7,273,821
In-Tract Costs:	+ 6,701,039
Fees: 151 lots @ \$11,054/lot =	+ 1,669,154
	<u>\$15,644,014</u>

### Conclusion of Value

Based on the foregoing, the total value indication for the subject property in its as is condition, is calculated as follows:

151 vacant lots @ \$500,000, if finished condition =	\$75,500,000
Less net remaining costs to builder:	<u>- 15,644,014</u>
Value Indication, As Is:	\$59,855,986

**VALUATION, Continuing**

Thus, as the result of this analysis, I have arrived at the following conclusion of market value for the as is condition of the subject Improvement Area C-Neighborhood 7, subject to the Assumptions and Limiting Conditions, and as of April 15, 2005:

**\$59,800,000**

**(FIFTY-NINE MILLION EIGHT HUNDRED THOUSAND DOLLARS)**

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## **ADDENDA**

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## TABULATION OF RESIDENTIAL LAND SALES

<u>No.</u>	<u>Location/Project Name</u>	<u>Seller/Buyer</u>	<u>Rec. Date</u>	<u>No. Lots</u>	<u>Min. Lot/ Pad Size</u>	<u>Product</u>	<u>Price/Lot Finished Lot</u>	<u>Fin. Lot Ratio</u>	<u>Remarks</u>
1	Stonebridge Pkwy. at Stockwood Cove/ Deprise Cove/Eden Mills Pl., San Diego (The Warmington Collection)	McMillin 47, LLC Warmington Scripps Assoc.	11/04 2/05	26 <u>10</u> 36	12,000	4,141-4,735 s.f. n/a	\$527,500 \$536,254	n/a	Subject property; delivered as finished lots except for certain fees
2	N/S Stonebridge Pkwy. at Old Creek Rd., San Diego (Sanctuary)	McMillin 47, LLC Shea Homes Ltd. Ptnshp.	1/05	82	12,000	4,408-5,556 s.f. n/a	\$522,000 \$530,754	n/a	Subject property; delivered as finished lots except for certain fees
3	N/O Rancho Bernardo Rd., W/O 4S Ranch Pkwy, Rancho Bernardo (n/a)	4S Kelwood Gen'l Partnership n/a	Escrow	60- 112	5,000	n/a n/a	n/a \$390,000- \$410,000	n/a	4S Ranch-Neighborhood Three; to be delivered as near finished lots; sales to three builders; ±1.9% tax rate
4	SE/S Carmel Valley Rd. at Winesprings Dr., Rancho Bernardo (Palomino)	4S Kelwood Gen'l Partnership K. Hovnamian at 4S, LLC	3/05	24	7,250	4,152-4,595 s.f. \$750,000-\$780,000	n/a \$300,000	39%	4S Ranch-Neighborhood Two; delivered as near finished lots; price set mid-'03; ±1.9% tax rate
5	NW/O Carmel Valley Rd. at Winecreek Rd., Rancho Bernardo (Ivy Gate)	4S Kelwood Gen'l Partnership Woodbridge 4S Area 4 LLC	3/05	38	15,000	3,800-5,600 s.f. n/a	n/a \$350,000	n/a	4S Ranch-Neighborhood Two; delivered as near finished lots; price set mid-'03; ±1.9% tax rate
6	NW/O Encendido at Plain Aire, San Diego (The Baywood Collection)	Santaluz, LLC Baywood Homes, II, Santaluz	12/03+	16	±22,000	±4,000-6,000 s.f. \$1,300,000-\$1,525,000	\$575,000 \$630,000	45%	Santaluz community; delivered as par- tially finished lots with final map; to be 5 takedowns; 1.8% tax rate
7	NW/S Camino Del Sur @ NW end of Black Mountain Ranch, San Diego (n/a)	Black Mountain Ranch LLC n/a	Escrow	59	9,000	3,900-4,500 s.f. ±\$1,200,000-\$1,300,000	n/a \$585,000	47%	Black Mountain Ranch (Del Sur) North cluster; to be delivered as blue-top lots; minor views; ±1.7-1.9% tax rate
8	S/S San Elijo Rd., ±600' E/O Questhaven Rd., San Marcos (Mariners Landing)	San Elijo Hills Devel. Co. Pulte Home Corp.	12/03	105	5,100	2,600-3,000 s.f. \$560,000-\$600,000	\$297,000 \$327,000	56%	San Elijo Hills community; delivered as blue-top lots; good views; 1.75% tax rate
9	S/S San Elijo Rd., ±900' E/O Questhaven Rd., San Marcos (Meridian)	San Elijo Hills Devel. Co. Pulte Home Corp.	1/04	94	5,500	3,000-3,600 s.f. \$620,000-\$670,000	\$305,957 \$341,000	53%	San Elijo Hills community; delivered as blue-top lots; good views; 1.75% tax rate
10	Both sides Alicante Rd., ±700' S/O Poinsettia Ln., Carlsbad (Castlemar)	Real Estate Collateral Mgmt Warmington LCG Assoc.	6/04	82	7,500	3,650-4,150 s.f. n/a	\$362,000 \$420,000	n/a	La Costa Greens Neighborhood 1.18; delivered as blue-top lots; golf course frontage; 1.3-1.4% tax rate

**Note: Home pricing is original  
proforma or earliest available**

**QUALIFICATIONS  
OF  
STEPHEN G. WHITE, MAI**

**PROFESSIONAL EXPERIENCE**

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 205, Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

**PROFESSIONAL ORGANIZATIONS**

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

**LICENSES**

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2002.

**EDUCATION**

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

**COURT/TESTIMONY EXPERIENCE**

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also before the Assessment Appeals Board of Orange and Los Angeles Counties.

**TYPES OF PROPERTY APPRAISED**

**Residential:** vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

**Commercial:** vacant lots/acreage; office buildings, retail stores, shopping centers, restaurants, hotels and motels.

## QUALIFICATIONS, Page 2

**Industrial:** vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

**Special Purpose:** mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

## CLIENT LIST

### **Corporations:**

Aera Energy  
British Pacific Properties  
BSI Consultants  
Crown Central Petroleum  
Eastman Kodak Company  
Firestone Building Materials  
Foodmaker Realty Corp.  
Greyhound Lines  
Holiday Rambler Corp.  
International Baking Co.  
Johnson Controls  
Kampgrounds of America  
La Habra Products, Inc.

MCP Foods  
Merrill Lynch Relocation  
Orangeland RV Park  
Pacific Scientific  
Penhall International  
Pic 'N Save Stores  
Sargent-Fletcher Co.  
Shell-Western E&P  
Southern Distributors Corp.  
Southern California Edison  
The Home Depot  
Tooley and Company  
Wastewater Disposal Co.

### **Developers:**

Brighton Homes  
Citation Builders  
Davison-Ferguson Investment Devel.  
D.T. Smith Homes  
Irvine Company  
Kathryn Thompson Developers  
Mark Taylor, Inc.

Mission Viejo Co.  
Premier Homes  
Presley Homes  
Rockefeller & Associates  
Taylor Woodrow Homes  
Unocal Land & Development

### **Law Firms:**

Baldikoski, Klotz & Dragonette  
Best, Best & Krieger  
Bowie, Arneson, Kadi, Wiles & Giannone  
Bradshaw, John  
Bye, Hatcher & Piggott  
Callahan, McCune & Willis  
Cooksey, Coleman & Howard  
Hamilton & Samuels  
Horgan, Rosen, Beckham & Coren  
Kent, John  
Kirkland & Ellis  
Lathan & Watkins  
McKee, Charles C.  
Mosich, Nicholas J.  
Long, David M.

Nossaman, Guthner, Knox & Elliott  
Oliver, Barr & Vose  
Ollestad, Freedman & Taylor  
Palmieri, Tyler, Wiener, Wilhelm & Waldron  
Paul, Hastings, Jonofsky & Walker  
Piggott, George B.  
Pothier, Rose  
Rosenthal & Zimmerman  
Rutan & Tucker  
Sikora & Price, Inc.  
Smith & Politiski  
Williams, Gerold G.  
Woodruff, Spradlin & Smart  
Yates, Sealy M.

## QUALIFICATIONS, Page 3

### Financial Institutions:

Barclays Bank  
Chino Valley Bank  
Continental Bank  
First Interstate Mortgage  
Security Pacific Bank  
Washington Square Capital

San Clemente Savings & Loan  
United Calif. Savings Bank  
National Credit Union Admin.  
First Wisconsin Bank  
Ahmanson Trust Company  
Sunwest Bank

### Cities:

City of Anaheim  
City of Baldwin Park  
City of Buena Park  
City of Cypress  
City of Duarte  
City of La Habra  
City of Laguna Beach  
City of Mission Viejo

City of Orange  
City of Placentia  
City of Riverside  
City of Santa Ana  
City of Santa Fe Springs  
City of Stanton  
City of Tustin  
City of Yorba Linda

### Counties:

County of Orange

County of Riverside

### Other Governmental:

Agua Mansa Industrial Growth Association  
El Toro Water District  
Federal Deposit Insurance Corporation (FDIC)  
Kern County Employees Retirement Association

Metropolitan Water District  
Orange County Water District  
Trabuco Canyon Water District  
U.S. Postal Service

### School Districts:

Anaheim Union High School Dist.  
Banning Unified School Dist.  
Capistrano Unified School Dist.  
Castaic Union School Dist.  
Cypress School Dist.  
Etiwanda School Dist.  
Fullerton School Dist.  
Garden Grove Unified School Dist.  
Irvine Unified School Dist.  
Lake Elsinore Unified School Dist.

Moreno Valley Unified School Dist.  
Newhall School Dist.  
Newport-Mesa Unified School Dist.  
Placentia-Yorba Linda Unified Dist.  
Poway Unified School Dist.  
Rialto Unified School Dist.  
Saddleback Unified School Dist.  
Santa Ana Unified School Dist.  
So. Org. Cnty Comm. College Dist.  
Temple City School Dist.

### Churches/Church Organizations:

Calvary Church, Santa Ana  
Central Baptist Church, Pomona  
Christian & Missionary Alliance Church, Santa Ana  
Christian Church Foundation  
Congregational Church, Fullerton

First Church of the Nazarene  
Lutheran Church, Missouri Synod  
Presbytery of Los Rancho  
St. Mark's Lutheran Church, Hac. Hts.  
Vineyard Christian Fellowship

### Other:

Biola University  
Cedars-Sinai Medical Center

Garden Grove Boys' Club  
The Sheepfold

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES

The following summary discussion of selected provisions of the Bond Indentures is made subject to all of the provisions thereof. Except where otherwise specified, this summary applies to each of the Bond Indentures. This summary discussion does not purport to be a complete statement of such provisions and prospective purchasers of the Bonds are referred to the complete text of the applicable Bond Indenture, copies of which are available upon request sent to the Fiscal Agent.

#### *Definitions*

“Act” means the “Mello-Roos Community Facilities Act of 1982,” as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Actual Cost” or “Actual Costs” shall have the meaning given to such term in the Mitigation Agreement.

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses” means the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Improvement Area B or Improvement Area C Special Taxes, as applicable, and preparing the annual Improvement Area B or Improvement Area C Special Tax, as applicable, collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Improvement Area B or Improvement Area C Special Tax, as applicable, (whether by the County, the School District or otherwise); the costs of remitting the Improvement Area B or Improvement Area C Special Tax, as applicable, to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District or any designee thereof of complying with the arbitrage rebate requirements; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Improvement Area B or Improvement Area C Special Tax, as applicable, disclosure statements and responding to public inquiries regarding the Improvement Area B or Improvement Area C Special Tax, as applicable; the costs of the School District, District or any designee thereof related to an appeal of the Improvement Area B or Improvement Area C Special Tax, as applicable; and the costs of any credit enhancement obtained by the School District or the District. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$20,400 which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2005.

“Affiliate” means any entity owned, controlled or under common ownership or control by or with, as applicable, a Property Owner and includes all general partners of any entity which is a partnership. Control shall mean ownership of fifty percent (50%) or more of the voting power of or ownership interest in the respective entity.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments.

“Annual Special Tax Requirement” shall have the meaning given such term in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable.

“Appraisal” means an appraisal prepared by the Appraiser or an MAI appraiser who is also a state certified appraiser, as defined in California Business and Professions Code Section 11340(c) appointed and retained by the School District or the District. Such appraisal shall be substantially based upon the applicable qualifications and limitations contained in the appraisal prepared by the appraiser and dated April 26, 2005.

“Appraiser” means Stephen G. White, MAI.

“Assessor’s Parcel” means an Assessor’s Parcel as defined in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable.

“Authorized Representative” of the District means the Superintendent or the Deputy Superintendent, acting on behalf of the District, or any other person designated by the Legislative Body and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related to the Indenture.

“Average Annual Debt Service” means, as of the date of any calculation, the average annual debt service on the Bonds based upon a Bond Year during the term of the Bonds.

“Bond Counsel” means an attorney or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of the State.

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, representative or assign of any Outstanding Bond which shall at the time be registered.

“Bonds” means the \$9,035,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area B 2005 Special Tax Bonds, issued pursuant to the Indenture or the \$13,475,000 Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates) Improvement Area C 2005 Special Tax Bonds, issued pursuant to the Indenture.

“Bond Service Fund” means the fund created and established pursuant to the Indenture.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Delivery Date to September 1, 2005.

“Business Day” means a day that is not a Saturday or a Sunday or a day of the year on which banks in New York, New York and Los Angeles, California, or where the Principal Corporate Trust Office is located, are not required or authorized to remain open.

“Capitalized Interest Subaccount” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Cash Deposit” means a deposit of good funds by a Property Owner with the Fiscal Agent in the applicable Stated Amount in lieu of depositing a Letter of Credit or Substitute Letter of Credit pursuant to the Mitigation Agreement.

“City” means the City of San Diego, California.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to the Bonds, all of the costs of issuing the Bonds, including but not limited to, all printing and document preparation expenses in connection with the Indenture and any Supplemental Indenture, the Bonds, and any and all other agreements, instruments, certificates or other documents issued in connection therewith; any computer and other expenses incurred in connection with the Bonds; the initial fees and expenses of the Fiscal Agent (including without limitation, legal fees, acceptance fees and first annual fees payable in advance); the fees and expenses of the appraiser, market absorption consultant, bond counsel, disclosure counsel, special tax consultant and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Delinquency Collection Expenses” means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Improvement Area B Special Taxes or Improvement Area C Special Taxes, as applicable.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Improvement Area B or Improvement Area C Special Tax, as applicable, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Improvement Area B or Improvement Area C Special Tax, as applicable, resulting from the delinquency in the payment of Improvement Area B or Improvement Area C Special Tax, as applicable, due and payable on such property and net of County of San Diego, foreclosure counsel and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which the Bonds are issued and delivered to the initial purchaser thereof.

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Associate Superintendent.

“Deputy Superintendent” means the Deputy Superintendent of the School District, acting for and on behalf of the District

“Developed Property” shall have the meaning given such term in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable.

“Discrete Component” shall have the meaning given such term in the Mitigation Agreement.

“District” means Poway Unified School District Community Facilities District No. 11 (StoneBridge Estates).

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fiscal Agent” means Zions First National Bank, and any successor thereto.

“Fiscal Year” means the 12 month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Government Obligations” means obligations described in Paragraph 1 of the definition of Permitted Investments.

“Gross Proceeds” has the meaning ascribed to such term in Section 148(f)(6) of the Code.

“Improvement Area B” means Improvement Area B of the District.

“Improvement Area B Special Tax” means the Special Tax authorized to be levied in Improvement Area B to finance the acquisition or construction of the Infrastructure Improvements pursuant to the Act, the Mitigation Agreement and the Improvement Area B Special Tax RMA.

“Improvement Area B Special Tax Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area B Special Tax RMA” means the rate and method of apportionment of the Improvement Area B Special Tax approved at the special election held in Improvement Area B of the District on January 20, 2004, as may be modified from time to time in accordance with the Act.

“Improvement Area B Special Tax Revenues” means (a) the proceeds of the Improvement Area B Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Improvement Area C” means Improvement Area C of the District.

“Improvement Area C Special Tax” means the Special Tax authorized to be levied in Improvement Area C to finance the acquisition or construction of the Infrastructure Improvements pursuant to the Act, the Mitigation Agreement and the Improvement Area C Special Tax RMA.

“Improvement Area C Special Tax Fund” means the fund by that name established pursuant to the Indenture.

“Improvement Area C Special Tax RMA” means the rate and method of apportionment of the Improvement Area C Special Tax approved at the special election held in Improvement Area C of the District on January 20, 2004, as may be modified from time to time in accordance with the Act.

“Improvement Area C Special Tax Revenues” means (a) the proceeds of the Improvement Area C Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Indenture” means the Bond Indentures, as applicable, as amended or supplemented pursuant to the terms of the Indenture.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants appointed and paid by the District, and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District; and



3. is not an officer or employee of the District or the School District, but who may be regularly retained to make annual or other audits of the books of or reports to the School District or the District.

“Infrastructure Improvement” shall have the meaning given such term in the Mitigation Agreement.

“Infrastructure Improvement Fund” shall mean the account by that name established pursuant to the Indenture.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2005.

“Investment Agreement” means any investment satisfying the requirements of Paragraph 11 of the definition of Permitted Investments.

“Legislative Body” means the Board of Education of the School District, acting as the legislative body of the District.

“Letter of Credit” means a Letter of Credit issued pursuant to the Mitigation Agreement by a Letter of Credit Bank, or any reissuance or extension thereof, which Letter of Credit shall be in the Stated Amount therefor.

“Letter of Credit Bank” means the issuer from time to time of a Letter of Credit and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all of its banking business, provided that the short-term and long-term ratings of such entity must have a minimum Moody’s long-term rating of “A” and short-term rating of “P-1,” as evidenced by proof provided by such Letter of Credit Bank to the District and the Fiscal.

“Letter of Credit Fund” means the fund by that name established pursuant to the Indenture.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

“Maximum Special Tax” shall have the meaning given such term in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable.

“Mitigation Agreement” means the School Impact Mitigation and Public Facilities Funding Agreement between the School District and Sycamore Estates, LLC, a Delaware limited liability company, Sycamore II Estates, LLC, a Delaware limited liability company, McMillin Montecito 109, LLC, a Delaware limited liability company, Brookfield 6, LLC, a Delaware limited liability company and Brookfield 8, LLC, a Delaware limited liability company, as may be amended, superseded or supplemented by the parties thereof.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Improvement Area B or Improvement Area C Special Tax Revenues” means Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, minus amounts applied to pay the Administrative Expense Requirement.

“Nominee” means the nominee of the Depository that may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with the Indenture;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms of the Indenture; and
3. Bonds for the payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

“Participant” means a member of or participant in the Depository.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Fiscal Agent shall be entitled to rely upon any written investment direction from an Authorized Representative of the District as a certification to the Fiscal Agent that such investment constitutes a Permitted Investment):

1.
  - (A) Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);
  - (B) Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
  - (C) Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or
  - (D) Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - A. Federal Home Loan Mortgage Corporation (FHLMC)
    - (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
    - (2) Senior Debt obligations

- B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
    - (1) Consolidated system-wide bonds and notes
  - C. Federal Home Loan Banks (FHL Banks)
    - (1) Consolidated debt obligations
  - D. Federal National Mortgage Association (FNMA)
    - (1) Senior debt obligations
    - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - E. Student Loan Marketing Association (SLMA)
    - (1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
  - F. F. Financing Corporation (FICO)
    - (1) Debt obligations
  - G. G. Resolution Funding Corporation (REFCORP)
    - (1) Debt obligations
4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
  5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
  6. Commercial paper having original maturities of not more than 270 days rated at least "A-1" by S&P and "Prime-1" by Moody's.
  7. Money market funds rated "AAM-1" by Moodys or "AAM-G" by S&P, or better.
  8. State Obligations, which means:
    - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
    - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "Prime-1" by Moody's.
    - C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated “AAA” by S & P and “Aaa” by Moody’s meeting the following requirements:
- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
  - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
  - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
  - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
  - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
  - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
- B. The Fiscal Agent or a third party acting solely as agent therefor or for the District (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The Custodian has a perfected first priority security interest in the collateral, any substituted collateral in the name of the Fiscal Agent and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);
- D. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-”

by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

Notwithstanding the above, collateral levels need not be as specified in “A” above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation the long-term debt or financial strength of which, it or its guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s; provided that, by the terms of the investment agreement:
  - A. the invested funds are available for withdrawal without penalty or premium, upon not more than seven days’ prior notice; the District and the Fiscal Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
  - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;
  - C. the District and the Fiscal Agent receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
  - D. the investment agreement shall provide that if during its term
    - (1) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the District, the Fiscal Agent or a Custodian acceptable to the District free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach) as evidenced in writing by S&P and Moody’s; or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and
    - (2) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, within 10 days of the date of such withdrawal, suspension or reduction of the provider’s rating, repay the principal of and accrued but unpaid interest on the investment;
  - E. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of

the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the name of the Fiscal Agent in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

F. the investment agreement must provide that if during its term

- (1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent on behalf of the District, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent on behalf of the District, as appropriate, and
- (2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Fiscal Agent.

"Prepayments" means Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area B or Improvement Area C Special Tax, as applicable.

"Principal Account" means the account by such name established in the Bond Service Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Fiscal Agent at 550 South Hope Street, Suite 2650, Los Angeles, CA 90071 or such other offices as may be specified to the District by the Fiscal Agent in writing.

"Project Area" shall have the meaning given to such term in the Mitigation Agreement.

"Property Owner" shall have the same meaning given the term "Owner" in the Mitigation Agreement.

"Rebate Account" means the account by that name established pursuant to the provisions of the Indenture.

"Record Date" means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Regulations" means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means an amount which shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (iii) ten percent (10%) of the original principal amount of the Bonds less original issue discount, if any, plus original issue premium, if any, applicable to the Bonds.

“School District” means the Poway Unified School District.

“School Facilities” shall have the meaning given to such term in the Mitigation Agreement.

“Special Tax Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas and/or the administration of special taxes levied for community facilities districts. Any such person or firm shall be appointed and paid by the District and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District; and
3. is not an officer or employee of the District or the School District, but who may be regularly retained by the School District or other community facilities districts formed by the School District to administer the levy of special taxes within such community facilities districts.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Rating Services, its successors and assigns.

“State” means the State of California.

“Stated Amount” means the amount available to be drawn under any Letter of Credit or Cash Deposit or Letters of Credit from time to time, as such amount is set forth in the initial Letter of Credit delivered on the Closing Date and as such amount shall be stated in such Letters of Credit thereafter delivered to the Fiscal Agent. During each Fiscal Year in which such Letter of Credit is in effect, the Stated Amount of each Letter of Credit shall equal the estimated amount of Special Taxes to be levied secured by such Letter of Credit during that Fiscal Year.

“Substitute Letter of Credit” shall have the meaning given such term in the Mitigation Agreement.

“Superintendent” means the Superintendent of the School District, acting for and on behalf of the District.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Supplemental School Facilities” means the acquisition, planning, construction, and/or financing of school facilities, including classrooms, multi-purpose, administration and auxiliary space at each school, central support and administrative facilities, interim housing, transportation, and special education facilities, together with furniture, equipment, and technology, needed by the School District to serve the student population of the School District and which are financed, in whole or in part, from Surplus Improvement Area B or Improvement Area C Special Tax, as applicable.

“Surplus Improvement Area B Special Taxes” means Improvement Area B Special Taxes levied on Developed Property (as defined in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable) in excess of the Annual Special Tax Requirement (as defined in the Improvement Area B or Improvement Area C Special Tax RMA, as applicable).

“Tax Exempt” means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in section 57(a)(5)(C) of the Code.

“Term Bonds” means the Bonds maturing on September 1, 2030 and September 1, 2035.

“Transferee” shall have the meaning given such term in the Mitigation Agreement.

“Yield” has the meaning assigned to such term for purposes of Section 148(f) of the Code.

### ***Establishment of Funds and Accounts***

#### **Improvement Area B or C Special Tax Fund.**

A. The District shall, no later than the tenth (10th) Business Day after which Improvement Area B Special Tax Revenues have been received by the District and in any event not later than February 15th and August 15th of each year, transfer such Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Improvement Area B Special Tax Fund.

B. With the exception of Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, representing Prepayments which shall be transferred pursuant to the provisions of the Indenture below, the Improvement Area B Special Tax Revenues deposited in the Improvement Area B Special Tax Fund shall be held in trust or transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.
2. The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.
3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date and redemption date on which the principal of the Bonds shall be payable, pursuant to the Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date pursuant to the Indenture.
4. On or after March 2 and September 2 of each year after making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.
5. On or after September 2 of each year after making the deposits and transfers required under 1. through 4. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area B Special Tax Fund to the Rebate Fund the amount specified in such request.



6. On or after September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area B or Improvement Area C Special Tax Fund, as applicable, to the Administrative Expense Fund the amounts specified in such request to pay (a) those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year in excess of the Administrative Expense requirement for such Fiscal Year, and (b) any Administrative Expenses that have previously been incurred and paid by the District from funds other than the Administrative Expense Fund.
7. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, monies remain in the Improvement Area B Special Tax Fund, such monies shall remain on deposit in the Improvement Area B Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of 1. through 6. above, provided, however, that if at any time and from time to time the District determines, pursuant to the Mitigation Agreement, that all or any portion of such monies constitute the proceeds of Surplus Improvement Area B or Improvement Area C Special Tax, as applicable, the District may, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount of such monies constituting Surplus Improvement Area B or Improvement Area C Special Tax, as applicable, to the School District to be utilized pursuant to the provisions of the Mitigation Agreement to finance the acquisition or construction of Supplemental School Facilities.

C. The Fiscal Agent shall, upon receipt of Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Bonds to be redeemed pursuant to the Indenture. The Fiscal Agent may conclusively rely upon such instructions.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Improvement Area B or Improvement Area C Special Tax Fund, as applicable, shall be transferred to the District to be utilized to finance the acquisition or construction of Supplemental School Facilities pursuant to the provisions of the Mitigation Agreement.

#### Bond Service Fund.

Interest Account. All moneys in the Interest Account, including the Capitalized Interest Subaccount, shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All funds on deposit in the Capitalized Interest Subaccount shall be used and withdrawn to pay interest on the Bonds prior to using any other funds on deposit in the Interest Account for such purpose.

Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to the Indenture.

### Cost of Issuance Fund.

The Fiscal Agent shall, upon the written requisition of the District executed by an Authorized Representative disburse money from the Costs of Issuance Fund, if any, on such dates and in such amounts as specified in such requisition to pay the Costs of Issuance related to the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of the Bonds shall be transferred to the Infrastructure Improvement Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

### Infrastructure Improvement Fund.

The Fiscal Agent shall, from time to time, disburse monies from the Infrastructure Improvement Fund to pay Actual Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative (which payment request shall not exceed the corresponding payment request provided to the School District under the Mitigation Agreement), the Fiscal Agent shall pay the Actual Costs from amounts in the Infrastructure Improvement Fund directly to the contractor or such other person, corporation or entity entitled to payment under the Indenture (including reimbursements, if any, to the District) unless the District requests payment to be made to the contractor or such other party jointly, in which case said Actual Costs shall be paid jointly. The Fiscal Agent may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all Actual Costs as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess monies, if any, on deposit in, or subsequently deposited in, the Infrastructure Improvement Fund to the Improvement Area B Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the Infrastructure Improvement Fund shall be closed.

Notwithstanding anything in the Indenture to the contrary, if on the date which is three (3) years from the Delivery Date of the Bonds, any funds derived from the Bonds remain on deposit in the Infrastructure Account, upon written instruction from the District, the Fiscal Agent shall restrict the Yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Bonds, unless in the written opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

### Reserve Fund.

Moneys on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as such amounts shall become due and payable in the event that the moneys in the Improvement Area B or Improvement Area C Special Tax Fund, as applicable, and the Bond Service Fund for such purpose are insufficient therefor or redeeming Bonds as described below. The Fiscal Agent shall, when and to the extent necessary, withdraw money from the Reserve Fund and transfer such money to the Bond Service Fund or the Redemption Fund for such purpose.

All Authorized Investments in the Reserve Fund shall be valued at their fair market value at least semi-annually on March 1 and September 1. On any date after the transfers required by the Indenture have been made for any Bond Year, if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall transfer to the Reserve Fund from the first available monies in the Improvement Area B or Improvement Area C Special Tax Fund, as applicable, as determined pursuant to the Indenture an amount necessary to increase the balance therein to the Reserve Requirement. If on March 1 or on September 1, or on the first Business Day thereafter if March 1 or September 1 is not a Business Day, of each year, the amount on deposit in the Reserve Fund is in excess of the Reserve

Requirement inclusive of interest earnings and exclusive of excess created by optional redemption, the Fiscal Agent shall transfer such excess to the Interest Account of the Bond Service Fund. In connection with any optional redemption of Bonds pursuant to the Indenture, amounts on deposit in the Reserve Fund which would be in excess of the Reserve Requirement following such redemption shall be transferred to the Redemption Fund or the Interest Account of the Bond Service Fund, as applicable, prior to such redemption and applied to such redemption of Bonds pursuant to written instructions of the District executed by an Authorized Representative.

Upon receipt of written instructions of the District executed by an Authorized Representative instructing the Fiscal Agent to transfer certain moneys representing a Reserve Fund credit for a Prepayment pursuant to the Improvement Area B or Improvement Area C Special Tax RMA, as applicable, the Fiscal Agent shall transfer the amount specified in such instructions from the Reserve Fund to the Redemption Fund for the purpose of redeeming Bonds pursuant to such instructions.

Whenever the balance in the Reserve Fund and the Bond Service 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, the Fiscal Agent shall transfer the amount in the Reserve Fund and the Bond Service Fund to the Redemption Fund to be applied, on the next succeeding interest payment date, to the payment and redemption, in accordance with the Indenture of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund and the Bond Service Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District as set forth in the Act.

#### Redemption Fund.

Monies shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture, as applicable. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Improvement Area B or Improvement Area C Special Tax Fund, as applicable.

#### Administrative Expense Fund.

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to the provisions of the Indenture. The moneys in the Administrative Expense Fund shall be used to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment.

#### Letter of Credit Fund.

A. Letter of Credit; Purpose; Duration. As a condition precedent to issuance of the Bonds, the District shall cause each applicable Property Owner to provide a Letter of Credit or Cash Deposit pursuant to the provisions of the Mitigation Agreement in the applicable Stated Amount therefor for each Project Area within Improvement Area B and having the Fiscal Agent as beneficiary. The Fiscal Agent shall deposit any Letter of Credit, Substitute Letter of Credit or Cash Deposit provided pursuant to the Mitigation Agreement in the Letter of Credit Fund.

B. Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund.

1. Draws Prior to an Interest Payment Date. Ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Bond Service Fund for that Interest Payment Date will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and notify the District of any deficiency. If amounts in the Bond Service Fund will be insufficient to pay principal of and interest on the Bonds and such insufficiency is attributable to the delinquency in the payment of Improvement Area B or Improvement Area C Special Tax, as applicable, levied on properties owned by the Property Owner that provided a Letter of Credit or Cash Deposit pursuant to the Mitigation Agreement or an Affiliate of such Property Owner, the Fiscal Agent shall upon the receipt of written direction of an Authorized Representative (prior to any withdrawals from the Reserve Fund permitted by the Indenture) draw upon such Letter of Credit or withdraw money from the Cash Deposit; provided, however, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Representative) shall be no greater than the delinquent Improvement Area B or Improvement Area C Special Tax, as applicable, levied on such properties. The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter of Credit into the Letter of Credit Fund. On the day preceding the Interest Payment Date, and prior to any transfers from the Reserve Fund, the Fiscal Agent shall transfer the amount of such draw on the Letter of Credit or an equivalent amount from any Cash Deposit from the Letter of Credit Fund to the Interest Account of the Interest Account of the Bond Service Fund.

In the event of a draw on a Letter of Credit or transfer of funds from a Cash Deposit pursuant to the Indenture, the Fiscal Agent shall, upon receipt of Delinquency Proceeds representing the Improvement Area B or Improvement Area C Special Tax, as applicable, the delinquency of which necessitated such draw on such Letter of Credit or transfer of funds from a Cash Deposit, reimburse (a) the applicable Letter of Credit Provider from such Delinquency Proceeds in an amount not to exceed such draw on such Letter of Credit or (b) deposit an amount not to exceed such transfer from such Cash Deposit in the Letter of Credit Fund to replenish such Cash Deposit.

2. Draws Prior to Termination of the Letter of Credit. If a Letter of Credit is not renewed, or a Substitute Letter of Credit or Cash Deposit not provided within fifteen (15) days prior to the stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the District. In the event the Fiscal Agent makes such a draw upon a Letter of Credit, the Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund and pending any transfer to the Bond Service Fund for the purposes described in preceding paragraph 1 above, such proceeds shall be invested and reinvested by the Fiscal Agent in Permitted Investments described in paragraph 7 of the definition thereof. At no time shall the District direct that the proceeds of a draw on any Letter of Credit or any Cash Deposit held in the Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the yield on the Bonds. Investment earnings and profits from such investments shall be retained in the Letter of Credit Fund until such time as the Letter of Credit Fund is no longer required and at such time all interest earnings shall be paid over to the Property Owner.

C. Letter of Credit Requirements. Except as otherwise provided in the Indenture, the provisions of the Mitigation Agreement shall establish and govern all requirements related to any Letter of Credit provided thereunder or under the Indenture including but not limited to applicability of the requirement to provide a Letter of Credit, determination of the Stated Amount thereof, renewal, substitution, reduction and termination thereof. No amendment may be made to any provision of the Mitigation Agreement pertaining to the provision of a Letter of Credit that would be materially adverse to the interests of the Bondowners without the consent of the Bondowners obtained pursuant to the Indenture.

D. Receipt by District of any Letter of Credit, Substitute Letter of Credit or Cash Deposit. If the District shall receive a Letter of Credit or a Substitute Letter of Credit provided pursuant to the terms of the Mitigation Agreement or a Cash Deposit, the District shall immediately transfer such Letter of Credit, Substitute Letter of Credit or Cash Deposit to the Fiscal Agent. The District shall provide written instructions to the Fiscal Agent to return any Letter of Credit to the Letter of Credit Provider thereof for which a Substitute Letter of Credit or Cash Deposit is being provided upon the effective date of such Substitute Letter of Credit or upon receipt by the Fiscal Agent of such Cash Deposit.

E. Termination or Release of a Letter of Credit, Substitute Letter of Credit or Cash Deposit. If any Letter of Credit or Substitute Letter of Credit may be terminated pursuant to the provisions of the Mitigation Agreement the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Letter of Credit to the Letter of Credit Provider thereof.

If the requirement to provide a Letter Credit is terminated pursuant to the provisions of the Mitigation Agreement in any case where a Cash Deposit has been provided, the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Cash Deposit to the Property Owner, and any interest earnings thereon, who provided such Cash Deposit.

F. Actions by the District. In the event any Letter of Credit Bank wrongfully refuses to honor any drawing made on any Letter of Credit, the District, on behalf of the owners of the Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling the Letter of Credit Bank to honor such drawing and to enforce the provisions of the Letter of Credit.

### ***Investment of Funds***

Unless otherwise specified in the Indenture, monies in the Improvement Area B or Improvement Area C Special Tax Fund, as applicable, the Bond Service Fund, the Infrastructure Improvement Fund, the Reserve Fund, the Costs of Issuance Fund and Administrative Expense Fund shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Monies in the Redemption Fund and the Rebate Fund shall, at the written direction of the District executed by an Authorized Representative, be invested in Government Obligations or money market funds comprised solely of Government Obligations and rated in the highest rating category of S&P. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements, which include detail for all investment transactions made by the Fiscal Agent under the Indenture. The Fiscal Agent shall not be required to provide statements for accounts with zero balances.

Obligations purchased as investments of monies in any fund or account shall be deemed at all times to be a part of such fund or account. Except where provided otherwise in the Indenture, any income

realized on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account.

Moneys in all Funds and Accounts may be aggregated for purposes of investing in Authorized Investments except when it is necessary to segregate a Fund or Account or portion thereof for purposes of restricting the Yield on the investment of such funds.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by Fiscal Agent pursuant to the Indenture, moneys in all funds and accounts, except for the Reserve Fund, shall be invested in Authorized Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Indenture. With respect to amounts in the Reserve Fund, if such investments may be redeemed without penalty or premium on the business day prior to each Interest Payment Date, 100% of the amount on deposit in the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity of the Bonds. Authorized Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Authorized Investments for repurchase under such agreement.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide monies to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

The Fiscal Agent is hereby authorized, in making or disposing of any investment permitted as permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

### ***Amendments of Supplements***

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not adversely affect the interests of the Bondholders;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondholders; and
- (d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds.

Exclusive of the Supplemental Indentures provided for in the preceding paragraph, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond, or (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondowner(s), or permit, or be construed as permitting, (x) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (y) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, or (z) creating of a pledge of or lien or charge upon the Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, superior to the pledge provided for in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture, without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the

District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the corporate trust office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

### ***Ownership of Bonds***

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal and redemption premium, if any, of any such Bond, and the interest on any such Bond, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

### ***Mutilated, Lost, Destroyed or Stolen Bonds***

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal and redemption premium, if any, of any such Bond, and the interest on any such Bond, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

### ***Covenants***

General. As long as the Bonds are Outstanding and unpaid, the District, acting on behalf of the District, shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Improvement Area B Special Tax Revenues.

Covenant to Foreclose. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Improvement Area B or Improvement Area C Special Tax, as applicable, levied in such Fiscal Year to determine the amount of Improvement Area B or Improvement Area C Special Tax, as applicable, actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to the Improvement Area B or Improvement Area C Special Tax, as applicable, is delinquent in the payment of Improvement Area B Special Taxes in the aggregate of \$5,000 or more or (b) any single parcel or parcels under common ownership subject to the Improvement Area B or Improvement Area C Special Tax, as applicable, are delinquent in the payment of Improvement Area B or Improvement Area C Special Tax, as applicable, in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which the Improvement Area B or Improvement Area C Special Tax, as applicable, remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Improvement Area B or Improvement Area C Special Tax, as applicable, levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and



for which the Improvement Area B or Improvement Area C Special Tax, as applicable, remain delinquent.

Protection of Security. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture.

No Senior or Parity Liens. The District will not issue any other obligations payable, principal or interest, from the Improvement Area B or Improvement Area C Special Tax, as applicable, which have, or purport to have, any lien upon the Improvement Area B or Improvement Area C Special Tax, as applicable, superior to or on a parity with the lien of the Bonds authorized in the Indenture. Nothing in the Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Improvement Area B or Improvement Area C Special Tax, as applicable, on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in the Annual Debt Service on the Bonds and such refunding bonds or other refunding obligations taken together.

Levy of Improvement Area B or Improvement Area C Special Taxes. The District will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued under the Indenture on the date, at the place and in the manner provided in said Bonds, but only out of Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, and such other funds as may be provided in the Indenture.

The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area B or Improvement Area C Special Tax, as applicable. The District shall annually ascertain the parcels on which the Improvement Area B or Improvement Area C Special Tax, as applicable, are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Improvement Area B or Improvement Area C Special Tax, as applicable, in accordance with the Improvement Area B or Improvement Area C Special Tax RMA, as applicable, and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Improvement Area B or Improvement Area C Special Tax, as applicable, for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Improvement Area B or Improvement Area C Special Tax, as applicable, levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Improvement Area B Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax,

unless, in connection therewith, (i) the District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels of Developed Property in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property is located to less than 110% of Maximum Annual Debt Service, and (ii) the Legislative Body finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Improvement Area B or Improvement Area C Special Tax RMA, as applicable, or to limit the power or authority of the District to levy Improvement Area B Special Taxes pursuant to the Improvement Area B or Improvement Area C Special Tax RMA, as applicable, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy Improvement Area B or Improvement Area C Special Tax, as applicable, pursuant to the Improvement Area B or Improvement Area C Special Tax RMA, as applicable.

Proper Books and Records. The District will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, and other funds provided for in the Indenture.

Tax Covenants. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The District will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

The District covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the District is of the opinion that for purposes of this covenant it is necessary to restrict or limit the yield on the investment of any monies held under the Indenture or otherwise the District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under the Indenture.

Notwithstanding any provision of the Indenture, if the District shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Fiscal Agent may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant under the Indenture shall be deemed to be modified to that extent.

Extension of Maturity Dates. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

Not later than October 30<sup>th</sup> of each year, commencing October 30, 2005, and until October 30<sup>th</sup> following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

Adoption of Policy Regarding Tender of Bonds. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of Bonds in full payment or partial payment of any Improvement Area B Special Taxes unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Improvement Area B Special Tax Revenues to pay the principal of and interest on the Bonds when due.

### ***Defeasance***

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Improvement Area B or Improvement Area C Special Tax Revenues, as applicable, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Indenture shall thereupon cease, terminate and become void and discharged and satisfied. In the event of the defeasance of all Outstanding Bonds and after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond is paid in any one or more of the following ways:

- (A) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;
- (B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or
- (C) by depositing with an escrow bank appointed by the District, in trust, noncallable Permitted Investments of the type described in subparagraph 1 of the definition thereof, in such amount as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together

with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the Fiscal Agent a certificate of an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon to pay and discharge the principal of, premium, if any, and interest on all such Bonds to be defeased in accordance with the Indenture as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture.

To accomplish such defeasance, the District shall cause to be delivered (i) a report of the Independent Accountant verifying the determination made pursuant to paragraph (c) above (the "Verification Report") and (ii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance, and addressed to the District and the Fiscal Agent.

### ***Provisions Constitute a Contract***

The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be enforceable by any Bondowner for the equal benefit and protection of all Bondowners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred hereby upon any Bondowner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Bondowner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Bondowner shall prevail, said Bondowner shall be entitled to receive from the Improvement Area B Special Tax Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees, and should said suit, action or proceeding be abandoned or be determined adversely to the Bondowners then, and in every such case, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

### ***Events of Default***

The following events shall be Events of Default under the Indenture:

A. Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

B. Default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable.

C. Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such 30-day period unless waived by the Fiscal Agent) shall not constitute an Event of Default under the Indenture if the District shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

D. The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

### ***Application of Revenues and Other Funds After Default***

If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the District to protect the interest of the owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with

interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity of redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

### ***Remedies of Owners***

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

A. By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

B. By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

C. By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in any provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Special Tax Revenue pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration under the Indenture.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## APPENDIX E

### FORM OF COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of June 1, 2005, by and among the Poway Unified School District, on behalf of Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (the “Community Facilities District”), Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and David Taussig & Associates, Inc., in its capacity as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance of the Community Facilities District No. 11 (Stonebridge Estates) of the Poway Unified School District Improvement Area B 2005 Special Tax Bonds and Improvement Area C 2005 Special Tax Bonds (collectively, the “2005 Bonds”);

#### WITNESSETH:

**WHEREAS**, pursuant to each Bond Indenture, each dated as of June 1, 2005 (the “Bond Indenture”), each by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the Improvement Area B Bonds in the aggregate principal amount of \$9,035,000 and the Improvement Area C Bonds in the aggregate principal amount of \$13,475,000; and

**WHEREAS**, the 2005 Bonds are payable from and secured by special taxes levied on certain of the property within the Community Facilities District;

**NOW, THEREFORE**, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the 2005 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 in the Bond Indenture which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Community Facilities District pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean January 31 next following the end of the Community Facility District’s fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

“Community Facilities District” means Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District.

“Disclosure Representative” shall mean the Deputy Superintendent of the School District.

“Dissemination Agent” shall mean David Taussig & Associates, Inc., or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District a written acceptance of such designation.

“Improvement Area B” shall mean Improvement Area B of Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District.

“Improvement Area C” shall mean Improvement Area C of Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at [sec.gov/info/municipal/nrmsir.htm](http://sec.gov/info/municipal/nrmsir.htm).

“Participating Underwriter” shall mean Stone & Youngberg LLC.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2006, provide to each Repository, to the Fiscal Agent and to the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent. 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 School District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if not available by that date. If the School District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to January 31 in any year, the Dissemination Agent shall notify the Community Facilities District of such failure to receive the Annual Report. The Community Facilities District 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report. The Semi-Annual Report may be provided in electronic format to each Repository and the Participating Underwriter and may be provided through the services of a “central post office” approved by the Securities and Exchange Commission. For example, any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(b) If the Community Facilities District is unable to provide to the Repositories and to the Participating Underwriter an Annual Report by the date required in subsection (a), the Dissemination



Agent shall send a notice to the Repositories and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;

(ii) provide any Annual Report received by it to each Repository, the Fiscal Agent and the Participating Underwriter as provided herein; and

(iii) if the Dissemination Agent is other than the Community Facilities District and to the extent it can confirm such filing of the Annual Report, file a report with the Community Facilities District, the Fiscal Agent and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the School District prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available.

(b) The following information regarding the 2005 Bonds and any refunding bonds:

(i) Principal amount of 2005 Bonds and any refunding bonds outstanding as of a date within 30 days preceding the date of the Annual Report;

(ii) Balance in the 2005 Bond Service Funds as of a date within 30 days preceding the date of the Annual Report;

(iii) Balance in the Reserve Funds and statement of Reserve Requirements as of a date within 30 days preceding the date of the Annual Report;

(iv) Balance in the Infrastructure Improvement Fund as of a date within 30 days preceding the date of the Annual Report, and of any other fund not referenced in clauses (i), (ii), (iii) or (iv) hereof;

(v) A table summarizing assessed value-to-lien ratios for the property in Improvement Area B/Improvement Area C and by each Rate and Method of Apportionment of Special Taxes land use categories. The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area B/Improvement Area C on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 2 next preceding the Annual Report Date. The lien values in such table will include all 2005 Bonds and any refunding bonds with respect to either Improvement Area B or Improvement Area C and all other debt secured by a tax or assessments levied on parcels within Improvement Area B/Improvement Area C;

- (vi) Information regarding the annual special taxes levied in Improvement Area B/ Improvement Area C, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;
- (vii) Status of foreclosure proceedings of parcels within Improvement Area B/ Improvement Area C and summary of results of foreclosure sales, if available;
- (viii) A land ownership summary listing property owners responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied with respect to Improvement Area B/ Improvement Area C on the property within Improvement Area B/Improvement Area C owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
- (ix) Concerning delinquent parcels in Improvement Area B/Improvement Area C as of the immediately preceding August 15;
  - number of parcels in Improvement Area B/Improvement Area C delinquent in payment of Special Tax,
  - total of such delinquency and percentage of delinquency in relation to total Special Tax levy, and
  - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area B/Improvement Area C;
- (x) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus;
  - assessed value of applicable properties, and
  - summary of results of foreclosure sales, if available;
- (xi) A copy of any report for or concerning either Improvement Area B or Improvement Area C as of the immediately preceding October 31 required under State law; and
- (xii) Any changes to the Rate and Method of Apportionment of Special Tax for either Improvement Area B or Improvement Area C approved or submitted to the qualified electors of the Community Facilities District for approval prior to the filing of the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Community Facilities District 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 Community Facilities District or related public entities,

which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Community Facilities District shall clearly identify each such other document so included by reference.

A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit B.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2005 Bonds and any Additional Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Contingent or uncheduled bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and
- (xi) Rating changes.

(b) The Dissemination Agent shall, within five business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Community Facilities District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x) and (xi) above shall mean actual knowledge by an officer at the corporate trust office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(c) Whenever the Community Facilities District obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Community Facilities District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the Community Facilities District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Community Facilities District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The Community Facilities District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the Municipal Securities Rulemaking Board and each State Repository, if any.

(e) If in response to a request under subsection (b), the Community Facilities District determines that the Listed Event would not be material under applicable Federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository and shall provide a copy of such notice to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected 2005 Bonds pursuant to each Bond Indenture.

Section 6. Termination of Reporting Obligation. All of the Community Facilities District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the 2005 Bonds, (ii) prior redemption of the 2005 Bonds or (iii) payment in full of all the 2005 Bonds. If such determination occurs prior to the final maturity of the 2005 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist 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 shall be David Taussig & Associates, Inc. The Dissemination Agent may resign by providing thirty days' written notice to the Community Facilities District and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), 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 2005 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 2005 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 owners of the 2005 Bonds in the manner provided in the applicable Bond Indenture for amendments to such Bond Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the 2005 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 Community Facilities District 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 sent to the Repositories in the same manner as for a Listed Event under Section 5(f).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities District 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 Community Facilities District 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 Community Facilities District 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 10. Default. In the event of a failure of the Community Facilities District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding 2005 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2005 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Fiscal Agent or the Dissemination Agent 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 applicable Bond Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Section 6.08 of each Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the applicable Bond Indenture, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall

have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the 2005 Bonds, the Community Facilities District or any other matter except as expressly set out herein, *provided* that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the applicable Bond Indenture. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the applicable Bond Indenture and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the 2005 Bonds or the Community Facilities District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Community Facilities District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination in the performance of its duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the 2005 Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the 2005 Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the Community Facilities District:	Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District 13626 Twin Peaks Road Poway, California 92064-3098 Telephone: (858) 679-2501 Telecopier: (858) 513-0967 Attention: Deputy Superintendent
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If to the Dissemination Agent:	David Taussig & Associates, Inc. 1301 Dove Street, Suite 600 Newport Beach, California 92660 Telephone: (949) 955-1500 Telecopier: (949) 955-1590
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If to the  
Fiscal Agent: Zions First National Bank  
550 S. Hope Street, Suite 2650  
Los Angeles, California 90071  
Telephone: (213) 593-3152  
Telecopier: (213) 593-1160

If to the  
Participating  
Underwriter: Stone & Youngberg LLC  
One Ferry Building  
San Francisco, California 94111  
Telephone: (415) 445-2300  
Telecopier: (415) 445-2395  
Attention: Municipal Research Department

Section 14. Future Determination of Obligated Persons. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Community Facilities District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Community Facilities District to meeting the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the Community Facilities District to disclose information concerning any owner of land within the Community Facilities District except as required as part of the information required to be disclosed by the Community Facilities District pursuant to Section 4 and Section 5 hereof.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

**IN WITNESS WHEREOF**, the parties hereto have executed this Disclosure Agreement as of the date first above written.

POWAY UNIFIED SCHOOL DISTRICT,  
on behalf of Community Facilities District No. 11  
(StoneBridge Estates) of the Poway Unified School  
District

By: \_\_\_\_\_  
Authorized Officer

ZIONS FIRST NATIONAL BANK,  
as Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

DAVID TAUSSIG & ASSOCIATES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District

Name of Bond Issue: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District Improvement Area B and Improvement Area C 2005 Special Tax Bonds

Date of Issuance: June [16], 2005

NOTICE IS HEREBY GIVEN that Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (the "Community Facilities District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of June 1, 2005, by and among the Community Facilities District, Zions First National Bank, as Fiscal Agent and David Taussig & Associates, Inc. as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_

David Taussig & Associates, Inc., as  
Dissemination Agent, on behalf of the Community  
Facilities District

cc: Community Facilities District No. 11 (StoneBridge Estates)  
Stone & Youngberg LLC  
Zions First National Bank

**EXHIBIT B**

**MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET**

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where Issuer is located):

**\$9,035,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B**  
**2005 SPECIAL TAX BONDS**

Provide nine-digit CUSIP® numbers\* if available, to which the information relates:

2007	738855LB9	2018	738855LN3
2008	738855LC7	2019	738855LP8
2009	738855LD5	2020	738855LQ6
2010	738855LE3	2021	738855LR4
2011	738855LF0	2022	738855LS2
2012	738855LG8	2023	738855LT0
2013	738855LH6	2024	738855LU7
2014	738855LJ2	2025	738855LV5
2015	738855LK9	2030	738855LW3
2016	738855LL7	2035	738855LX1
2017	738855LM5		

**\$13,475,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C**  
**2005 SPECIAL TAX BONDS**

2008	738855LY9	2018	738855MJ1
2009	738855LZ6	2019	738855MK8
2010	738855MA0	2020	738855ML6
2011	738855MB8	2021	738855MM4
2012	738855MC6	2022	738855MN2
2013	738855MD4	2023	738855MP7
2014	738855ME2	2024	738855MQ5
2015	738855MF9	2025	738855MR3
2016	738855MG7	2030	738855MS1
2017	738855MH5	2035	738855MT9

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP® number(s)\*, if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP® numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) \_\_\_\_\_  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: \_\_\_\_\_

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:** \_\_\_\_\_

**B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

**Fiscal Period Covered:** \_\_\_\_\_

**C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

**D.  Notice of Failure to Provide Annual Financial Information as Required**

**E.  Other Secondary Market Information (Specify):** \_\_\_\_\_

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**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email Address \_\_\_\_\_ Obligor Web site Address \_\_\_\_\_

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Telephone \_\_\_\_\_ Email Address \_\_\_\_\_



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## APPENDIX F

### FORM OF MAJOR DEVELOPER CONTINUING DISCLOSURE AGREEMENTS (IMPROVEMENT AREA B)

*A separate Major Developer Continuing Disclosure Agreement will be provided by Brookfield 8 LLC and Shea Homes Limited Partnership.*

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and entered into as of June 1, 2005, by and between Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as dissemination agent (the “Dissemination Agent”) and in its capacity as Fiscal Agent (the “Fiscal Agent”) with respect to the Community Facilities District No. 11 (Stonebridge Estates) of the Poway Unified School District Improvement Area B 2005 Special Tax Bonds (the “Improvement Area B 2005 Bonds”), and [Brookfield 8 LLC] [Shea Homes Limited Partnership], organized and existing under and by virtue of the laws of the State of [Delaware] [California] (the “Property Owner”);

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Property Owner for the benefit of the owners and beneficial owners of the Improvement Area B 2005 Bonds.

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:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Assumption Agreement*” means an undertaking of a Major Developer or an Affiliate thereof, and the Dissemination Agent, for the benefit of the owners and beneficial owners of the Improvement Area B 2005 Bonds containing terms substantially similar to this Disclosure Agreement (as modified for such Major Developer’s development and financing plans with respect to the Improvement Area B), whereby such Major Developer or Affiliate agrees to provide semi-annual reports and notices of significant events, setting forth the information described in Sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Improvement Area owned by such Major Developer and its Affiliates and, at the option of the Property Owner or such Major Developer, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

“*Community Facilities District*” means Community Facilities District No. 11 of the Poway Unified School District.

“*Dissemination Agent*” means Zions First National Bank, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the Community Facilities District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Agreement.

“*Improvement Area*” means Improvement Area B of Community Facilities District No. 11 of the Poway Unified School District.

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

“*Major Developer*” means, as of any Report Date, an owner of land in the Improvement Area responsible in the aggregate for 15% or more of the Special Taxes in the Improvement Area actually levied at any time during the then-current fiscal year.

“*National Repository*” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s Internet site at [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

“*Official Statement*” means the final official statement executed by the Community Facilities District in connection with the issuance of the Improvement Area B 2005 Bonds.

“*Participating Underwriter*” means Stone & Youngberg LLC, the original underwriter of the Improvement Area B 2005 Bonds required to comply with the Rule in connection with offering of the Improvement Area B 2005 Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means the property owned by the Property Owner in the Improvement Area.

“*Report Date*” means April 1 and October 1 of each calendar year.

“*Repository*” means each National Repository and each State Repository, if any.

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

“*Semi-Annual Report*” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Special Taxes*” means the special taxes levied on taxable property within the Improvement Area and used to pay debt service on the Improvement Area B 2005 Bonds.

“*State Repository*” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing October 1, 2005, provide to each Repository a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District. Not later than 15 Business Days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent. The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Agreement. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the Community Facilities District may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents



comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Agreement. The Semi-Annual Report may be provided in electronic format to each Repository and the Participating Underwriter and may be provided through the services of a “central post office” approved by the Securities and Exchange Commission. For example, any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Agreement have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the Repositories by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the Community Facilities District, the Participating Underwriter and the Property Owner.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the Community Facilities District and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Semi-Annual Reports. The Property Owner’s Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Property Owner shall clearly identify each such other document so included by reference. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner or its parent company (the “Financial Statements”) are prepared, attach the audited Financial Statements. If such audited Financial Statements are not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby. If the financial information or operating data to be provided in a Semi-Annual Report is amended pursuant to the provisions hereof, the first Semi-Annual Report containing the operating data or financial information in accordance with such amendment 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.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner’s Semi-Annual Report shall include 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.

A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit C.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Improvement Area B 2005 Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which could have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property;

(vi) any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that could have a material adverse affect on such Property Owner's most recently disclosed financing plan or development plan or on the ability of such Property Owner, or any Affiliate of such Property Owner that owns any portion of the Property, to pay Special Taxes within the Community Facilities District when due;

(vii) any materially adverse significant amendments to land use entitlements for such Property Owner's Property;

(viii) any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on such Property Owner's Property;

(ix) any previously undisclosed legislative, administrative or judicial challenges to development on such Property Owner's Property, if material to the Development Plan; and

(x) any changes, if materially adverse to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting such Property Owner's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities;

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable federal securities law; and

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Fiscal Agent, the Community Facilities District and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Improvement Area B 2005 Bonds, or

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 15% or more of the Special Taxes, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property;

*provided, however,* that notwithstanding that the Property owned by the Property Owner is no longer responsible for payment of 15% or more of the Special Taxes, in the event the Property Owner shall transfer any portion of its Property to another property owner which, taking into account such transfer shall be a Major Developer, the Property Owner's obligations hereunder shall continue with respect to the Property transferred and the other property owned by such Major Owner until such time as the transferee shall have assumed the obligations of the Property Owner hereunder or such transferee shall have the disclosure obligations set forth herein with respect to such Property pursuant to a Major Developer Continuing Disclosure Agreement executed in connection with issuance of the Improvement Area B 2005 Bonds or an Assumption Agreement.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Agreement in the same manner as for a Listed Event under Section 5.

(b) If a portion of the property in the Community Facilities District owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Property Owner hereunder with respect to the property in the Community Facilities District owned by such Major Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof and the Property Owner's obligations hereunder will be terminated. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement in form and substance satisfactory to the Community Facilities District and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Zions First National Bank. The Dissemination Agent may resign by providing thirty days' written notice to the Community Facilities District, the Property Owner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Property Owner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied (*provided, however,* that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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 Improvement Area B 2005 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 Improvement Area B 2005 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 owners of the Improvement Area B 2005 Bonds in the manner provided in the applicable Bond Indenture(s) with the consent of owners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Improvement Area B 2005 Bonds.

If an amendment is made to the accounting principles followed in preparing the Financial Statements, the 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 Statements or information, in order to provide information to investors to enable them to evaluate the ability of the Major Developer to generally meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A qualitative analysis in accordance with Generally Accepted Accounting Principles (GAAP) shall be deemed to satisfy this requirement. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5 hereof.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Property Owner 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Property Owner shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any owner or beneficial owner of the Improvement Area B 2005 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner 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 Property Owner to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. 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 Property Owner 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 reasonable costs and expenses (including attorneys' fees) of defending against any such claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary

capacity for the Community Facilities District, the Property Owner, the Fiscal Agent, the Improvement Area B 2005 Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Improvement Area B 2005 Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the Community Facilities District: Community Facilities District No.11 (StoneBridge Estates) of the Poway Unified School District  
13626 Twin Peaks Road  
Poway, California 92064-3098  
Telephone: 858/679-2552  
Telecopier: 858/513-0967  
Attention: Associate Superintendent

If to the Dissemination Agent: Zions First National Bank  
550 South Hope Street, Suite 2650  
Los Angeles, California 90071  
Telephone: 213/593-3152  
Telecopier: 213/593-3160

If to the Fiscal Agent: Zions First National Bank  
550 South Hope Street, Suite 2650  
Los Angeles, California 90071  
Telephone: 213/593-3152  
Telecopier: 213/593-3160

If to the Participating Underwriter: Stone & Youngberg LLC  
One Ferry Building  
San Francisco, California 94111  
Telephone: 415/445-2300  
Telecopier: 415/445-2395  
Attention: Municipal Research Department

If to the Property Owner: [Brookfield 8 LLC  
12865 Pointe Del Mar, Suite 200  
Del Mar, California 92014  
Telephone: 858/481-8500  
Telecopier: 858/259-6975  
Attention: \_\_\_\_\_]

[Shea Homes Limited Partnership  
10721 Treena Street, Suite 100  
San Diego, California 92131  
Telephone: 858/549-3156  
Telecopier: 858/635-5436  
Attention: \_\_\_\_\_]

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Improvement Area B 2005 Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

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.

Dated: June 1, 2005

**[BROOKFIELD 8, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_]

**[SHEA HOMES LIMITED PARTNERSHIP,**  
a California Limited Partnership

By: \_\_\_\_\_  
Its: Authorized Agent

By: \_\_\_\_\_  
Its: Authorized Agent

AGREED AND ACCEPTED:  
Zions First National Bank,  
as Dissemination Agent

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

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District

Name of Bond Issue: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District Improvement Area B 2005 Special Tax Bonds

Date of Issuance: June [16], 2005

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Property Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Major Developer Continuing Disclosure Agreement, dated June 1, 2005. [The Property Owner anticipates that the Semi-Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

DISSEMINATION AGENT:  
Zions First National Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: Zions First National Bank  
Community Facilities District No. 11 (StoneBridge Estates)  
of the Poway Unified School District  
[Property Owner]

**EXHIBIT B**  
**SEMI-ANNUAL REPORT**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B 2005 SPECIAL TAX BONDS**

This Semi-Annual Report is hereby submitted under Section 4 of the Major Developer Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of June 1, 2005, executed by the undersigned (the "Property Owner") in connection with the issuance of the above-captioned bonds by Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (the "Community Facilities District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Property currently owned by the Property Owner in Improvement Area B of the Community Facilities District (the "Property"):

Development Name(s) \_\_\_\_\_

Total Lots and Homes in the Development	Total Homes Completed (_____, 200__)	Total Homes Sold (Closed Escrow) (_____, 200__)	Property Sold (Closed Escrow) Since the Last Semi-Annual Report (Report dated __, 200__)
Acres* _____	Acres* _____	Acres* _____	Acres* _____
Lots _____	Lots _____	Lots _____	Lots _____
Homes _____	Homes _____	Homes _____	Homes _____

\* For bulk land sales only (excluding sales of finished lots for completed homes).

B. Status of land development or home construction activities with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_



D. Status of any land purchase contracts with regard to the Property, whether acquisition of land by the Property Owner or sales of land to other property owners (other than individual homeowners):

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E. Any changes, if material, to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting such Property Owner's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities:

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**II. Legal and Financial Status of Property Owner**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its proposed development of the Property. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner are prepared or if the Property Owner's financial statements are consolidated with the Property Owner's parent company and audited financial statements of the parent company are prepared (the "Financial Statements"), attach or incorporate by reference to materials on file with the Repositories or Securities and Exchange Commission, the audited Financial Statements of the Property Owner or its parent company. If such audited Financial Statements are prepared but not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby.

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**III. Change in Development or Financing Plans**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement. Describe any change in the provider of the Letter of Credit or provide information regarding a cash deposit in lieu of the Letter of Credit.

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**IV. Status of Tax Payments**

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property.

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**V. Official Statement Updates**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the headings "CONTINUING DISCLOSURE – *Developers*," "COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – General

Information,” “ – Environmental Review,” “ – Environmental Permits” and “Property Ownership and Development” that would materially and adversely interfere with the Property Owner’s ability to develop and sell the Property as described in the Official Statement.

\_\_\_\_\_  
\_\_\_\_\_

**VI. Other Material Information**

In addition to any of the information expressly required above, 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.

\_\_\_\_\_  
\_\_\_\_\_

**Certification**

The undersigned Property Owner hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Continuing Disclosure Agreement dated as of June 1, 2005, executed by the Property Owner in connection with the issuance of the above-captioned bonds.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER’S FINANCING PLAN OR FINANCIAL CONDITION, OR THE IMPROVEMENT AREA B 2005 BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE OR NEWSPAPER OF GENERAL CIRCULATION, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD OR A NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: \_\_\_\_\_

**[BROOKFIELD 8, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_]

**[SHEA HOMES LIMITED PARTNERSHIP,**  
a California Limited Partnership

By: \_\_\_\_\_  
Its: Authorized Agent

By: \_\_\_\_\_  
Its: Authorized Agent]

EXHIBIT C

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where Issuer is located):

**\$9,035,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B**  
**2005 SPECIAL TAX BONDS**

Provide nine-digit CUSIP® numbers\* if available, to which the information relates:

2007	738855LB9	2018	738855LN3
2008	738855LC7	2019	738855LP8
2009	738855LD5	2020	738855LQ6
2010	738855LE3	2021	738855LR4
2011	738855LF0	2022	738855LS2
2012	738855LG8	2023	738855LT0
2013	738855LH6	2024	738855LU7
2014	738855LJ2	2025	738855LV5
2015	738855LK9	2030	738855LW3
2016	738855LL7	2035	738855LX1
2017	738855LM5		

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP® number(s),\* if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP® numbers.)

**TYPE OF FILING:**

Electronic (number of pages attached) \_\_\_\_\_  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: \_\_\_\_\_

**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:** \_\_\_\_\_

**B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

**Fiscal Period Covered:** \_\_\_\_\_

**C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

**D.  Notice of Failure to Provide Annual Financial Information as Required**

**E.  Other Secondary Market Information (Specify):** \_\_\_\_\_

**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Obligor Web site Address \_\_\_\_\_

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

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**FORM OF MAJOR DEVELOPER CONTINUING DISCLOSURE AGREEMENTS  
(IMPROVEMENT AREA C)**

*The obligations under this agreement are expected to be assigned to the Brookfield Affiliate and the McMillin Affiliate.*

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and entered into as of June 1, 2005, by and between Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as dissemination agent (the “Dissemination Agent”) and in its capacity as Fiscal Agent (the “Fiscal Agent”) with respect to the Community Facilities District No. 11 (Stonebridge Estates) of the Poway Unified School District Improvement Area C 2005 Special Tax Bonds (the “Improvement Area C 2005 Bonds”), and Sycamore Estates LLC, organized and existing under and by virtue of the laws of the State of Delaware (the “Property Owner”);

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Property Owner for the benefit of the owners and beneficial owners of the Improvement Area C 2005 Bonds.

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:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Assumption Agreement*” means an undertaking of a Major Developer or an Affiliate thereof, and the Dissemination Agent, for the benefit of the owners and beneficial owners of the Improvement Area C 2005 Bonds containing terms substantially similar to this Disclosure Agreement (as modified for such Major Developer’s development and financing plans with respect to the Improvement Area C), whereby such Major Developer or Affiliate agrees to provide semi-annual reports and notices of significant events, setting forth the information described in Sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Improvement Area owned by such Major Developer and its Affiliates and, at the option of the Property Owner or such Major Developer, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

“*Community Facilities District*” means Community Facilities District No. 11 of the Poway Unified School District.

“*Dissemination Agent*” means Zions First National Bank, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the Community Facilities District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Agreement.

“*Improvement Area*” means Improvement Area C of Community Facilities District No. 11 of the Poway Unified School District.

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

“*Major Developer*” means, as of any Report Date, an owner of land in the Improvement Area responsible in the aggregate for 15% or more of the Special Taxes in the Improvement Area actually levied at any time during the then-current fiscal year.

“*National Repository*” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s Internet site at [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

“*Official Statement*” means the final official statement executed by the Community Facilities District in connection with the issuance of the Improvement Area C 2005 Bonds.

“*Participating Underwriter*” means Stone & Youngberg LLC, the original underwriter of the Improvement Area C 2005 Bonds required to comply with the Rule in connection with offering of the Improvement Area C 2005 Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means the property owned by the Property Owner in the Improvement Area.

“*Report Date*” means April 1 and October 1 of each calendar year.

“*Repository*” means each National Repository and each State Repository, if any.

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

“*Semi-Annual Report*” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Special Taxes*” means the special taxes levied on taxable property within the Improvement Area and used to pay debt service on the Improvement Area C 2005 Bonds.

“*State Repository*” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing October 1, 2005, provide to each Repository a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District. Not later than 15 Business Days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent. The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the Community Facilities District to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Agreement. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the Community Facilities District may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents

comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Agreement. The Semi-Annual Report may be provided in electronic format to each Repository and the Participating Underwriter and may be provided through the services of a “central post office” approved by the Securities and Exchange Commission. For example, any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Agreement have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the Repositories by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the Community Facilities District, the Participating Underwriter and the Property Owner.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the Community Facilities District and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Semi-Annual Reports. The Property Owner’s Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Property Owner shall clearly identify each such other document so included by reference. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner or its parent company (the “Financial Statements”) are prepared, attach the audited Financial Statements. If such audited Financial Statements are not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby. If the financial information or operating data to be provided in a Semi-Annual Report is amended pursuant to the provisions hereof, the first Semi-Annual Report containing the operating data or financial information in accordance with such amendment 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.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner’s Semi-Annual Report shall include 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.



A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit C.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Improvement Area C 2005 Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which could have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property;

(vi) any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that could have a material adverse affect on such Property Owner's most recently disclosed financing plan or development plan or on the ability of such Property Owner, or any Affiliate of such Property Owner that owns any portion of the Property, to pay Special Taxes within the Community Facilities District when due;

(vii) any materially adverse significant amendments to land use entitlements for such Property Owner's Property;

(viii) any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on such Property Owner's Property;

(ix) any previously undisclosed legislative, administrative or judicial challenges to development on such Property Owner's Property, if material to the Development Plan; and

(x) any changes, if materially adverse to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting such Property Owner's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities;

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable federal securities law; and

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Fiscal Agent, the Community Facilities District and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Improvement Area C 2005 Bonds, or

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 15% or more of the Special Taxes, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property;

*provided, however,* that notwithstanding that the Property owned by the Property Owner is no longer responsible for payment of 15% or more of the Special Taxes, in the event the Property Owner shall transfer any portion of its Property to another property owner which, taking into account such transfer shall be a Major Developer, the Property Owner's obligations hereunder shall continue with respect to the Property transferred and the other property owned by such Major Owner until such time as the transferee shall have assumed the obligations of the Property Owner hereunder or such transferee shall have the disclosure obligations set forth herein with respect to such Property pursuant to a Major Developer Continuing Disclosure Agreement executed in connection with issuance of the Improvement Area C 2005 Bonds or an Assumption Agreement.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Agreement in the same manner as for a Listed Event under Section 5.

(b) If a portion of the property in the Community Facilities District owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Property Owner hereunder with respect to the property in the Community Facilities District owned by such Major Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof and the Property Owner's obligations hereunder will be terminated. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement in form and substance satisfactory to the Community Facilities District and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Zions First National Bank. The Dissemination Agent may resign by providing thirty days' written notice to the Community Facilities District, the Property Owner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Property Owner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied (*provided, however,* that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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 Improvement Area C 2005 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 Improvement Area C 2005 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 owners of the Improvement Area C 2005 Bonds in the manner provided in the applicable Bond Indenture(s) with the consent of owners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Improvement Area C 2005 Bonds.

If an amendment is made to the accounting principles followed in preparing the Financial Statements, the 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 Statements or information, in order to provide information to investors to enable them to evaluate the ability of the Major Developer to generally meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A qualitative analysis in accordance with Generally Accepted Accounting Principles (GAAP) shall be deemed to satisfy this requirement. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5 hereof.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Property Owner 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Property Owner shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any owner or beneficial owner of the Improvement Area C 2005 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner 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 Property Owner to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. 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 Property Owner 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 reasonable costs and expenses (including attorneys' fees) of defending against any such claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary

capacity for the Community Facilities District, the Property Owner, the Fiscal Agent, the Improvement Area C 2005 Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Improvement Area C 2005 Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the Community Facilities District:	Community Facilities District No.11 (StoneBridge Estates) of the Poway Unified School District 13626 Twin Peaks Road Poway, California 92064-3098 Telephone: 858/679-2552 Telecopier: 858/513-0967 Attention: Associate Superintendent
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If to the Dissemination Agent:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Telephone: 213/593-3152 Telecopier: 213/593-3160
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If to the Fiscal Agent:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Telephone: 213/593-3152 Telecopier: 213/593-3160
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If to the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111 Telephone: 415/445-2300 Telecopier: 415/445-2395 Attention: Municipal Research Department
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If to the Property Owner:	Sycamore Estates LLC 2750 Womble Road San Diego, California 92105 Telephone: 619/336-3683 Telecopier: 619/336-3583 Attention: Jeff Brazel
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Improvement Area C 2005 Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

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.

Dated: June 1, 2005

SYCAMORE ESTATES, LLC,  
a Delaware limited liability company

By: McMillin Management Services, L.P.,  
a California limited partnership

Its: Manager

By: Corky McMillin Construction Services, Inc.,  
a California corporation

Its: General Partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

AGREED AND ACCEPTED:  
Zions First National Bank,  
as Dissemination Agent

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

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District

Name of Bond Issue: Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District Improvement Area C 2005 Special Tax Bonds

Date of Issuance: June [16], 2005

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Property Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Major Developer Continuing Disclosure Agreement, dated June 1, 2005. [The Property Owner anticipates that the Semi-Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

DISSEMINATION AGENT:  
Zions First National Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: Zions First National Bank  
Community Facilities District No. 11 (StoneBridge Estates)  
of the Poway Unified School District  
[Property Owner]

**EXHIBIT B**  
**SEMI-ANNUAL REPORT**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C 2005 SPECIAL TAX BONDS**

This Semi-Annual Report is hereby submitted under Section 4 of the Major Developer Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of June 1, 2005, executed by the undersigned (the "Property Owner") in connection with the issuance of the above-captioned bonds by Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District (the "Community Facilities District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Property currently owned by the Property Owner in Improvement Area C of the Community Facilities District (the "Property"):

Development Name(s) \_\_\_\_\_

Total Lots and Homes in the Development	Total Homes Completed (_____, 200__)	Total Homes Sold (Closed Escrow) (_____, 200__)	Property Sold (Closed Escrow) Since the Last Semi-Annual Report (Report dated __, 200__)
Acres* _____	Acres* _____	Acres* _____	Acres* _____
Lots _____	Lots _____	Lots _____	Lots _____
Homes _____	Homes _____	Homes _____	Homes _____

\* For bulk land sales only (excluding sales of finished lots for completed homes).

B. Status of land development or home construction activities with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land by the Property Owner or sales of land to other property owners (other than individual homeowners):

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E. Any changes, if material, to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting such Property Owner's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities:

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**II. Legal and Financial Status of Property Owner**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its proposed development of the Property. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner are prepared or if the Property Owner's financial statements are consolidated with the Property Owner's parent company and audited financial statements of the parent company are prepared (the "Financial Statements"), attach or incorporate by reference to materials on file with the Repositories or Securities and Exchange Commission, the audited Financial Statements of the Property Owner or its parent company. If such audited Financial Statements are prepared but not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby.

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**III. Change in Development or Financing Plans**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement. Describe any change in the provider of the Letter of Credit or provide information regarding a cash deposit in lieu of the Letter of Credit.

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**IV. Status of Tax Payments**

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property.

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**V. Official Statement Updates**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the headings "CONTINUING DISCLOSURE – *Developers*," "COMMUNITY FACILITIES DISTRICT NO. 11 (STONEBRIDGE ESTATES) – General



Information,” “ – Environmental Review,” “ – Environmental Permits” and “Property Ownership and Development” that would materially and adversely interfere with the Property Owner’s ability to develop and sell the Property as described in the Official Statement.

\_\_\_\_\_  
\_\_\_\_\_

**VI. Other Material Information**

In addition to any of the information expressly required above, 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.

\_\_\_\_\_  
\_\_\_\_\_

**Certification**

The undersigned Property Owner hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Continuing Disclosure Agreement dated as of June 1, 2005, executed by the Property Owner in connection with the issuance of the above-captioned bonds.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER’S FINANCING PLAN OR FINANCIAL CONDITION, OR THE IMPROVEMENT AREA C 2005 BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE OR NEWSPAPER OF GENERAL CIRCULATION, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD OR A NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: \_\_\_\_\_

SYCAMORE ESTATES, LLC,  
a Delaware limited liability company

By: McMillin Management Services, L.P.,  
a California limited partnership  
Its: Manager  
By: Corky McMillin Construction Services, Inc.,  
a California corporation  
Its: General Partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT C

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where Issuer is located):

**\$13,475,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C**  
**2005 SPECIAL TAX BONDS**

Provide nine-digit CUSIP® numbers\* if available, to which the information relates:

2008	738855LY9	2018	738855MJ1
2009	738855LZ6	2019	738855MK8
2010	738855MA0	2020	738855ML6
2011	738855MB8	2021	738855MM4
2012	738855MC6	2022	738855MN2
2013	738855MD4	2023	738855MP7
2014	738855ME2	2024	738855MQ5
2015	738855MF9	2025	738855MR3
2016	738855MG7	2030	738855MS1
2017	738855MH5	2035	738855MT9

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP® number(s),\* if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP® numbers.)

**TYPE OF FILING:**

Electronic (number of pages attached) \_\_\_\_\_  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: \_\_\_\_\_

**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:** \_\_\_\_\_

**B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

**Fiscal Period Covered:** \_\_\_\_\_

**C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

**D.  Notice of Failure to Provide Annual Financial Information as Required**

**E.  Other Secondary Market Information (Specify):** \_\_\_\_\_

**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Obligor Web site Address \_\_\_\_\_

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

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**APPENDIX G**

**FORMS OF OPINIONS OF BOND COUNSEL**

*Upon delivery of the Bonds, Best, Best & Krieger, San Diego, California, Bond Counsel to Community Facilities District No. 11 (StoneBridge Estates) of the Poway Unified School District, proposes to render their final approving opinions with respect to Improvement Area B 2005 Bonds and Improvement Area C 2005 Bonds in substantially the following forms:*

June 16, 2005

Board of Education  
Poway Unified School District  
13626 Twin Peaks Road  
Poway, CA 92064-3098

**\$9,035,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA B 2005 SPECIAL TAX BONDS**

**BOND OPINION**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Poway Unified School District (the "District") of Community Facilities District No. 11 (StoneBridge Estates) Improvement Area B 2005 Special Tax Bonds in the aggregate principal amount of \$9,035,000 ("Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) and Resolution No. 53-2005 adopted by the Board of Education of the Poway Unified School District (the "School District") acting in its capacity as the Legislative Body of the District on May 23, 2005, and the Bond Indenture executed in connection therewith dated as of June 1, 2005, by and between the District and Zions First National Bank, as Fiscal Agent (the "Bond Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Indenture.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds (the "District Proceedings"). We have also examined certificates and representations of fact made by public officials and officers of the District and the School District, the underwriter, certain Property Owners and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering this opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the accuracy of the factual matters represented, warranted or certified therein.

The Bond Indenture and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions

set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

No opinion is expressed herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events occur. As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Indenture, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

It is to be understood that the rights and obligations under the Bonds and the Bond Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted, affecting the enforcement of creditors' rights and remedies, to the application of equitable principles when equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The District has the full right, power and authority to levy and pledge the Improvement Area B 2005 Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of the District payable solely from and secured by an irrevocable first lien on the Net Improvement Area B Special Tax Revenues, and from certain other funds and accounts pursuant to the Bond Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than the District).

2. The Bond Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although it should be noted that with respect to corporations, such interest will be excluded as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Respectfully Submitted,

BEST BEST & KRIEGER LLP

June 16, 2005

Board of Education  
Poway Unified School District  
13626 Twin Peaks Road  
Poway, CA 92064-3098

**\$13,475,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 11**  
**(STONEBRIDGE ESTATES)**  
**IMPROVEMENT AREA C 2005 SPECIAL TAX BONDS**

**BOND OPINION**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Poway Unified School District (the "District") of Community Facilities District No. 11 (StoneBridge Estates) Improvement Area C 2005 Special Tax Bonds in the aggregate principal amount of \$13,475,000 (the "Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) and Resolution No. 53-2005 adopted by the Board of Education of the Poway Unified School District (the "School District") acting in its capacity as the Legislative Body of the District on May 23, 2005, and the Bond Indenture executed in connection therewith dated as of June 1, 2005, by and between the District and Zions First National Bank, as Fiscal Agent (the "Bond Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Indenture.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds (the "District Proceedings"). We have also examined certificates and representations of fact made by public officials and officers of the District and the School District, the underwriter, certain Property Owners and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering this opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the accuracy of the factual matters represented, warranted or certified therein.

The Bond Indenture and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

No opinion is expressed herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events occur. As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Indenture, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

It is to be understood that the rights and obligations under the Bonds and the Bond Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted, affecting the enforcement of creditors' rights and remedies, to the application of equitable principles when equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The District has the full right, power and authority to levy and pledge the Improvement Area C 2005 Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of the District payable solely from and secured by an irrevocable first lien on the Net Improvement Area C Special Tax Revenues, and from certain other funds and accounts pursuant to the Bond Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than the District).

2. The Bond Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although it should be noted that with respect to corporations, such interest will be excluded as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Respectfully Submitted,

BEST BEST & KRIEGER LLP



## APPENDIX H

### BOOK-ENTRY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2005 Bonds, payment of principal of and interest on the 2005 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2005 Bonds, confirmation and transfer of beneficial ownership interests in the 2005 Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2005 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District, the School District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect 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.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2005 Bonds. The 2005 Bonds 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 2005 Bond will be issued for each maturity of the 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. 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) and [www.dtc.org](http://www.dtc.org).

Purchases of 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2005 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 2005 Bonds

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 the 2005 Bonds, except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the 2005 Bonds 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 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2005 Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2005 Bonds documents. For example, Beneficial Owners of the 2005 Bonds may wish to ascertain that the nominee holding the 2005 Bonds 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 Fiscal Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2005 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community Facilities District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2005 Bonds 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 the Community Facilities District or the Fiscal 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, the Fiscal Agent or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District or the Fiscal 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.

DTC may discontinue providing its service as depository with respect to the 2005 Bonds at any time by giving reasonable notice to the Community Facilities District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2005 Bond certificates are required to be printed and delivered.

The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2005 Bond certificates will be printed and delivered to DTC.

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

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the 2005 Bonds, or (b) the Community Facilities District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the Community Facilities District will discontinue the Book-Entry System with DTC for the 2005 Bonds. If the Community Facilities District determines to replace DTC with another qualified securities depository, the Community Facilities District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the 2005 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Community Facilities District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2005 Bonds, then the 2005 Bonds shall no longer be restricted to being registered in the 2005 Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2005 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2005 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2005 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2005 Bonds will be transferable and exchangeable as provided in the Indenture.

*The Community Facilities District and the Fiscal Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the 2005 Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the 2005 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2005 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2005 Bonds or the Indenture. The Community Facilities District and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the 2005 Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Community Facilities District and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the 2005 Bonds or any error or delay relating thereto.*

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