

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 2007 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.

\$37,910,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2007

Dated: Date of Delivery

Due: September 1, as shown below

The Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the “2007 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and the Bond Indenture, dated as of August 1, 2002 (the “Original Bond Indenture”), by and between the Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, successor to State Street Bank and Trust Company of California, N.A., as fiscal agent (the “Fiscal Agent”), as amended and supplemented by the First Supplemental Bond Indenture, dated as of November 1, 2005, by and between the Community Facilities District and the Fiscal Agent (the “First Supplemental Indenture”), and as amended and supplemented by the Second Supplemental Bond Indenture, dated as of June 1, 2007, by and between the Community Facilities District and the Fiscal Agent (the “Second Supplemental Indenture,” and together with the Original Bond Indenture and the First Supplemental Indenture, the “Bond Indenture”). The 2007 Bonds are being issued on a parity with the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2002 (the “2002 Bonds”) and the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2005 (the “2005 Bonds”) and any additional parity bonds issued under the Bond Indenture. The 2007 Bonds are payable from proceeds of Special Taxes (as defined herein) levied on property within the Community Facilities District according to the Rate and Method of Apportionment of Special Tax approved by the qualified electors of the Community Facilities District 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 2007 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain school facilities (the “School Facilities”), (ii) to pay the premium for the reserve fund surety bond, and (iii) to pay the costs of issuing the 2007 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2007 BONDS” herein.

Interest on the 2007 Bonds is payable on March 1, 2008, and semiannually thereafter on each March 1 and September 1. The 2007 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2007 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 2007 Bonds as described herein under “THE 2007 BONDS — Book-Entry and DTC.”

Payment of the principal of and interest on the 2007 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2007 Bonds.

Ambac

The 2007 Bonds are subject to optional redemption, mandatory redemption from prepayment of Special Taxes and mandatory redemption as described herein.

THE 2007 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2007 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 2007 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 2007 BONDS. NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2007 BONDS. THE 2007 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 LEVIED, 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 2007 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 2007 Bonds.

The 2007 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. In addition, certain other legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP, San Diego, California, as the general counsel for said entities. Certain legal matters will be passed upon for the Community Facilities District by McFarlin & Anderson LLP, Lake Forest, California, Disclosure Counsel. It is anticipated that the 2007 Bonds, in book-entry form, will be available for delivery through the services of DTC in New York, New York on or about July 26, 2007.

STONE & YOUNGBERG LLC

MATURITY SCHEDULE

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2007**

\$15,975,000 Serial Bonds

Base CUSIP® No. 738855[†]

Maturity	Principal	Interest		CUSIP®	Maturity	Principal	Interest		CUSIP
<u>(September 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>No.†</u>	<u>(September 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>No.†</u>
2008	\$25,000	4.500%	3.650%	RP2	2018	\$830,000	4.000%	4.380%	RZ0
2009	245,000	4.500%	3.750%	RQ0	2019	910,000	4.100%	4.480%	SA4
2010	295,000	4.500%	3.830%	RR8	2020	1,000,000	4.375%	4.580%	SB2
2011	350,000	4.500%	3.880%	RS6	2021	1,095,000	4.500%	4.630%	SC0
2012	410,000	4.500%	3.950%	RT4	2022	1,195,000	5.000%	4.580% ⁽¹⁾	SD8
2013	470,000	4.500%	4.020%	RU1	2023	1,310,000	5.000%	4.610% ⁽¹⁾	SE6
2014	535,000	4.000%	4.070%	RV9	2024	1,430,000	5.000%	4.630% ⁽¹⁾	SF3
2015	605,000	4.000%	4.150%	RW7	2025	1,555,000	5.000%	4.650% ⁽¹⁾	SG1
2016	675,000	4.500%	4.230%	RX5	2030	2,290,000	5.000%	4.720% ⁽¹⁾	SH9
2017	750,000	4.000%	4.280%	RY3					

\$7,625,000 4.750% Term 2007 Bonds due September 1, 2029 Yield 98.515% CUSIP® No. 738855SK2[†]
 \$14,310,000 5.000% Term 2007 Bonds due September 1, 2035 Yield 101.741%⁽¹⁾ CUSIP® No. 738855SJ5[†]

⁽¹⁾ Priced to optional par call date of September 1, 2017.

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POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

DISTRICT CHIEF ADMINISTRATORS

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

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COMMUNITY FACILITIES DISTRICT AND THE SCHOOL DISTRICT**

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Dolinka Group, 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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.

Ambac Assurance Corporation (“Ambac Assurance”) makes no representation regarding the 2007 Bonds or the advisability of investing in the 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of the Official Statement other than the information supplied by Ambac Assurance and presented under the captions “BOND INSURANCE” and APPENDIX H –“Specimen Financial Guaranty Insurance Policy” herein.

THE 2007 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2007 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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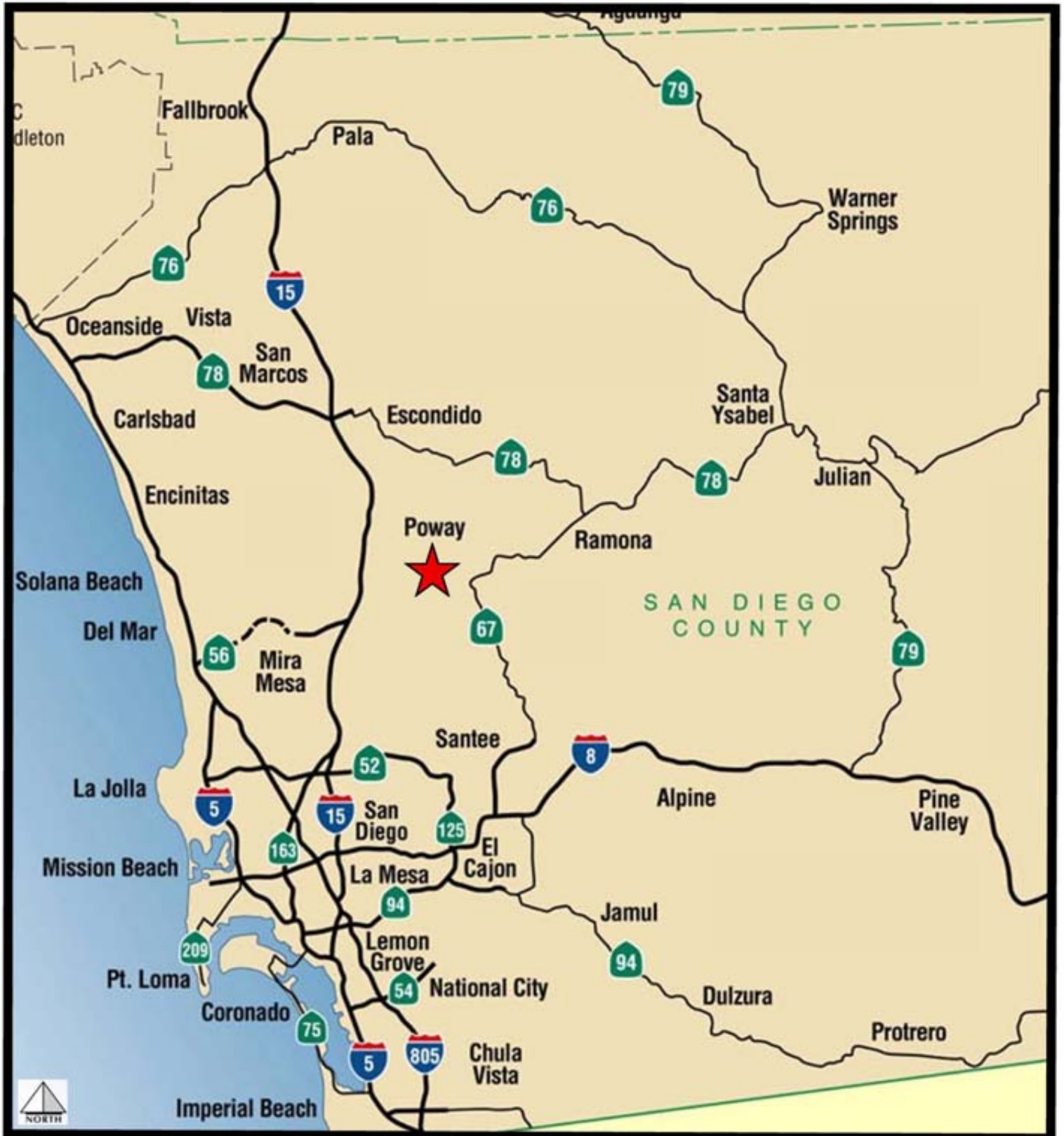
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Poway Unified School District **(San Diego County, California)**

Regional Location Map



POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT No. 6 (4S RANCH)



Flight Date: April 13, 2007
Boundaries are approximate

OFFICIAL STATEMENT

\$37,910,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2007

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 2007 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. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the “2007 Bonds”).

The 2007 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of August 1, 2002 (the “Original Bond Indenture”), by and between Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, successor to State Street Bank and Trust Company of California, N.A., as fiscal agent (the “Fiscal Agent”), as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2005, by and between the Community Facilities District and the Fiscal Agent (the “First Supplemental Indenture”), and as amended and supplemented by the Second Supplemental Indenture, dated as of June 1, 2007, by and between the Community Facilities District and the Fiscal Agent (the “Second Supplemental Indenture,” and together with the Original Bond Indenture and the First Supplemental Indenture, the “Bond Indenture”). See “THE 2007 BONDS – Authority of Issuance” herein. The Community Facilities District may issue additional bonds totaling up to \$22,785,000 payable on a parity with the 2007 Bonds and has issued \$25,000,000 aggregate principal amount of Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2002 (the “2002 Bonds”) on October 10, 2002, of which \$24,835,000 were outstanding as of June 1, 2007, and \$44,305,000 aggregate principal amount of the Series 2005 Bonds (the “2005 Bonds”) on November 22, 2005, of which \$44,225,000 were outstanding as of June 1, 2007, pursuant to the provisions of the Bond Indenture. See “SECURITY FOR THE 2007 BONDS – Parity Bonds.”

The School District

The Poway Unified School District (the “School District”) is located in the central portion of San Diego County (the “County”). The School District was originally formed in 1962. The School District currently covers approximately 100 square miles and includes the City of Poway and portions of the City of San Diego and the County, including the communities of Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santaluz, Santa Fe Valley, Torrey Highlands and 4S Ranch. The School District currently operates 23 elementary schools, six middle schools, four comprehensive high schools, one continuation high school and one adult school. The School District’s projected average daily attendance (“ADA”) computed in accordance with the State of California (the “State”) law for the 2006-07 academic year is approximately 31,738. As of January 1, 2007, the estimated population within the School District’s boundaries was approximately 177,577 and approximately 32,873 students attend schools in the School District.

The Community Facilities District

The Community Facilities District was formed and established by the School District on March 24, 1998 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. At a landowner election held on March 24, 1998 the qualified electors of the Community Facilities District, by more than a two-thirds vote,

authorized the Community Facilities District to incur a bonded indebtedness of the Community Facilities District to finance the acquisition and construction of certain school facilities (the “School Facilities”) and approved the levy of special taxes. The qualified electors of the Community Facilities District authorized bonded indebtedness in the aggregate not-to-exceed principal amount of \$130,000,000 and approved the levy of annual special taxes (the “Special Taxes”) in the Community Facilities District pursuant to a rate and method of apportionment (the “Rate and Method”).

In 2002, the owners of property within portions of the Community Facilities District requested the School District to form three separate improvement areas (each an “Improvement Area”) within a portion of the Community Facilities District and to authorize the issuance of bonds to finance road, water, sewer, drainage, fire station, park, public library and additional school facilities and public facilities (the “Infrastructure Improvements”) in the aggregate principal amount of approximately \$62,000,000, such amount to be payable from special taxes levied pursuant to a separate rate and method of apportionment of special tax with respect to each Improvement Area within the Community Facilities District. The allocation of such authorization among Improvement Area A, Improvement Area B and Improvement Area C, and the amount of Improvement Area Bonds (referred to hereafter as “Improvement Area A Bonds,” “Improvement Area B Bonds” and “Improvement Area C Bonds”) issued as of the date hereof is as follows:

Bonds	Authorized Aggregate Principal Amount	Issued Aggregate Principal Amount	Date of Issuance
Improvement Area A Bonds	\$18,000,000	\$18,000,000	December 19, 2002
Improvement Area B Bonds	30,000,000	30,000,000	November 22, 2005
Improvement Area C Bonds	<u>14,000,000</u>	<u>-0-</u>	N/A
Total	\$62,000,000	\$48,000,000	

With respect to the \$130,000,000 of bonds authorized to be issued by the Community Facilities District, the Community Facilities District has previously issued its 2002 Bonds and 2005 Bonds in the amounts and on the date set forth below and the 2007 Bonds, as indicated below, is also allocable to the \$130,000,000 bond authorization:

Bonds	Issued Aggregate Principal Amount	Date of Issuance
2002 Bonds	\$25,000,000	October 10, 2002
2005 Bonds	44,305,000	November 22, 2005
2007 Bonds	<u>37,910,000</u>	July 26, 2007
Total	\$107,215,000	

The Community Facilities District levies a separate special tax pursuant to the applicable Community Facilities District and levies a separate special tax pursuant to the Improvement Area A Rate and Method of Apportionment of Special Tax and Improvement Area B Rate and Method of Apportionment of Special Tax. No cross-collateralization exists between bonds of the Community Facilities District (i.e., the 2002 Bonds, the 2005 Bonds and the 2007 Bonds) and bonds with respect to Improvement Area A, Improvement Area B and Improvement Area C. The Community Facilities District levies a special tax pursuant to the Community Facilities District Rate and Method of Apportionment of Special Tax for the 2002 Bonds, the 2005 Bonds and the 2007 Bonds. See “SECURITY FOR THE 2007 BONDS – Rate and Method.”

The cost of the School Facilities funded by the Community Facilities District is expected to exceed the cost of the Infrastructure Improvements funded by the Improvement Areas. The School Facilities will be financed through the levy of an annual Special Tax on Developed Property (and Undeveloped Property if necessary) as set forth in the Community Facilities District Rate and Method. In Fiscal Year 2007-08 Special Taxes on Developed Property in the Community Facilities District are estimated to be sufficient to pay debt service on the 2002 Bonds, the 2005 Bonds and the 2007 Bonds. The School District will use such

Special Taxes and a portion of the proceeds of the 2007 Bonds and any Parity Bonds for the acquisition, construction, rehabilitation and improvement of the School Facilities. The 2007 Bonds are secured by or payable from the Special Tax levied to finance the School Facilities. The 2007 Bonds will only finance School Facilities and will not finance Infrastructure Improvements. The 2007 Bonds will not be secured by or payable from the special tax proposed to be authorized to be levied to finance the Infrastructure Improvements.

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 north and south of Rancho Bernardo Road, approximately two miles west of Interstate 15, in the northern unincorporated portion of the County. The Community Facilities District lies within the area of the new master-planned community known as "4S Ranch" and is part of the specific plan area known as "4S Ranch." The Community Facilities District is an extension of the on-going development of the community of Rancho Bernardo. The Community Facilities District is comprised of approximately 2,888 gross acres (approximately 553 net acres) proposed for approximately 4,500 residential units. As of January 1, 2007, approximately 3,152 residential units were classified as Developed Property, of which 2,455 are single-family detached units, 697 are single-family attached units and approximately 141 are expected to be affordable dwelling units (120 in Neighborhood One and 21 in Neighborhood Four). See "COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – General Information" herein. The area consists of rolling terrain with slopes and knolls. Within the Community Facilities District approximately 1,612 acres is designated as natural open space and approximately 195 acres is designated as managed open space for brush management and major internal slopes.

The property within the Community Facilities District is being developed in phases, which are referred to as Neighborhoods One, Two, Three and Four. As described below, sales to merchant builders commenced in Neighborhood One in 2000, in Neighborhood Two in 2002, and in Neighborhood Three in 2004. Land within Neighborhood Three is currently under development.

The property within the Community Facilities District was primarily owned by 4S Kelwood General Partnership, a California general partnership ("4S Kelwood") (approximately 1,681 gross acres). 4S Kelwood has acted as the master developer with portions sold from time to time to merchant builders which then construct homes and sell to individual homeowners. It is expected that approximately 520 net acres originally owned by 4S Kelwood of the 553 net acres in the Community Facilities District proposed for residential development will be subject to the Special Tax. (In addition, there are approximately 33 acres adjacent to Neighborhood Four which are owned by another landowner, 4S Ranch Company 600, L.P., which may be developed with approximately 25 to 36 Detached Units.) At build-out, the Community Facilities District is expected to be comprised of approximately 4,500 residential units and some commercial and industrial property and school sites. As mentioned above, approximately 25 to 36 of the 3,080 Detached Units may be constructed on property within the Community Facilities District which was not within the property initially owned by 4S Kelwood. Of the approximately 1,279 Attached Units, approximately 519 units are a portion of a 540-unit apartment complex completed on a site zoned for commercial use in Neighborhood Four. The apartment complex has been completed and the owner prepaid the Special Taxes for those units which were not Affordable Units. The remaining units in the apartment complex are the 21 Affordable Units mentioned above.

Annual Special Taxes will be levied on Taxable Property for the acquisition and construction of elementary, middle, and high 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 related expenses. There is also a One-Time Special Tax to be levied on the date a building permit is issued for the construction of a structure other than a residential structure for such purposes. This One-Time Special Tax is not pledged to payment of the Bonds.

Based on estimated aggregated debt service on the 2002 Bonds, the 2005 Bonds and the 2007 Bonds and Administrative Expenses which are approximately \$44,163.23 for the bond year ending September 1, 2008, it is estimated that 3,152 building permits issued prior to January 1, 2007 (the cutoff date for Developed Property pursuant to the Rate and Method), are sufficient for the Fiscal Year 2007-08 Special Tax levy to be on Developed Property only, with no levy on Undeveloped Property. A portion of the Developed Property levy will relate to homes owned by Merchant Builders and a portion of the levy relates to 239 lots for which building permits were issued as of January 1, 2007, some of which were vacant and some of which had homes under construction as of April 15, 2007, the date of the Appraisal. See "COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)" for a description of the Community Facilities District and the development within the Community Facilities District.

As of April 15, 2007, the Appraisal (as defined below) indicates that the completed homes as of April 15, 2007, including completed-sold homes (closed sales from a Merchant Builder to a homeowner) and completed -unsold homes (still owned by a Merchant Builder, either as a model home or a production home) aggregate approximately 2,913 residential units (approximately 2,352 Detached Units, 561 Attached Units and excluding 120 Affordable Units, completed in Neighborhood 1).

Various merchant builders are, or have been, involved in development within the Community Facilities District. Such merchant builders are each individually referred to as a "Merchant Builder" and collectively referred to as the "Merchant Builders." 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. 6 (4S RANCH)" herein.

Purpose of the 2007 Bonds

The Community Facilities District was formed pursuant to a School Impact Mitigation Agreement, dated as of February 1, 1998, among the School District, 4S Kelwood General Partnership, a California General Partnership, 4S Ranch Company, a California limited partnership and 4S Ranch Company 600, L.P., a California limited partnership (the "Impact Mitigation Agreement"). The Impact Mitigation Agreement originally 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 was amended by a supplement to the Impact Mitigation Agreement, dated June 17, 2002, to, among other things, provide for the issuance of bonds of the Improvement Areas to fund Improvement Area Facilities. See "SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2007 BONDS," "SECURITY FOR THE 2007 BONDS – Rate and Method – *Community Facilities District Rate and Method*" and "COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)" herein.

Sources of Payment for the 2007 Bonds

The 2007 Bonds are secured by and payable from a first pledge of "Net Special Tax Revenues," which is defined in the Bond Indenture as proceeds of the Special Taxes levied and received by the Community Facilities District, including the net amounts (the "Delinquency Proceeds") 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 Administrative Expenses (as defined in the Bond Indenture) not to exceed \$44,163.23 for Fiscal Year 2007-08 and subject to escalation by 2% each year. "Special Taxes" are defined in the Bond Indenture as the proceeds of the special taxes levied and received by the Community Facilities District and the Delinquency Proceeds as described above.

Pursuant to the Act, the Rate and Method, the Resolution of Formation (as defined herein) and the Bond Indenture, so long as the 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 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 the Community

Facilities District for inclusion on the next real property tax roll. See “SECURITY FOR THE 2007 BONDS – Special Taxes” herein.

The 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, including the Affordable Units, subject to certain limitations. See “SECURITY FOR THE 2007 BONDS – Rate and Method” and “BONDOWNERS’ RISKS – Exempt Properties.”

The 2007 Bonds are secured by a first pledge of all moneys deposited in the Reserve Fund. See “SECURITY FOR THE 2007 BONDS.” The Reserve Fund established out of the proceeds of the sale of the 2002 Bonds was increased with a portion of the proceeds of the 2005 Bonds. The amount of the Reserve Requirement (as defined below) will increase with the issuance of the 2007 Bonds, but the Community Facilities District will satisfy the increase in the Reserve Requirement due to issuance of the 2007 Bonds through a Surety Bond issued by Ambac Assurance Corporation (“Ambac Assurance”). The Bond Indenture defines 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 Bonds, (ii) 125% of the then average annual debt service on the Bonds or (iii) 10% of the initial principal amount of the Bonds, 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 the Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District. The moneys in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the Bonds. See “SECURITY FOR THE 2007 BONDS – Reserve Fund.”

The Community Facilities District has also covenanted in the Bond Indenture 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 2007 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 2007 BONDS. OTHER THAN THE SPECIAL TAXES OF THE COMMUNITY FACILITIES DISTRICT, NO TAXES ARE PLEDGED TO THE PAYMENT OF 2007 BONDS. EXCEPT FOR THE SPECIAL TAXES AND MONEYS RECEIVED UNDER THE INSURANCE POLICY AND THE SURETY BOND, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE 2007 BONDS. THE 2007 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 THE COMMUNITY FACILITIES DISTRICT AS MORE FULLY DESCRIBED HEREIN.

Insurance Policy

The scheduled payment of the principal of and interest on the 2007 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2007 Bonds by Ambac Assurance Corporation (“Ambac Assurance”). Pursuant to the Bond Indenture, Ambac Assurance will be deemed to be the sole owner of the Bonds and the Special Tax Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Bonds or the Special Tax Bonds are entitled to take pursuant to the Bond Indenture. See “BOND INSURANCE” and APPENDIX H – “Specimen Financial Guaranty Insurance Policy” herein.

Appraisal

An MAI appraisal of the land and existing improvements for the development within the Community Facilities District dated April 27, 2007 (the “Appraisal”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with the issuance of the 2007 Bonds. The purpose of the appraisal was to estimate the minimum market value of only the properties with the Community Facilities

District that consisted of completed homes as of April 15, 2007, as segregated into the 31 different tracts of homes. The Appraisal is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of April 15, 2007, the Appraiser estimated that the market value of the property within the Community Facilities District (subject to the lien of the Special Taxes), including completed sold homes and completed unsold homes was \$2,088,430,000. See “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – Appraised Property Values; Appraisal,” “ – Direct and Overlapping Debt” and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Appraisal, for limiting conditions relating to the Appraisal and for information relating to overlapping indebtedness.

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 2007 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 2007 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Risk Factors Associated with Purchasing the 2007 Bonds

Investment in the 2007 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 materials set forth herein, in considering the investment quality of the 2007 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,” “anticipate” 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. 6 (4S RANCH)” and “ – Property Ownership” 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 2007 Bonds and will perform the functions required of it under the Bond Indenture for the payment of the principal of and interest and any premium on the 2007 Bonds and all activities related to the redemption of the 2007 Bonds. Best Best & Krieger LLP, San Diego, California is serving as Bond Counsel to the Community Facilities District. Stone & Youngberg LLC is acting as Underwriter in connection with the issuance and delivery of the 2007 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. Dolinka Group, Inc., Newport Beach, California, acted as Special Tax Consultant, Administrator and Dissemination Agent to the Community Facilities District. Payment of the fees and expenses of the Appraiser is not contingent upon the sale and delivery of the 2007 Bonds.

Except for some Special Tax Consultant work paid from Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Underwriter, the Special Tax Consultant, the Fiscal Agent, Ambac Assurance and the rating agencies is contingent upon the sale and delivery of the 2007 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 2007 Bonds, certain sections of the Bond Indenture, security for the 2007 Bonds, special risk factors, the Community Facilities District, the School District 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 2007 Bonds, the Bond Indenture, 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 2007 Bonds, the Bond Indenture, 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 92064-3034. There may be a charge for copying and delivery of any documents.

CONTINUING DISCLOSURE

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 2007 Bonds, to provide certain financial information and operating data relating to the Community Facilities District and the 2007 Bonds by not later than January 31 in each year commencing on January 31, 2008 (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 Dolinka Group, 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. Any of the required filings under the Community Facilities District Continuing Disclosure Agreement may be made through the “Central Post Office” approved by the Securities Exchange Commission in lieu of filing with the Municipal Securities Rulemaking Board and any State repository. 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 Indenture, 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.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2007 Bonds will be deposited into the following respective accounts and funds established by the School District under the Bond Indenture, as follows:

SOURCES

Principal Amount of 2007 Bonds	\$37,910,000.00
<i>Plus:</i> Net Premium	287,171.00
<i>Less:</i> Underwriter's Discount	<u>(379,100.00)</u>
<i>Total Sources</i>	\$37,818,071.00

USES⁽¹⁾

Deposit into Costs of Issuance Fund ⁽²⁾	\$ 1,293,348.19
Deposit into School Facilities Fund ⁽³⁾	<u>36,524,722.81</u>
<i>Total Uses</i>	\$37,818,071.00

- ⁽¹⁾ No amount will be deposited into the Reserve Fund because the Community Facilities District will obtain the Surety Bond in an amount which, together with the funds on deposit in the Reserve Fund, will equal the Reserve Requirement with respect to the Bonds as of the date of delivery of the 2007 Bonds.
- ⁽²⁾ Includes, among other things, bond insurance premium, surety bond premium, rating agency fees, the fees and expenses of Bond Counsel, Disclosure Counsel, the cost of printing the preliminary and final Official Statements, fees and expenses of the Fiscal Agent, the cost of the Appraisal, the fees of the Special Tax Consultant and reimbursement to the School District.
- ⁽³⁾ See "SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2007 BONDS" below.

SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2007 BONDS

A portion of the proceeds from the sale of the 2007 Bonds will be used, together with other available moneys, to finance Del Norte High School and, to the extent additional funds are available, other eligible school facilities. School Facilities Costs, as defined in the Bond Indenture, include the cost of design, acquisition, construction and installation of school facilities and all costs relating thereto.

THE 2007 BONDS

Authority for Issuance

The 2007 Bonds will be issued pursuant to the Act and the Bond Indenture.

General Provisions

The 2007 Bonds 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 semi-annually on each March 1 and September 1, commencing on March 1, 2008 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2007 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 2007 Bonds. Ownership interests in the 2007 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 2007 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2007 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2007 Bonds in accordance with the procedures adopted by DTC. See "THE 2007 BONDS – Book-Entry and DTC."

The 2007 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 2007 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 2007 Bonds; *provided, however*, that if at the time of authentication of a 2007 Bond, interest is in default, interest on that 2007 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 2007 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 Bonds by wire transfer in immediately available funds (i) to the DTC (so long as the 2007 Bonds are in book-entry form), 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 2007 Bonds are transferred to a new Owner. The principal of the 2007 Bonds and any premium on the 2007 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 2007 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 2007 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions.

Table 1
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Scheduled Annual Debt Service on 2007 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2008	\$25,000	\$1,993,622.60	\$2,018,622.60
2009	245,000	1,815,847.50	2,060,847.50
2010	295,000	1,804,822.50	2,099,822.50
2011	350,000	1,791,547.50	2,141,547.50
2012	410,000	1,775,797.50	2,185,797.50
2013	470,000	1,757,347.50	2,227,347.50
2014	535,000	1,736,197.50	2,271,197.50
2015	605,000	1,714,797.50	2,319,797.50
2016	675,000	1,690,597.50	2,365,597.50
2017	750,000	1,660,222.50	2,410,222.50
2018	830,000	1,630,222.50	2,460,222.50
2019	910,000	1,597,022.50	2,507,022.50
2020	1,000,000	1,559,712.50	2,559,712.50
2021	1,095,000	1,515,962.50	2,610,962.50
2022	1,195,000	1,466,687.50	2,661,687.50
2023	1,310,000	1,406,937.50	2,716,937.50
2024	1,430,000	1,341,437.50	2,771,437.50
2025	1,555,000	1,269,937.50	2,824,937.50
2026	1,690,000	1,192,187.50	2,882,187.50
2027	1,830,000	1,111,912.50	2,941,912.50
2028	1,975,000	1,024,987.50	2,999,987.50
2029	2,130,000	931,175.00	3,061,175.00
2030	2,290,000	830,000.00	3,120,000.00
2031	2,465,000	715,500.00	3,180,500.00
2032	2,655,000	592,250.00	3,247,250.00
2033	2,850,000	459,500.00	3,309,500.00
2034	3,060,000	317,000.00	3,377,000.00
2035	3,280,000	164,000.00	3,444,000.00
	\$37,910,000	\$36,867,232.60	\$74,777,232.60

Redemption

Optional Redemption. The 2007 Bonds maturing on and after September 1, 2018 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 September 1, 2017, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, from any source of funds, at a redemption price equal to the principal amount of the 2007 Bonds to be redeemed, together with accrued interest to the date of redemption.

Whenever provision is made for the optional redemption of less than all of the 2007 Bonds, the Fiscal Agent shall select the 2007 Bonds to be redeemed, among maturities as directed in writing by an Authorized Representative, who shall specify the 2007 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Outstanding 2007 Bonds following such redemption as was in effect prior to such redemption. The Fiscal Agent shall select 2007 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Extraordinary Mandatory Redemption of 2007 Bonds. The 2007 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. An Authorized Representative 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 2007 Bonds. Such extraordinary mandatory redemption of the 2007 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2007 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 2015	103%
September 1, 2015 and March 1, 2016	102
September 1, 2016 and March 1, 2017	101
September 1, 2017 and any Interest Payment Date thereafter	100

Whenever provision is made for the extraordinary mandatory redemption of less than all of the 2007 Bonds, the Fiscal Agent shall select the 2007 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2007 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Mandatory Sinking Fund Redemption of 2007 Bonds. The 2007 Bonds maturing on September 1, 2029, and September 1, 2035, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2026, and September 1, 2031, respectively, at a redemption price equal to the principal amount of the 2007 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:

2007 BONDS MATURING 2029

<u>Redemption Date</u> (September 1)	<u>Principal Amount</u>
2026	\$1,690,000
2027	1,830,000
2028	1,975,000
2029 (maturity)	2,130,000

2007 BONDS MATURING 2035

<u>Redemption Date</u> (September 1)	<u>Principal Amount</u>
2031	\$2,465,000
2032	2,655,000
2033	2,850,000
2034	3,060,000
2035 (maturity)	3,280,000

In the event of a partial redemption of the 2007 Bonds pursuant to the Bond Indenture, each of the remaining mandatory sinking fund payments for such 2007 Bonds within a maturity, as applicable, will be reduced, as nearly as practicable, on a pro rata basis.

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2007 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 any optional, mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2007 Bonds at public or private sale as and when, and at such prices as such written direction may provide; *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 such Bonds were to be redeemed in accordance with the 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 2007 Bonds at the addresses appearing on the 2007 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 2007 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 2007 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 2007 Bonds to be redeemed, and in the case of 2007 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2007 Bonds of a maturity, the numbers of the 2007 Bonds of such maturity need not be stated; (d) state that such 2007 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2007 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2007 Bonds as originally issued; (g) state the rate of interest borne by each 2007 Bond being redeemed; and (h) state that any other descriptive information needed to identify accurately the 2007 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 Bond Indenture, and when the amount necessary for the redemption of the 2007 Bonds called for redemption has been set aside for that purpose in the Redemption Fund as to 2007 Bonds subject to optional redemption or the 2007 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2007 Bonds at the place specified in the notice of redemption, said 2007 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2007 Bonds or portions of 2007 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2007 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2007 Bonds or portions of 2007 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 2007 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 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 2007 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 Owner or his attorney or legal representative, in satisfactory form. Upon any such registration of transfer, a new 2007 Bond or Bonds shall be authenticated and delivered in exchange for such 2007 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 2007 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) 2007 Bonds for a period of 15 days next preceding the date of any selection of the 2007 Bonds for redemption, or (ii) any 2007 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 2007 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the Bond Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2007 Bond.

Book-Entry and DTC

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2007 Bonds. The 2007 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 2007 Bond certificate will be issued for each maturity of the 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX G – “Book-Entry and DTC.”

Debt Service Coverage

Table 2
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Debt Service Coverage From Net Special Tax Revenues

Period Ending September 1	Net Special Tax Revenues	2002 Bonds Debt Service	2005 Bonds Debt Service	2007 Bonds Debt Service	Debt Service Coverage
2007	\$4,427,045.85	\$785,982.50	\$1,172,446.88	\$0.00	NA
2008	6,597,653.24	1,487,595.00	2,327,943.76	2,018,622.60	113.09%
2009	6,729,605.50	1,516,595.00	2,374,268.76	2,060,847.50	113.07%
2010	6,864,197.57	1,548,825.00	2,418,456.26	2,099,822.50	113.14%
2011	7,001,480.62	1,579,150.00	2,470,256.26	2,141,547.50	113.09%
2012	7,141,509.29	1,612,490.00	2,513,993.76	2,185,797.50	113.14%
2013	7,284,339.22	1,643,540.00	2,570,393.76	2,227,347.50	113.09%
2014	7,430,025.02	1,677,210.00	2,617,843.76	2,271,197.50	113.15%
2015	7,578,625.32	1,708,175.00	2,672,368.76	2,319,797.50	113.11%
2016	7,730,197.73	1,741,335.00	2,727,988.76	2,365,597.50	113.10%
2017	7,884,800.84	1,776,345.00	2,784,318.76	2,410,222.50	113.11%
2018	8,042,496.26	1,812,845.00	2,835,958.76	2,460,222.50	113.13%
2019	8,203,345.57	1,850,460.00	2,893,518.76	2,507,022.50	113.13%
2020	8,367,412.34	1,888,800.00	2,951,518.76	2,559,712.50	113.07%
2021	8,534,760.15	1,927,460.00	3,009,231.26	2,610,962.50	113.08%
2022	8,705,454.55	1,961,020.00	3,075,231.26	2,661,687.50	113.09%
2023	8,879,563.10	2,004,320.00	3,130,231.26	2,716,937.50	113.09%
2024	9,057,154.34	2,042,395.00	3,194,481.26	2,771,437.50	113.10%
2025	9,238,296.81	2,085,245.00	3,257,231.26	2,824,937.50	113.11%
2026	9,423,062.03	2,127,320.00	3,323,231.26	2,882,187.50	113.08%
2027	9,611,522.51	2,167,000.00	3,389,825.00	2,941,912.50	113.09%
2028	9,803,752.76	2,210,240.00	3,458,475.00	2,999,987.50	113.09%
2029	9,999,827.28	2,256,480.00	3,523,668.76	3,061,175.00	113.10%
2030	10,199,823.55	2,300,160.00	3,600,150.00	3,120,000.00	113.08%
2031	10,403,819.04	2,346,000.00	3,671,893.76	3,180,500.00	113.10%
2032	10,611,895.22	2,393,440.00	3,743,643.76	3,247,250.00	113.08%
2033	10,824,132.54	1,921,920.00	4,339,887.50	3,309,500.00	113.09%
2034	11,040,614.45	0.00	6,383,206.26	3,377,000.00	113.12%
2035	11,261,426.38	0.00	6,512,493.76	3,444,000.00	113.11%
Total	\$248,877,839.08	\$50,372,347.50	\$92,944,157.12	\$74,777,232.60	

⁽¹⁾ Coverage is in excess of 110% because in accordance with the requirements of the Bond Indenture, Special Taxes on parcels which are delinquent in the payment of Special Taxes have been excluded from the calculation of the maximum Special Taxes that may be levied pursuant to the Rate and Method when calculating the amount of 2007 Bonds which may be issued under the Parity Bonds requirements of the Bond Indenture. See "SECURITY FOR THE 2007 BONDS – Parity Bonds."

SECURITY FOR THE 2007 BONDS

General

The 2007 Bonds are secured by a first pledge of all of the Net Special Tax Revenues and all moneys deposited in the applicable Bond Service Fund and in the Reserve Fund and, until disbursed as provided in the Bond Indenture, in the applicable Special Tax Fund. Pursuant to the Act and the Bond Indenture, the Community Facilities District will annually levy the Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding 2007 Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the 2007 Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year. The Net Special Tax Revenues and all moneys deposited into the applicable accounts (until disbursed as provided in the Bond Indenture) are pledged to the payment of the principal of, and interest and any premium on, the 2007 Bonds as provided in the Bond Indenture and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities (as defined in the Bond Indenture) have been set aside irrevocably for that purpose.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the School Facilities Fund are not pledged to the repayment of the 2007 Bonds. The School Facilities constructed and acquired with the proceeds of the 2007 Bonds are not in any way pledged to pay the debt service on the 2007 Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the 2007 Bonds are not pledged to pay the debt service on the 2007 Bonds.

Special Taxes

The Community Facilities District has covenanted in the Bond Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes. The 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 Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipt of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2007 Bonds. The Special Taxes levied in the Community Facilities District are not available to pay principal of or interest on the Bonds issued with respect to each proposed Improvement Area. The Special Taxes levied pursuant to each Improvement Area Rate and Method are not available to pay principal of or interest on the 2007 Bonds.

Although the Special Taxes, when levied, will constitute a lien on parcels subject to taxation, it does not constitute a personal indebtedness of the owners of property. There is no assurance that the owners of real property 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 2007 BONDS. OTHER THAN THE SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2007 BONDS. THE 2007 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 MORE FULLY DESCRIBED HEREIN.

Rate and Method

General. In 1998 pursuant to the request of landowners, the School District established the Community Facilities District with respect to approximately 2,888 gross acres of land within the boundaries of the School District, authorized the levy of special taxes therein pursuant to the Community Facilities District Rate and Method, and authorized the issuance of bonded indebtedness to finance School Facilities. In excess of 4,000 units are proposed within the Community Facilities District (of which approximately 141 will be Affordable Units). Approximately 519 of the Attached Units and approximately 21 of the Affordable Units are located in a 540-unit apartment complex in Neighborhood Four on property currently zoned for commercial use. The owner of the apartment complex prepaid its Special Tax for the units which were not Affordable Units. 120 Affordable Units are in Neighborhood One. Affordable Units are not subject to the levy of the Special Tax.

In 2001, 4S Kelwood requested that the School District institute proceedings pursuant to the Act to (a) create a new community facilities district or designate improvement areas in the Community Facilities District and (b) authorize the community facilities district to issue bonded indebtedness and to levy additional special taxes to fund, in addition to those School Facilities authorized to be funded by the Community Facilities District, certain other public improvements. The proceedings to designate the Improvement Areas and authorize this levy of additional special taxes and the issuance of additional bonds were completed on October 21, 2002.

4S Kelwood participated in the proceedings for formation of the Community Facilities District. Pursuant to such proceedings, a Special Tax may be levied and collected within the Community Facilities District to finance School Facilities according to the Rate and Method, a copy of which is set forth in APPENDIX B – “Rate and Method of Apportionment for Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District.”

The qualified electors of the Community Facilities District approved the Rate and Method on March 24, 1998. Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Rate and Method.

Community Facilities District Rate and Method. The Community Facilities District 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 2002 Bonds were issued on October 10, 2002, to fund School Facilities and the 2005 Bonds were issued on November 22, 2005, to fund School Facilities and were secured by any annual Special Tax levied pursuant to the Community Facilities District Rate and Method. The 2007 Bonds, when issued, will fund School Facilities and will be secured by any annual Special Taxes levied pursuant to the Rate and Method. The Rate and Method provides that the Annual Special Tax shall be levied for a term of 25 Fiscal Years after the issuance of the last bond series, but in no event later than Fiscal Year 2045-46. A copy of the Rate and Method is included in Appendix B hereto.

Annual Community Facilities District Special Tax Requirement. Annually, at the time of levying the Special Tax for the Community Facilities District, the Deputy Superintendent shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. The Special Tax Requirement is defined as the amount required to pay the following:

- (i) the regularly scheduled debt service on all Bonds (i.e., the 2002 Bonds, the 2005 Bonds and the 2007 Bonds, applicable to the Community Facilities District, any Parity Bonds or any refunding bonds), which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption;
- (ii) credit or liquidity fees on the Bonds (there are none for the 2007 Bonds);
- (iii) the cost of acquisition or construction of Facilities;
- (iv) Administrative Expenses;

- (v) the costs associated with the release of funds from an escrow account;
- (vi) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the 2002 Bonds, the 2005 Bonds, the 2007 Bonds or any Parity Bonds;
- (vii) lease payments for Facilities; and
- (viii) any other payments permitted by law.

The Undeveloped Special Tax Requirement is an amount calculated based on the remaining amounts required to pay the Special Tax Requirement, after deducting the amounts levied on Developed Property, for payment of the Special Tax Requirement. A Special Tax is authorized to be levied on Undeveloped Property to fund the Undeveloped Special Tax Requirement, if any.

The Community Facilities District Rate and Method also establishes a Special Tax Requirement A, which is an amount required to fund the “Technology Budget” less any amount previously received by the Community Facilities District from 4S Kelwood to fund such Technology Budget in a Fiscal Year in which an elementary school located within or financed by the Community Facilities District is opened. ***The Impact Mitigation Agreement provides that the Community Facilities District will not levy Special Taxes to satisfy the Special Tax Requirement A. The One-Time Special Tax is not collected in connection with construction of a residential structure but is collected on other Undeveloped Property on the date a Building Permit is issued for such Assessor’ Parcel. Therefore, the following description of the Rate and Method does not include reference to the Special Tax Requirement A.*** The Bond Indenture provides that funds in an amount equal to the Special Tax Requirement A and the One-Time Special Tax are not pledged to payment of the 2007 Bonds.

Developed and Undeveloped Property; Exempt Property. The Rate and Method declares that for each Fiscal Year, all Assessor’s Parcels within the Community Facilities District shall be classified as Developed Property, Undeveloped Property or Exempt Property and shall be subject to Special Taxes in accordance with the Rate and Method.

(i) “Developed Property” means all Assessor’s Parcels for which Building Permits for new construction were issued after the formation of the Community Facilities District and on or before January 1 of the prior Fiscal Year.

(ii) “Undeveloped Property” means all Assessor’s Parcels in the Community Facilities District for which no Building Permit was issued after the formation of the Community Facilities District and on or before January 1 of the prior Fiscal Year.

(iii) “Taxable Property” means all Assessor’s Parcels within the Community Facilities District which are not exempt from the special tax pursuant to law or as Exempt Property (as defined below) pursuant to the Rate and Method.

(iv) “Exempt Property” is defined to include the following:

(a) parcels owned by the State, federal or other local governments except as otherwise provided in sections 53317.3, 53317.5 and 53340.1 of the Government Code;

(b) parcels within the boundaries of the Community Facilities District which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization;

(c) parcels used exclusively by a homeowner’s association, parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements; and

(d) Assessor’s Parcels identified entirely as open space on a final map.

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

(i) Undeveloped Property: In any Fiscal Year, the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2007-08 is \$1,218.99 per acre. On each July 1, the Assigned Annual Special Tax per acre shall be increased by 2.00% of the amount in effect in the prior Fiscal Year. ***Although the Rate and Method refers to an Assigned Annual Special Tax for Undeveloped Property in Zone A (as defined in the Rate and Method) which exceeds the rate of the Assigned Annual Special Tax for Undeveloped Property outside of Zone A to fund this Special Tax Requirement A, the Impact Mitigation Agreement provides that the Community Facilities District will not levy Special Taxes to satisfy the Special Tax Requirement A and the effective Assigned Annual Special Tax will be the same for all Undeveloped Property whether or not a parcel is within Zone A.*** Zone A originally encompassed the residential portions of Neighborhoods Three and Four.

(ii) Developed Property: In any Fiscal Year, the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit, which amount may be levied on such Assessor's Parcel when classified as Developed Property in any following Fiscal Year.

In Fiscal Year 2007-08 the Assigned Annual Special Tax is \$2,683.24 for Detached Units and \$1,186.80 for Attached Units. Affordable Units are not subject to the Special Tax. Each July 1, commencing July 1, 2007, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property increases by the greater of the annual percentage change in the Index (as defined in the Rate and Method) or 2.00% of the amount in effect in the prior Fiscal Year. Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to an Assessor's Parcel is increased by 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B – "Rate and Method of Apportionment for Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District - Table 1" herein for a listing of the Assigned Annual Special Tax rates.

Method of Apportionment. The Rate and Method provides that each Fiscal Year, the Deputy Superintendent shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. The Community Facilities District shall levy Annual Special Taxes within the Community Facilities District as follows:

1. The Community Facilities District shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

2. If the Undeveloped Special Tax Requirement is greater than \$0, an Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property at the same amount per acre of Acreage as necessary to satisfy the Undeveloped Special Tax Requirement, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

The Rate and Method refers to a third step in which an Annual Special Tax would be levied on every Assessor's Parcel of Undeveloped Property located in Zone A at the same amount per acre of Acreage as necessary to satisfy the Special Tax Requirement A, up to the Zone A Assigned Annual Special Tax applicable to each such Assessor's Parcel. ***The Impact Mitigation Agreement provides that the Community Facilities District will not levy Special Taxes to satisfy the Special Tax Requirement A.*** Therefore, the effective Assigned Annual Special Undeveloped Properties located in Zone A will be the same as the Assigned Annual Special Tax on Undeveloped Properties located outside of Zone A.

Prepayment of Annual Special Taxes. 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 in full. The Prepayment Amount for an applicable Assessor's Parcel after the issuance of Bonds is calculated based on Bond Redemption Amounts and other costs, all as specified in APPENDIX B – "Rate and Method of Apportionment for Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District – Section G" herein.

In addition, at the time a Final Map is recorded for any Taxable Property, the owner filing said Final Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Map to prepay a portion of the applicable Annual Special Tax obligation, *provided* that the Final Map contains at least 15 Detached Units or 30 Attached Units. The partial prepayment of the Annual Special Tax obligation for every Assessor's Parcel shall be collected prior to the issuance of a Building Permit. These prepayments are pledged to payment of the Bonds.

Special Tax Levy

\$5,256,325.64 in Special Taxes were levied on 2,455 parcels within the Community Facilities District for Fiscal Year 2006-07. All of the foregoing Special Taxes were levied on Developed Property as defined in the Rate and Method. As of January 1, 2007, based on ownership information available to the Community Facilities District through RealQuest, the largest single owner of taxable property in CFD No. 6 in Fiscal Year 2007-08, is estimated to be responsible for Special Taxes for approximately \$141,229 of the Special Taxes within the Community Facilities District, which would represent approximately 2.12% of the total Special Tax levy for Fiscal Year 2007-08. The merchant builders are expected to complete and sell the remaining homes. The timing of sales cannot be predicted.

The table below summarizes the projected Fiscal Year 2007-08 Special Tax levy to be made in accordance with the Rate and Method:

Table 3
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Fiscal Year 2007-08 Special Tax Levy

<u>Land Use</u>	<u>Average Fiscal Year 2007-08 Applied Tax Rate</u>	<u>Units Levied⁽¹⁾</u>	<u>Special Taxes Levied⁽²⁾</u>	<u>Fiscal Year 2007-08 Levy as Percent of Total</u>
Single Family Detached Units	\$2,390.23	2,455	\$5,868,010.60	88.20%
Single Family Attached Units	<u>1,126.15</u>	<u>697</u>	<u>784,923.30</u>	<u>11.80</u>
Total	N/A	3,152	\$6,652,933.90	100.00%

⁽¹⁾ Includes 239 units under construction or vacant lots for which building permits were issued as of January 1, 2007, which will be subject to the Special Tax levy in Fiscal Year 2007-08.

⁽²⁾ Totals may not add due to rounding. No Special Tax is levied on Affordable Units.

Source: Dolinka Group, Inc.

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 the 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 is delinquent in the payment of the Special Taxes in the aggregate amount of

\$5,000 or more or (ii) any single parcel or parcels under common ownership subject to the Special Taxes is delinquent in the payment of the 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 Special Taxes remain delinquent.

Aggregate Delinquencies. If the Community Facilities District determines that it has collected less than 95% of the Special Taxes 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 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 2007 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 Fund is 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 Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the 2007 Bonds by the Bond Indenture.

Insurance Policy

Payments of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the “Insurance Policy”) to be issued simultaneously with the delivery of the Bonds by Ambac Assurance Corporation (“Ambac Assurance”). See “BOND INSURANCE” and APPENDIX H – “Specimen Financial Guaranty Insurance Policy” herein.

Special Tax Fund

Pursuant to the Bond Indenture, the Special Tax Revenues received by the Community Facilities District and Special Tax Revenues representing Prepayments, will be deposited in the 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 Bond Service Fund and the Redemption Fund and utilized to pay the interest and premium, if any, on and the principal of Bonds to be redeemed. Moneys in the 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 2007 Bonds. Pending disbursement, moneys in the Special Tax Fund will be subject to a lien in favor of the Bondowners of the 2007 Bonds as established under the Bond Indenture.

Disbursements. Moneys in the 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 to pay Administrative Expenses; (ii) amounts required to be deposited into the applicable Accounts in the Bond Service Fund in order to pay debt service on the 2007 Bonds, any parity bonds and any refunding bonds on the next Interest Payment Date; (iii) amounts required to replenish the Reserve Fund to the Reserve Requirement (as defined below); (iv) amounts required to reimburse Ambac Assurance for any draws on the Surety Bond; (v) amounts required to fund the Rebate Fund; and (vi) additional amounts required to pay Administrative Expenses. 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 the Bond Indenture), any amounts in excess of such amounts remaining in the Special Tax Fund shall remain on deposit in the Special Tax Fund and shall be subsequently deposited or transferred pursuant to the above provisions; *provided, however*, that if the Community Facilities District notifies the Fiscal Agent that the levy of Special Taxes on Developed Property exceeds the Annual Special Tax Requirement (as defined in the 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 or improvement of School Facilities and related expenses.

Investment. Moneys in the 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 Fund

The Fiscal Agent will hold the Bond Service Fund in trust for the benefit of the Bondowners. Within the 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 the Bond Service Fund and pay to the owners of the 2007 Bonds the principal, interest and any premium then due and payable on the 2007 Bonds, including any amounts due on the 2007 Bonds by reason of the sinking payments or a redemption of the 2007 Bonds.

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

Redemption Fund

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

Reserve Fund

On the Closing Date there shall be credited to the Reserve Fund a Surety Bond in an amount representing the incremental increase in the Reserve Requirement due to the issuance of the 2007 Bonds, so that as of the date of issuance, funds available in the Reserve Fund, together with the Surety Bond, together

aggregate to the Reserve Requirement. See APPENDIX D – “Summary of Certain Provisions of the Bond Indenture.” The Bond Indenture authorizes the Fiscal Agent to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance for the issuance of a Surety Bond for the purpose of funding a portion of the Reserve Fund. The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds.

The Community Facilities District is required to pay Ambac Assurance the principal amount of any draws under the Surety Bond and to pay all related reasonable expenses incurred by Ambac Assurance. Provisions of the Bond Indenture regarding the Surety Bond are set forth in APPENDIX D hereto.

Moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund to pay the principal of, including mandatory sinking payments, and interest on the Bonds when due, in the event that moneys in the Bond Fund are insufficient therefor or (ii) to the defeasance of the Bonds. In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption or a special mandatory redemption or a defeasance of the Bonds in whole or in part, or when the balance therein equals the principal and interest due on the Bonds to and including maturity, or to pay the principal of and interest due on the Bonds to maturity.

The Reserve Requirement is defined in the 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 Bonds, (ii) 125% of the then average annual debt service on the Bonds, or (iii) 10% of the initial principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any.

If Special Taxes are prepaid and a portion of 2007 Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of such 2007 Bonds to be redeemed and the original principal of such 2007 Bonds) will be applied to the redemption of such 2007 Bonds.

Moneys in the 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 Indenture” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Debt Service Reserve Fund; Ambac Assurance Surety Bond

The Bond Indenture requires the establishment of the Reserve Fund in an aggregate amount equal to \$9,702,637.84. The Bond Indenture authorizes the Obligor (as defined in the Financial Guaranty Insurance Policy) to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance for the issuance of a Surety Bond for the purpose of funding a portion of the Reserve Fund (see APPENDIX C – “Summary of Certain Provisions of the Bond Indenture” herein) in the amount of \$2,958,469.44. \$6,744,168.40 of funds is on deposit in the Reserve Fund. The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Fiscal Agent certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Fiscal Agent sufficient to enable the Fiscal Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor’s obligations with respect to the Bonds.

Any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Bond Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument, shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Fiscal Agent or the Paying Agent.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Administrative Expense Fund

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

Pursuant to the Bond Indenture, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the 2007 Bonds.

School Facilities Fund

The Fiscal Agent will deposit proceeds of the 2007 Bonds in the 2007 School Facilities Account of the School Facilities Fund. Moneys in the School Facilities Fund will be disbursed to pay for School Facilities pursuant to a requisition of the Community Facilities District.

Pursuant to the Bond Indenture, moneys in the School Facilities Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the 2007 Bonds.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the 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 the 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 S&P, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX D – “Summary of Certain Provisions of the Bond Indenture” 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 the 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.

Parity Bonds

Bonds issued on a parity with the 2007 Bonds (“Parity Bonds”) may be issued for new money or for refunding purposes and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the 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.

The aggregate principal amount of the Series 2007 Bonds and all Parity Bonds issued may not exceed \$130,000,000; *provided, however*, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds. The amount authorized for Parity Bonds (excluding any refunding bonds) is approximately \$22,785,000.

The Bond Indenture requires that as a precondition to the issuance of Parity Bonds that:

a. The Community Facilities District shall be in compliance with all covenants set forth in the Bond Indenture and any Supplemental Indenture then in effect and a certificate of the Community Facilities District to that effect shall have been filed with the Fiscal Agent; *provided, however*, that Parity Bonds may be issued notwithstanding that the Community Facilities District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the Community Facilities District will be in compliance with all such covenants;

b. The Community Facilities District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that the amount of the maximum Special Taxes that may be levied pursuant to the Rate and Method in each remaining Bond Year based only on the Taxable Property (as such term is defined in the Rate and Method) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; *provided, however*, there shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making the certifications required by this paragraph, the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the Community Facilities District, Bond Counsel and the underwriter of the proposed Parity Bonds;

c. Except in the case of the issuance of Parity Bonds to refund Outstanding Bonds or Parity Bonds, the Community Facilities District has received an Appraisal indicating that (a) the aggregate appraised value of all Taxable Property within the Community Facilities District is not less than three (3) times the aggregate amount of Land Secured Debt (as defined in the Bond Indenture) allocable to such Taxable Property and (b) the aggregate appraised value of all Undeveloped Property within the Community Facilities District is not less than 2.5 times the aggregate amount of Land Secured Debt allocable to such Undeveloped Property; and

d. Such further documents, money and securities as are required by the provisions of the Bond Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

See APPENDIX D – “Summary of Certain Provisions of the Bond Indenture.”

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 are not included in the County’s Teeter Program.

BOND INSURANCE

Payments Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (“Ambac Assurance”) has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the 2007 Bonds, effective as of the date of issuance of the 2007 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal and interest on the 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Fiscal Agent. The insurance will extend for the term of the 2007 Bonds and, once issued, cannot be canceled by Ambac Assurance. See APPENDIX H –“Specimen Financial Guaranty Insurance Policy” herein.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2007 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all Outstanding Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on Outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2007 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance’s obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Fiscal Agent has notice that any payment of principal of or interest on a 2007 Bond that has become Due for Payment and that is made to an Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption), or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the 2007 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2007 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Owner entitlement to interest payments and an appropriate assignment of the Owner’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2007 Bonds, appurtenant coupon, if any, or right to payment of principal of or interest on such 2007 Bonds and will be fully subrogated to the surrendering Owner's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Financial Guaranty Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and licensed is to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,194,000,000 (unaudited) and statutory capital of approximately \$6,557,000,000 (unaudited) as of March 31, 2007. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

Ambac Assurance makes no representation regarding the 2007 Bonds or the advisability of investing in the 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE" and APPENDIX H – "Specimen Financial Guaranty Insurance Policy."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and filed on March 1, 2007;
2. The Company's Current Report on Form 8-K dated and filed on April 25, 2007; and

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007, and filed on May 10, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."



- Neighborhood No. 1
- Neighborhood No. 2
- Neighborhood No. 3
- Neighborhood No. 4

DEVELOPMENT SUMMARY				
SHEET	PLANNING AREA NUMBER	TRACT/SIDE	MIN. LOT SIZE / ZONE	NO. DUs
1	1	OPEN SPACE		-
K HOMES	2	SPD	60 x 100	24
MIDDLE HOMES	3	MIDDLE SCHOOL		-
	4	SPD	110 x 120	66
	5	OPEN SPACE		-
K HOMES	6	SPD	70 x 100	27
FEELTONE COM	7	SPD	60 x 100	45
100 PACIFIC	8	SPD	88 x 128	108
	9	OPEN SPACE		-
ALICE	10	SPD	60 x 100	24
GENE	11	SPD	60 x 100	24
ONYX/ONYX	12	3067-6	20 x 100	108
BIE	13	SPD	45 x 100	32
	14	PARK		-
MILM / 10K HOMES	15	3067-3	60 x 100	122
SHARON	16	3067-4	70 x 100	126
	17	PUMP STATION		-
FEELTONE COM	18	3067-2	35 x 90	102
SEA COUNTRY	19	2068	RVA	132
PRESE	20	MP LOW	128	120
	21	WATER RECLAMATION PLANT		-
	22	COMMERCIAL	C20	-
	23	RECLAIMED WATER RESERVOIR		-
PROTECTED HOMES	24	3067-8	50 x 100	24
MILM / 10K HOMES	25	3058	PV-12	200
MILM / 10K HOMES	26	3058	PV-8	54
FLAND HOMES	27	3067-1	60 x 100	72
PROTECTED HOMES	28	3047-7	50 x 100	48
DE HOFEN	29	3067-2	42 x 100	80
	30	COMMERCIAL	C20	-
	31	COMMERCIAL	C35	-
DEED RESERVATION CRE	32	MP/COMMERCIAL	MP10/C24	240
	33	COMMERCIAL	C35	-
JON LANE HOMES	34	SPD	45 x 90	132
(LUNA) HOMES	35	MP	RM-20	216
FEELTONE COM	36	SPD	50 x 100	127
SEA HOMES	37	MP	RM-20	140
MILM / 10K HOMES	38	MP	PV-14	326
	39	ELEMENTARY SCHOOL		-
100 PACIFIC	40	MP	PV-18	200
SEA COUNTRY	41	SPD	PV-12	126
JON LANE HOMES	42	SPD	42 x 100	88
CHARLOTTE/PACIFIC	43	SPD	60 x 100	120
MILM / 10K HOMES	44	SPD	20 x 100	80
MILM / 10K HOMES	45	SPD	20 x 100	80
BIE	46	SPD	45 x 90	102
K. HUN/ FEELTONE	47	SPD	50 x 100	124
	48	SPD	60 x 100	120
	49	OPEN SPACE		-
	50	WATER TANK		-
	51	SPD	70 x 100	114
	52	SPD (RALPHS)		28
	53	OPEN SPACE		-
	54	PARK		-
	55	PARK		-
	56	PARK		-
	57	PARK		-
	58	WATER TANK		-
	59	SCHOOL		-
	60	OPEN SPACE/OCCUPATION BLDG		-
	61	PUMP STATION		-
	62	RALPHS FAMILY RANCH (NOT SHOWN)		11
TOTAL				4,508

AUGUST 10, 2005

NOLTE
BEYOND ENGINEERING

10000 W. 10TH AVENUE, SUITE 100, DENVER, CO 80202
303.750.1000 FAX: 303.750.1001

4S RANCH

4S RANCH
MASTER DEVELOPMENT PLAN

COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)

General Information

The Community Facilities District is located in the unincorporated area of the County approximately 23 miles north of downtown San Diego and approximately 10 miles inland from the Pacific Ocean and the coastal cities of Encinitas and Solana Beach. The project is located approximately 8 miles east of Interstate 5 and approximately 2 miles west of Interstate 15. The Community Facilities District lies within the area of the new master-planned community known as “4S Ranch” and is part of the specific plan area known as “4S Ranch.” The Community Facilities District is an extension of the on-going development of the community of Rancho Bernardo. The Community Facilities District is comprised of approximately 2,888 gross acres (553 net residential acres) of rolling terrain with slopes and knolls within 4S Ranch. A map of the 4S planning areas is provided on the preceding page. Certain planning areas on the 4S Ranch Planning Area map are not a part of the Community Facilities District.

The Community Facilities District is within 4S Ranch. 4S Ranch is bordered on the south by Black Mountain Ranch and Rancho Peñasquitos, to the west by the Santa Fe Valley Specific Planning Area and Del Sur, to the northwest by the Santa Fe Lakes project, and to the east by Rancho Bernardo Road. Rancho Bernardo Road and Camino Del Norte bisect 4S Ranch east to west. Extension of State Route 56 from Interstate 5 to Interstate 15, located approximately 2 miles south of 4S Ranch, is fully funded and completed construction in 2004. The area is bounded on the east by completed Rancho Bernardo subdivisions and on the north, east and west by undeveloped property.

The residential land uses in the 4S Ranch Specific Plan are arranged around a mixed-use district which is located in the central portion of the community north of Camino Del Norte. The mixed-use district is approximately 52 net commercial acres, of which 22 are proposed for residential use, and is planned to serve the 4S Ranch community as well as existing and planned neighborhoods west of Interstate 15. The residential areas include Neighborhoods One and Two located to the south of the mixed-use district, and Neighborhoods Three and Four located north of the mixed-use district. Rancho Bernardo Road and 4S Ranch Parkway will provide the primary access to Neighborhoods Three and Four. Neighborhoods close to the mixed-use district are higher density containing a mixture of single-family and multi-family units. Neighborhoods further to the north and south are lower density single-family units.

The Neighborhoods

- *Neighborhood One* is within the Community Facilities District but is not encompassed by any Improvement Area. Neighborhood One is complete within 4S Ranch and is approximately 145 net residential acres in size and includes a total of approximately 1,083 Detached Units and 120 Affordable Units. Neighborhood One also includes a neighborhood park, a 10-acre elementary school site and the water reclamation facility serving the project.

- *Neighborhood Two*, which is coterminous with the boundaries of Improvement Area A, is approximately 141 net residential acres located south of Neighborhood One. The neighborhood includes approximately 565 Detached Units, a 23-acre middle school and a 22-acre community park. Bernardo Center Drive/Carmel Valley Road passes through this Neighborhood. The central portion of Neighborhood Two includes the Lusardi Creek Natural Park, which is a major open-space corridor comprising approximately 161 gross acres. As of April 15, 2007, 553 detached units have been completed and sold in Neighborhood Two, and 12 detached units are completed and currently owned by a merchant builder.

- *Neighborhood Three*, which is coterminous with the boundaries of Improvement Area B, is located north of the mixed-use district. Neighborhood Three is approximately 182 net residential acres and is proposed to include approximately 1,105 Detached Units and approximately 763 Attached Units. Neighborhood Three also includes a 10-acre elementary school and an approximately 5-acre neighborhood park. As of April 15, 2007, 1,266 units have been completed in Neighborhood Three, of which 75 are owned by merchant builders.

- *Neighborhood Four* is coterminous with Improvement Area C. A portion is located north of Neighborhood Three and a portion is located south of Neighborhood Three and north of Neighborhood

Two. Neighborhood Four includes approximately 52 acres in the 4S Commons (PA 32) area of which a portion is currently zoned for commercial use and approximately 22 of such 52 acres is an apartment complex of approximately 540 units, 519 of which are Attached Units and 21 of the apartments are Affordable Units. The owner of the apartment complex prepaid the Special Tax for all units except the Affordable Units. The northern portion of Neighborhood Four, includes a small neighborhood park, as well as natural open space areas located north, east and west of Parcel 48 which is proposed for approximately 175 single family units and Parcel 52 which is proposed for approximately 114 single family detached units.

Drainage is and will be within master-planned facilities throughout the community. Neighborhood One is generally above grade of Camino Del Norte, and then gradually sloping down to the south into Neighborhood Two. Neighborhoods Three and Four have a gradual slope up to the north. None of the developable areas in 4S Ranch are within a 100-year flood plain.

4S Ranch Specific Plan. The 4S Ranch Specific Plan (the “Specific Plan”) was adopted by the Board of Supervisors of the County in November, 1998. The Community Facilities District is in an unincorporated area of the County and is not currently within the sphere of influence of any existing city. The 4S Specific Plan provided direction for future development of the property located within the Community Facilities District. 4S Ranch is expected to ultimately include approximately 4,715 dwelling units, schools, neighborhood parks, an employment center, a commercial and industrial property and approximately 1,612 acres of open space designated as Multiple Species Habitat Conservation Plan (MSHCP) Preserve.

Utility services for parcels in the Community Facilities District will be provided by San Diego Gas & Electric (gas and electricity), the Olivenhain Municipal Water District (water and sewage), Cox Communications and Time Warner (cable), and Pacific Bell Telephone (telephone). Waste Management and EDCO provide refuse service.

Authority for Issuance

The 2007 Bonds are issued pursuant to the Act and the Bond Indenture. 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 2007 Bonds:

Resolutions of Intention: On February 17, 1998 the Board of Education adopted Resolution No. 63-98 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to a separate Rate and Method of Apportionment of Special Tax for the Community Facilities District. On the same day the Board of Education adopted Resolution No. 64-98 stating its intention to incur bonded indebtedness in an amount not to exceed \$130,000,000 with respect to the Community Facilities District. The Community Facilities District No. 6 Rate and Method will finance School Facilities. See “SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2007 BONDS” herein.

Resolution of Formation: Immediately following a noticed public hearing on March 24, 1998, the Board of Education adopted Resolution No. 74-98-A (the “Resolution of Formation”), which established the Community Facilities District, established the Rate and Method and authorized the levy of a special tax within the Community Facilities District pursuant to the Rate and Method of Apportionment.

Resolution of Necessity: On March 24, 1998 the Board of Education adopted Resolution No. 75-98-A declaring the necessity to incur bonded indebtedness in an amount not to exceed \$130,000,000 with respect to the Community Facilities District and submitting the proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On March 24, 1998, an election was held within the Community Facilities District, in which the landowners eligible to vote (4S Kelwood), being the qualified electors, approved the ballot proposition authorizing the issuance of up to \$130,000,000 in bonds to finance the acquisition and construction of the School Facilities. The qualified electors within the Community Facilities District also approved the levy of a special tax in accordance with the Rate and Method and the establishment of an appropriations limit for the Community Facilities District.

On March 24, 1998, the Board of Education adopted Resolution No. 77-98-A pursuant to which the Board of Education approved the canvass of the votes.

Special Tax Lien and Levy: Notice of Special Tax Lien for the Community Facilities District was recorded in the real property records of San Diego County on March 27, 1998.

Ordinance Levying Special Taxes: On April 13, 1998, the Board of Education adopted an Ordinance No. 98-6 levying the Special Tax within the Community Facilities District.

Resolution Authorizing Issuance of the 2007 Bonds: On May 14, 2007, the Board of Education adopted Resolution No. 81-2007 approving issuance of the 2007 Bonds.

Special Tax Collections

The Special Tax on Developed Property authorized for the 2006-07 Fiscal Year in the Community Facilities District was \$5,256,325.64 which was levied against 2,455 parcels. Of those parcels, 90 were delinquent as of July 6, 2007. For the Fiscal Year 2006-07, no Special Taxes were levied on Undeveloped Property.

According to the Special Tax collection data provided by the County, as of July 6, 2007, delinquencies in the payment of Fiscal Year 2006-07 special taxes and *ad valorem* taxes for the Community Facilities District generally were higher than the reported delinquency levels for prior Fiscal Years.

The School District is not aware of the causes for the increased delinquencies in the payment of property taxes for Fiscal Year 2006-07, but to the extent these increases in delinquencies are indicative of a trend toward more significant property tax delinquencies, delinquencies in the payment of Special Taxes may continue at similar levels or increase in the near future.

Table 4 below sets forth the Special Tax collections for Fiscal Years 2002-03 through 2006-07, all of which was levied on Developed Property.

Table 4
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Special Tax Collections⁽¹⁾
(As of June 30 of the applicable Fiscal Year)

Fiscal Year Ending June 30	Parcels Levied	Total Special Taxes Levied	Total Special Taxes Collected	Number of Special Tax Delinquencies	Amount of Special Tax Delinquencies	Percentage of Special Taxes Delinquent
2003	387	\$801,198.36	\$793,952.38	7	\$7,245.98	.90%
2004	916	1,704,935.24	1,696,458.52	5	8,476.72	0.50
2005	1,551	3,362,369.60	3,317,936.36	27	44,433.24	1.32
2006	1,624	3,603,560.90	3,520,216.75	53	83,344.15	2.31
2007	2,455	5,256,325.64	5,112,505.86	90	143,820.78	2.74

⁽¹⁾ Delinquency information is provided to the School District by the County of San Diego as of July 6, 2007.

Source: Dolinka Group, Inc.

Property Ownership

Based on the Appraisal, as of April 15, 2007, there were approximately 2,913 homes completed. In addition, a portion of the Developed Property levy will relate to 239 lots for which building permits were issued as of January 1, 2007, some of which were vacant and some of which had homes under construction as of April 15, 2007. The allocation of Developed Property will increase as more permits are issued before January 1, of each year which is the date when property is considered Developed Property according to the Rate and Method of Apportionment. The following table sets forth the top taxpayers in Fiscal Year 2007-08.

Table 5
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Top Owners of Taxable Property
And Allocation of Special Tax Liability
Fiscal Year 2007–08

Merchant Builder and/or Property Owner Name ⁽¹⁾	Tract Name	Total Special Tax Amount	Number of Parcels	Percent Share of Total Special Taxes ⁽²⁾
William Lyon Homes/ 4S Ranch Planning Area 38 LLC	Ravenna	\$66,654	60	1.00%
4S Ranch Planning Area 38 LLC	Amante	27,497	11	0.41
Hearthstone Multi-Asset Entity B LP	Maybeck	53,665	20	0.81
William Lyon Homes Inc.	Maybeck	<u>50,982</u>	<u>19</u>	<u>0.77</u>
Subtotal William Lyon Homes		\$198,798	110	2.99%
Standard Pacific/ Standard Pacific 4S Townhomes LLC	Gianni	\$141,229	119	2.12%
John Laing Homes/ Laing 4S Area 34 LLC	Lane	\$42,728	16	0.64%
WL Homes LLC	Silhouette	<u>88,033</u>	<u>33</u>	<u>1.32</u>
Subtotal John Laing Homes		\$130,761	49	1.97%
Greystone Homes/ Greystone Homes 4S Area 35 LLC	Bridgeport	\$33,327	30	0.50%
K. Hovnanian/ K. Hovnanian at Evergreen LLC	Evergreen	\$32,199	12	0.48%
Sea Country Homes/ SCH 4S PA 41 LLC	Garden Walk	\$30,139	12	0.45%
Fieldstone Communities/ Fieldstone Communities Inc.	Silvercrest	\$15,070	6	0.23%
Fieldstone Silvercrest II LLC	Silvercrest	<u>9,949</u>	<u>4</u>	<u>0.15</u>
Subtotal Fieldstone		\$25,019	10	0.38%
Woodbridge Homes/ Woodbridge 4S Area 4 LLC	Ivy Gate	\$22,604	9	0.34%
Buie Communities/ Chanteclair Development LLC	Chanteclair	\$10,773	4	0.16%
Lone Bluff LLC	Legacy	<u>6,896</u>	<u>3</u>	<u>0.10%</u>
Grand Total ⁽³⁾		\$631,745	358	9.50%

⁽¹⁾ Ownership information is based on RealQuest data as of June 22, 2007. Actual ownership will differ depending on completion of production homes and closed sales to homeowners.

⁽²⁾ The Fiscal Year 2007-08 Special Tax levy is estimated at \$6,652,934.

⁽³⁾ Totals may not add due to rounding.

Source: Dolinka Group, Inc.

Appraised Property Values

An MAI appraisal of the land and existing improvements for the development within the Community Facilities District dated April 27, 2007 (the "Appraisal"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Appraiser") in connection with issuance of the 2007 Bonds. The purpose of the appraisal was to estimate the minimum market value of only the properties with the Community Facilities District that consisted of completed homes as of April 15, 2007, as segregated into the 31 different tracts of homes.

The Appraisal values only completed homes. The Appraisal does not value approximately 239 lots for which building permits were issued as of January 1, 2007, some of which were vacant and some of which had homes under construction as of April 15, 2007. The Appraisal does not value the property developed with 120 Affordable Units in Neighborhood One, the land proposed for an approximately 540-unit apartment complex in Neighborhood Four (of which 519 units are expected to be subject to the Special Tax as Attached Units and 21 units are expected to be Affordable Units which are not subject to the Special Tax). The Affordable Units are not subject to the levy of the Special Tax. Attached Units will be subject to the levy of the Special Tax.

The Appraisal is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of April 15, 2007, the Appraiser estimated that the market value of the property within the Community Facilities District (subject to the lien of the Special Taxes), including completed sold homes, homes under construction, and vacant residential land, was as follows:

<u>Neighborhood/ Merchant Builder⁽¹⁾</u>	<u>Planning Area/Status</u>	<u>Tract Name</u>	<u>No. of Completed Homes</u>	<u>Market Value</u>
<i>Neighborhood One</i>				
Ryland Homes	Built out	Ryland Heritage	75	\$71,250,000
William Lyons Homes	Built out	Summerwood	95	52,250,000
William Lyons Homes	Built out	Tanglewood	161	80,500,000
D.R. Horton	Built out	Cedar Creek	80	53,600,000
Brookfield Homes	Built out	Amherst	80	64,800,000
Fieldstone Communities	Built out	Homestead	103	80,340,000
Sea Country Homes	Built out	Garden Gate	133	79,800,000
Davidson Communities	Built out	Talavera	126	120,960,000
William Lyon Homes	Built out	Providence	122	114,680,000
Christopher Homes	Built out	Legacy	<u>107</u>	<u>85,600,000</u>
<i>Sub-Total</i>			1,082	\$803,780,000
<i>Neighborhood Two</i>				
Buie Communities	Built out	Belle Rive	82	\$59,860,000
Centex Homes	Built out	Canyon Ridge	75	63,750,000
K. Hovnanian	Built out	Palomino	97	101,850,000
Pulte Homes	Built out	Avery Lane	75	69,750,000
Fieldstone Communities	Built out	Cambridge	65	52,650,000
Standard Pacific Homes	Built out	Terreno	105	99,750,000
Woodbridge Homes	Built out	Ivy Gate	<u>66</u>	<u>95,280,000</u>
<i>Sub-Total</i>			565	\$542,890,000
<i>Neighborhood Three</i>				
Davidson Communities	Built out	Reunion	66	\$63,360,000
Standard Pacific Homes	Built out	Travata	65	61,100,000
Fieldstone Communities	36 and 47A	SilverCrest	120	95,640,000
John Laing Homes	34	Rosemary Lane	121	86,570,000
John Laing Homes	42	Silhouette	17	11,350,000
William Lyon Homes	44 and 45	Maybeck	19	12,440,000
SeaCountry Homes	Built out	Garden Walk	136	81,600,000
Lennar Homes	35	Bridgeport	189	66,150,000
Standard Pacific Homes	40	Gianni	63	24,720,000
Shea Homes	37	San Moritz	140	64,120,000
William Lyon Homes	38B	Amante	114	62,380,000
William Lyon Homes	38A	Ravenna	169	78,660,000
Buie Communities		Chanteclair	19	12,720,000
K. Hovnanian Homes		Evergreen	<u>28</u>	<u>20,950,000</u>
<i>Sub-Total</i>			1,266	\$741,760,000
Total Neighborhoods One through Three:			2,913	\$2,088,430,000

⁽¹⁾ For convenience of reference, this table uses common builder names. In many cases, the landowner and/or Merchant Builder is a separate limited liability company or other entity. No affordable units are included in the information presented.

The \$2,088,430,000 aggregate market value reported in the Appraisal, together with the \$34,692,567 Fiscal Year 2006-07 assessed value of 239 lots for which buildings permits have been issued as of January 1,

2007, results in an estimated value-to-lien ratio of 13.48 to 1 with respect to the Community Facilities District, calculated with respect to all direct and overlapping tax and assessment bonds as presented in Table 6 in the section entitled “ – Value-to-Lien Ratios” below as of the estimated date of issuance of the 2007 Bonds. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values. The foregoing value-to-lien estimate excludes the value of the Undeveloped Property in Neighborhoods Three and Four. Based on estimated debt service on the Bonds and the number of building permits issued as of January 1, 2007, the Community Facilities District does not anticipate levying a Special Tax in Fiscal Year 2007-08 on Undeveloped Property. The foregoing value-to-lien estimate does include the overlapping indebtedness incurred, or expected to be incurred, with respect to two of the three Improvement Areas which generally correspond to Neighborhood Two (Improvement Area A), and Neighborhood Three (Improvement Area B). The foregoing value-to-lien estimate does not include the overlapping indebtedness expected to be incurred in the future with respect to Neighborhood Four (Improvement Area C) totaling up to \$14,000,000 or Parity Bonds which may be incurred in the future with respect to the Community Facilities District totaling up to \$22,785,000. (Approximately 33 acres adjacent to Neighborhood Four encompassing approximately 25 to 36 proposed Detached Units are not within the proposed boundaries of Improvement Area C.)

Additional bonds will be issued in the future by the Community Facilities District, and such issuance will affect the lien of the Community Facilities District. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate value. A subsequent series of bonds for School Facilities totaling \$22,785,000 by the Community Facilities District is estimated to be issued in the future.

See “SECURITY FOR THE 2007 BONDS – Rate and Method,” “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – Direct and Overlapping Debt” and “BONDOWNERS’ RISKS – Appraised Values” herein and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Appraisal, for limiting conditions relating to the Appraisal and for information relating to overlapping indebtedness.

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.

Value-to-Lien Ratios

Table 6 below sets forth the value-to-lien analysis for the Community Facilities District as of the April 15, 2007 Appraisal date of value:

Table 6
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Value-to-Lien Analysis

Neighborhood	Impr. Area	Total Estimated Value ⁽¹⁾	CFD No. 6		CFD No. 6 Series 2007 Bonds ⁽³⁾	IA A of CFD No. 6		IA B of CFD No. 6 Series 2005 Bonds ⁽⁴⁾	Additional Land Secured Debt ⁽⁵⁾	Total Lien	Value-to-Lien ⁽⁶⁾
			Series 2002 Bonds	Series 2005 Bonds ⁽²⁾		CFD No. 6 Series 2002 Bonds	CFD No. 6 Series 2005 Bonds				
One	—	\$803,780,000	9,275,547	\$16,547,337	\$14,158,889	—	—	\$905,314	\$40,887,087	19.66:1	
Two	IA A	542,890,000	4,944,195	8,820,316	7,547,188	\$17,985,000	—	472,738	39,769,437	13.65:1	
Three	IA B	741,760,000	9,010,588	16,074,657	13,754,435	—	\$25,465,009	1,059,267	65,363,957	11.35:1	
Three ⁽⁷⁾	IA B	34,692,567	1,604,670	2,862,690	2,449,488	—	4,534,991	—	11,451,838	3.03:1	
		\$2,123,122,567	\$24,835,000	\$44,305,000	\$37,910,000	\$17,985,000	\$30,000,000	\$2,437,319	\$157,472,319	13.48:1	

(1) Source: Summary Appraisal Report, dated April 27, 2007, and from the County Assessor's Roll dated January 1, 2006, where the appraised value was not available.
(2) Outstanding debt has been allocated based on current development, actual allocation may vary based on pace of development.
(3) Debt has been allocated based on current development, actual allocation of debt may vary depending on pace of development.
(4) Includes Improvement Area B Bonds; outstanding debt has been allocated based on current development, actual allocation of debt may vary depending on pace of development.
(5) Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; debt has been allocated equally to each Lot, actual allocation of debt per Lot may vary.
(6) Average value to lien per Lot; actual value to lien may vary by Lot.
(7) Represents 239 lots categorized as Developed Property because a building permit was issued prior to January 1, 2007. These 239 lots are not included within the appraised value determined in the Appraisal. The value-to-lien is calculated using the Fiscal Year 2006-07 assessed value as of January 1, 2006, which amount is \$34,692,567.

Source: Dolinka Group, Inc.

Table 7
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Combined Assessed Value and Value-to-Burden Ratio

<u>Value-to-Lien Category</u>	<u>Number of Parcels⁽¹⁾</u>	<u>Combined Overlapping Liens⁽²⁾</u>	<u>Taxable Property Appraised Value⁽³⁾</u>	<u>2006-07 Taxable Property Assessed Value⁽⁴⁾</u>	<u>Combined Value-to-Lien Burden Ratio</u>	<u>Fiscal Year 2007-08 Special Tax</u>	<u>Percentage Share of Special Tax</u>
20:1 to less than 30:1	613	\$23,125,855	\$537,630,000	–	23.25	\$1,405,359	21.12%
10:1 to less than 20:1	1,973	100,405,826	1,354,570,000	–	13.49	3,983,843	59.88%
5:1 to less than 10:1	330	22,702,420	196,230,000	\$1,411,629	8.71	841,914	12.65%
31 to less than 5:1	124	6,365,022	–	23,626,931	3.71	238,924	3.59%
Below 3:1	<u>112</u>	<u>4,872,367</u>	<u>–</u>	<u>9,654,007</u>	<u>1.98</u>	<u>182,894</u>	<u>2.75%</u>
Total ⁽⁵⁾	3,152	\$157,471,490	\$2,088,430,000	\$34,692,567	13.48	\$6,652,934	100.00%

⁽¹⁾ Represents the number of parcels that will be subject to the Special Tax in Fiscal Year 2007-08, including 239 units that were not included in the Appraisal.

⁽²⁾ See “Direct and Overlapping Debt” below for a description of overlapping liens; the combined overlapping liens include the 2007 Bonds.

⁽³⁾ The appraised values used are an average appraised value by tract.

⁽⁴⁾ Estimated values is the assessed value of 239 lots for which building permits were issued as of January 1, 2007, but which were not included in the appraised value because, as of April 15, 2007, the homes were either under construction or the lots were vacant. Such assessed values are as of January 1, 2006, which do not take into account increased improvement values from homes that have been completed since that time.

⁽⁵⁾ Totals may not sum due to rounding.

Source: Dolinka Group, Inc.

Direct and Overlapping Debt

Table 8 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the Community Facilities District prepared by National Tax Data, Inc. and prepared during February 2007 (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 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 Direct Assessments” below.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Community Facilities District in whole or in part. Such long term obligations generally are not payable from property taxes, assessment or special taxes on land in the Community Facilities District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the School District, the County 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 the Community Facilities District Continuing Disclosure Agreement.

Table 8
Community Facilities District No. 6 (4S Ranch)
of the Poway Unified School District

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 6

I. Assessed Value

2006-2007 Secured Roll Assessed Value

\$1,735,427,314

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.51721%	3,639	\$17,168,455.79
Voter Approved Debt	VOTER	926,227	\$211,399,574.70	0.03816%	3,639	\$80,674.36
Poway Unified School District CFD No. 6	CFD	3,756	\$5,256,325.64	100.00000%	3,756	\$5,256,325.64
Poway Unified School District CFD No. 6, Impv Area A	CFD	507	\$1,145,802.12	100.00000%	507	\$1,145,802.12
Poway Unified School District CFD No. 6, Impv Area B	CFD	1,663	\$1,414,772.22	100.00000%	1,663	\$1,414,772.22
County of San Diego Mosquito / Disease Control	VECTOR	923,027	\$5,553,287.52	0.29769%	3,636	\$16,531.42
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	48,869	\$1,189,190.04	5.41735%	2,572	\$64,422.54
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSACE	2,481	\$228,467.40	58.31510%	1,377	\$133,231.00
County of San Diego Street Lighting, Zone A	LLMD	92,649	\$599,032.02	2.29151%	2,222	\$13,726.90
County of San Diego Vector Control, Zone B	VECTOR	349,291	\$729,043.12	1.13712%	3,636	\$8,290.08
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,064	\$422,868.34	12.55727%	3,327	\$53,100.74
Metropolitan Water District of Southern California Standby Charge	STANDBY	18,687	\$308,882.92	0.00372%	1	\$11.50
Olivenhain Municipal Water District AD No. 96-1	1915	21,696	\$1,495,966.08	12.93694%	2,931	\$193,532.22
Olivenhain Municipal Water District Sewer Charge	SEWER	3,929	\$2,542,234.02	64.35309%	2,979	\$1,636,006.16
Olivenhain Municipal Water District Water Standby Charge	STANDBY	651	\$65,800.00	100.00000%	651	\$65,800.00
Palomar Pomerado Health Debt Service	GOB	184,909	\$9,862,559.98	3.08966%	3,639	\$304,719.69
Rancho Santa Fe Fire Protection District Special Tax	FIRE	11,554	\$222,467.50	18.56114%	3,582	\$41,292.50
San Diego County Water Authority Standby Charge	STANDBY	24,242	\$371,423.70	13.71711%	3,639	\$50,948.60

2006-2007 TOTAL PROPERTY TAX LIABILITY

\$27,647,643.48

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION

1.59%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 6	CFD	\$69,305,000	\$69,060,000	100.00000%	3,756	\$69,060,000
Poway Unified School District CFD No. 6, Impv Area A	CFD	\$18,000,000	\$17,985,000	100.00000%	507	\$17,985,000
Poway Unified School District CFD No. 6, Impv Area B	CFD	\$30,000,000	\$30,000,000	100.00000%	1,663	\$30,000,000
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$18,840,000	12.93694%	2,931	\$2,437,319

TOTAL LAND SECURED BOND INDEBTEDNESS (1)

\$119,482,319

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

\$119,482,319

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California Debt Service	GOB	\$850,000,000	\$389,600,000	0.53376%	3,748	\$2,079,529
Palomar Pomerado Health Debt Service	GOB	\$80,000,000	\$73,815,000	3.06563%	3,748	\$2,262,895

TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)

\$4,342,424

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

\$4,342,424

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

\$123,824,743

VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT

14.02:1

(1) 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 9 below sets forth estimated Fiscal Year 2006-07 overall tax rates projected to be applicable to a Detached Unit. Table 9 also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 9
Community Facilities District No. 6 (4S Ranch)
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Detached Units with 3,137 sq. ft.)

Assessed Valuations and Property Taxes			
Estimated Assessed Valuation (1)	\$603,673		
Homeowner's Exemption	(\$7,000)		
<hr/>			
Net Assessed Value (2)	\$596,673		
Ad Valorem Property Taxes		Percent of Total AV	Projected Amount (3)
General Purposes		1.00000%	\$5,966.73
<i>Ad Valorem</i> Tax Overrides			
Palomar Pomerado Debt		0.01775%	\$105.91
Metropolitan Water District Debt Service		0.00470%	\$28.04
<hr/>			
Total <i>Ad Valorem</i> Property Taxes		1.02245%	\$6,100.68
Assessments, Special Taxes and Parcel Charges			
Poway Unified School District CFD No. 6			\$2,253.68
Poway Unified School District CFD No. 6 Imp. Area A			\$1,773.96
Olivenhain Municipal Water District Sanitation (4S Ranch)			\$494.00
County of San Diego CSA 83 Zone A Park Maintenance			\$98.00
Olivenhain Municipal Water District Assessment District No. 96-1			\$72.94
County of San Diego CSA 17 Emergency Ambulance Service			\$23.94
Rancho Santa Fe Fire District Special Tax			\$12.50
MWD Water Standby Charge			\$11.50
San Diego County CWA Water Availability Standby Charge			\$10.00
County of San Diego Mosquito/Disease Control			\$6.36
San Diego County Street Lighting Zone A			\$5.88
County of San Diego Mosquito/Rat Control			\$2.28
<hr/>			
Projected Total Property Taxes			\$10,866
Projected Total Effective Tax Rate			1.80%

(1) Estimated assessed valuation for an average single-family detached residential unit with 3,137 building square feet.

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

(3) All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Table 10 below sets forth estimated Fiscal Year 2006-07 overall tax rates projected to be applicable to an Attached Unit. Table 10 also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 10
Community Facilities District No. 6 (4S Ranch)
of the Poway Unified School District
Estimated Fiscal Year 2006-07 Tax Rates
(Attached Units with 915 sq. ft.)

Assessed Valuations and Property Taxes

Estimated Assessed Valuation (1)	\$143,905
Homeowner's Exemption	(\$7,000)
Net Assessed Value (2)	\$136,905

Ad Valorem Property Taxes

	Percent of Total AV	Projected Amount (3)
General Purposes	1.00000%	\$1,369.05
<i>Ad Valorem</i> Tax Overrides		
Palomar Pomerado Debt	0.01775%	\$24.30
Metropolitan Water District Debt Service	0.00470%	\$6.43
Total Ad Valorem Property Taxes	1.02245%	\$1,399.78

Assessments, Special Taxes and Parcel Charges

Poway Unified School District CFD No. 6	\$1,089.12
Olivenhain Municipal Water District Sanitation (4S Ranch)	\$494.00
Poway Unified School District CFD No. 6 IA B	\$84.98
County of San Diego CSA 83 Zone A Park Maintenance	\$23.94
Rancho Santa Fe Fire District Special Tax	\$12.50
San Diego County CWA Water Availability Standby Charge	\$10.00
San Diego County Street Lighting Zone A	\$6.75
County of San Diego CSA 83 Zone A Park Maintenance	\$4.70
County of San Diego Mosquito/Disease Control	\$4.44
County of San Diego Mosquito/Rat Control	\$2.28

Projected Total Property Taxes

Projected Total Effective Tax Rate	\$3,132
	2.18%

(1) Estimated assessed valuation for an average single-family attached residential unit with 915 building square feet.

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

(3) All charges and special assessments are based on a Lot size of less than an acre.

Source: Dolinka Group, Inc.

Overlapping Direct Assessments

As indicated in the tables above, properties within the Community Facilities District are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges. Most of these charges are in amounts less than \$500 per annum. Other than the special taxes levied with respect to the 2007 Bonds, the special taxes levied with respect to the Improvement Area A Bonds and the special taxes levied with respect to the Improvement Area B Bonds, the Community Facilities District is not aware of whether the properties within the Community Facilities District are subject to sewer service charges or special taxes in excess of \$500 per year.

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 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 2007 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 2007 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 2007 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District 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 2007 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District.

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 the Community Facilities District, 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 and floods), which may result in uninsured losses.

Risks Related to Current Market Conditions

The housing market in Southern California experienced significant price appreciation and accelerating demand since 2002 and recent trends indicate this housing market has weakened, with changes from the recent pattern of price appreciation and a slowdown in demand for new housing. In 2006, home developers, appraisers and market absorption consultants began to report weakening new home market conditions due to factors including but not limited to the following: (i) lower demand for new homes; (ii) significant increase in cancellation rates for homes under contract; (iii) the exit of speculators from the new home market; (iv) a growing supply of new and existing homes available for purchase; (v) increase in competition for new homes orders; (vi) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; and (vii) higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts.

Adjustable Rate and Unconventional Mortgage Structures

Since the end of 2002, many persons have financed the purchase of new homes using loans with little or no down payment and with adjustable interest rates that start low and are subject to being reset at higher rates on a specified date or upon the occurrence of specified conditions. Many of these loans allow

the borrower to pay interest only for an initial period, in some cases up to 10 years. Currently, in Southern California, a substantial portion of outstanding home loans are adjustable rate loans which were obtained at historically low interest rates. In the opinion of some economists, the significant increase in home prices in this time period has been driven, in part, by the ability of home purchasers to access adjustable rate and non-conventional loans. These economists predict that as interest rates on new loans increase and as the interest rates on existing adjustable rate loans are reset (and payments are increased) there will be a decrease in home sales due to the inability of purchasers to qualify for loans with higher interest rates. They further predict that such a decrease in home sales will, eventually, result in a decrease in home prices. Some economists are concerned that such a reduction in home prices will result in recent homebuyers having loan balances that exceed the value of their homes, given their low down payments and small amount of equity in their homes.

Many borrowers who purchased homes with adjustable rate loans may refinance before the interest reset date to obtain loans with fixed interest rates and payments that are lower than the reset interest rates and the resulting payments. However, many borrowers who purchased homes in recent years may not be able to access replacement financing for their adjustable rate mortgage loans for a number of reasons. Recent news accounts indicate that many borrowers in recent years have financed 100% of the price of their home with adjustable rate loans. In the event there is a decline in home value, such borrowers may not be able to obtain replacement financing because outstanding loan balances exceed the value of their homes. Additionally, according to recent articles in the financial press, there may be a tightening of underwriting criteria for mortgage loans such that lenders no longer offer 100% financing or require stricter verification, higher income to loan ratios, higher credit ratios or some combination of such credit factors. In the event borrowers experience a decline in income or an increase in mortgage interest rates, or both, taxpayers may be less able to pay their special tax payments when due.

For the reasons discussed above, homeowners in the Community Facilities District who purchase their homes with adjustable rate loans may experience difficulty in making their loan payments and paying the Special Taxes levied on their property. This could result in an increase in the Special Tax delinquency rate in the Community Facilities District and draws on the Reserve Fund. If there were significant delinquencies in Special Tax collections in the Community Facilities District and the Reserve Fund was fully depleted, there could be a default in the payment of principal of and interest on the Bonds.

Some economists have also predicted that, as mortgage loan defaults increase bankruptcy filings by such homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes. See “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure Delay” below.

Special Taxes Are Not Personal Obligations

The current and future owners of land within the Community Facilities District are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within the Community Facilities District. If the value of the land within the Community Facilities District 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 2007 Bonds have been issued.

The 2007 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2007 Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2007 Bonds.

Appraised Values

The Appraisal summarized in APPENDIX C hereto estimates the fee simple interest market value of the residential property within the Community Facilities District. 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 the Community Facilities District 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.

Value-to-Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth the same as the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. They typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios. See “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – Direct and Overlapping Debt.”

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 table in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – Direct and Overlapping Debt” states 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 states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2007 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 2007 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 “Factors Affecting Parcel Values and Aggregate Value – *Hazardous Substances*” below.

Disclosure to Future Purchasers

The Community Facilities District has recorded a Notice of Special Tax Lien on behalf of itself, in the Office of the San Diego County Recorder on March 27, 1998, as Document No. 1998-0169295. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land or a home in the Community Facilities District 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.

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 2007 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. 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 2007 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 2007 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 the Rate and Method. Application of the 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 the Community Facilities District. 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 2007 BONDS – Special Taxes” and “– Rate and Method” herein, the 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 2007 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 2007 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 2007 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 the Community Facilities District. See “SECURITY FOR THE 2007 BONDS – Rate and Method” herein.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method (see “SECURITY FOR THE 2007 BONDS – Rate and Method” 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 the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. 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 Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see “SECURITY FOR THE 2007 BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2007 Bonds in the event the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District are insufficient. If funds in the Reserve Fund for the 2007 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 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 the Community Facilities District, at the maximum tax rates, together with other available

funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

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 2007 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 the Community Facilities District 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 2007 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 2007 Bonds. See "Special Tax Collections" 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 2007 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 2007 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 2007 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 the Community Facilities District is owned by 4S Kelwood, a Merchant Builder, or any other property owner, and Special Taxes have been levied on such property, 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.

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 Bonds.

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

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 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 Company (the "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 the Community Facilities District 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 2007 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 Reserve Fund and perhaps, ultimately, a default in payment on the 2007 Bonds. Based upon the secured tax roll as of January 1, 2001, the FDIC does not presently own any of the property in the Community Facilities District. The School District expresses no view concerning the likelihood that the risks described above will materialize while the 2007 Bonds are outstanding.

Factors Affecting Parcel Values and Aggregate Value

Geologic, Topographic and Climatic Conditions. The value of the Taxable Property in the Community Facilities District 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. The Community Facilities District is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over the Community Facilities District include, but are not limited to, the Rose Canyon fault zone (approximately 20 miles west), the Elsinore fault zone (approximately 23 miles northeast), the San Jacinto fault zone (approximately 45 miles northeast) and the San Andreas fault zone (approximately 72 miles northeast). Earthquakes of magnitude of 6 (Rose Canyon fault) to 8 (San Andreas fault) on the Richter scale are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Community Facilities District. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Community Facilities District could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development within the Community Facilities District has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within the Community Facilities District.

Hazardous Substances. While government taxes, assessments, and charges are a common claim against the value of a taxed parcel, other less common claims can occur. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to hazardous substances. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the Community Facilities District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in the Community Facilities District 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 2007 Bonds do not contain a provision allowing for the acceleration of the 2007 Bonds in the event of a payment default or other default under the terms of the 2007 Bonds or the Bond Indenture. Pursuant to the 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 Indenture” herein). So long as the 2007 Bonds are in book-entry form, DTC will be the sole bondowner and will be entitled to exercise all rights and remedies of bondowner.

Community Facilities 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 the Community Facilities District pursuant to the Act, more than two-thirds of the qualified electors within the Community Facilities District, consisting of the landowners within the boundaries of the Community Facilities District, authorized the Community Facilities District to incur bonded indebtedness to finance the School Facilities and approved the Rate and Method. The Supreme Court of the State 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 the Community Facilities District 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 2007 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 2007 Bonds, it is necessary that the Special Tax levied against land within the Community Facilities District be paid in a timely manner. The Community Facilities District has covenanted in the 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 2007 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 2007 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 2007 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 at the November 5, 1996 general election. The Initiative added Article XIII C (“Article XIII C”) and Article XIII D 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 2007 Bonds.

It may be possible, however, for voters or the Community Facilities District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2007 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 2007 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 2007 Bonds as well as the market for the 2007 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 2007 Bonds or, if a secondary market exists, that such 2007 Bonds can be sold for any particular price. Although the Community Facilities District has 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 2007 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 2007 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2007 Bonds as a result of acts or omissions of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of the Bond Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2007 Bonds, the School District has covenanted in the 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 2007 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2007 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 Bond Indenture. See "THE 2007 BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that a Series of the 2007 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2007 Bonds might be affected as a result of such an audit of such 2007 Bonds (or by an audit of similar bonds).

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 2007 Bonds or to preserve the tax-exempt status of the 2007 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 School 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 School 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 opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2007 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix F. A copy of the legal opinion will be printed on each 2007 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 2007 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 2007 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 the 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 2007 Bonds.

In the further opinion of Bond Counsel, interest on the 2007 Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the 2007 Bonds is less than the amount to be paid at maturity of such 2007 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2007 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 2007 Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the 2007 Bonds is the first price at which a substantial amount of such maturity of the 2007 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 2007 Bonds accrues daily over the term to maturity of such 2007 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 2007 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2007 Bonds. Owners of the 2007 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2007 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2007 Bonds in the original offering to the public at the first price at which a substantial amount of such 2007 Bonds is sold to the public.

The 2007 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 2007 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2007 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 2007 Bonds other than as expressly described above.

Should the interest on the 2007 Bonds become includable in gross income for federal income tax purposes, the 2007 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Bond Indenture.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2007 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value of tax treatment of a 2007 Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the 2007 Bonds is excluded from gross income for federal income tax purposes provided the Community Facilities District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 2007 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2007 Bonds.

It is possible that subsequent to the issuance of the 2007 Bonds there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the 2007 Bonds or the market value of the 2007 Bonds. No assurance can be given that subsequent to the issuance of the 2007 Bonds such changes or interpretations will not occur.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2007 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 2007 Bonds or in any way contesting or affecting the validity of the 2007 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 2007 Bonds.

No General Obligation of School District or Community Facilities District

The 2007 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 and proceeds of the 2007 Bonds, including amounts in the Reserve Fund, Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the 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 2007 Bonds shall be limited to the Special Taxes to be collected within the Community Facilities District.

RATINGS

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and Fitch, Inc., are expected to assign a rating of "AAA" and "AAA," respectively, to the 2007 Bonds, with the understanding that, upon delivery of the 2007 Bonds, the Insurance Policy will be issued by Ambac

Assurance. In addition, Standard & Poor's has assigned an underlying rating (i.e., not taking into account the Insurance Policy) of "BBB." Such ratings reflect only the views of such organizations and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by either rating agency, if in the judgment of such rating agency, circumstances so warrant. Except as set forth in the Continuing Disclosure Agreement, the Community Facilities District undertakes no responsibility to bring to the attention of Owners of the Bonds any downward revision or withdrawal of a rating. The Community Facilities District undertakes no responsibility to oppose any such revision or withdrawal.

UNDERWRITING

The 2007 Bonds are being purchased by the Stone & Youngberg LLC at a purchase price of \$37,818,071.00 (which represents the aggregate principal amount of the 2007 Bonds of \$37,910,000.00, plus a net premium of \$287,171.00 and less an underwriter's discount of \$379,100.00).

The purchase agreement relating to the 2007 Bonds provides that the Underwriter will purchase all of the 2007 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2007 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

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 2007 Bonds. The fees of Dolinka Group, Inc., as Special Tax Consultant, are in part contingent upon the issuance of the 2007 Bonds. The fees of Stephen G. White, MAI, as Appraiser, are not contingent upon the issuance of the 2007 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 2007 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. 6 (4S RANCH) OF
THE POWAY UNIFIED SCHOOL DISTRICT

By: /s/ John P. Collins
John P. Collins, Deputy Superintendent of the Poway
Unified School District on behalf of Community Facilities
District No. 6 (4S Ranch) of the Poway Unified School
District

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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 2007 Bonds, and the 2007 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 92064-3034, Attention: Deputy Superintendent.

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). 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 the County of San Diego (the "County"). The School District currently operates 23 (K-5) elementary schools, six (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, the City of San Diego and unincorporated areas of the County. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2006-07 academic year is approximately 31,738 (estimate). As of January 1, 2006, the estimated population within the School District's boundaries was approximately 177,577 and approximately 32,873 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, three Assistant Superintendents for Learning Support Services and an Associate Superintendent of Personnel Support Services.

From Fiscal Year 2002-03 through Fiscal Year 2006-07 the School District's enrollment increased by 152, an aggregate of approximately 0.5%. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

<u>Fiscal Year</u>	<u>CBEDS Enrollment</u>	<u>District Average Daily Attendance</u>	<u>District Base Revenue Limit</u>
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
2005-06	32,670	31,524	5,125.00
2006-07	32,873	31,738*	5,527.00

*Estimated.

Source: California Department of Education and the School District.

Labor Relations

As of May 1, 2006, the School District employed approximately 1,862 certificated professionals and approximately 1,729 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	1,782	6/30/09
Service Employees International Union	481	6/30/08
California Schools Employees Association	1,309	6/30/09

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 2003-04 was \$9,263,916, in Fiscal Year 2004-05 was \$9,450,619, in Fiscal Year 2005-06 was \$10,013,458 and in Fiscal Year 2006-07 was approximately \$10,811,684. In order to receive STRS benefits, an employee must be at least 55 years old and have provided ten 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 2003-04 was \$4,822,739, in Fiscal Year 2004-05 was \$4,856,272, in Fiscal Year 2005-06 was \$4,867,201 and in Fiscal Year 2006-07 was approximately \$5,041,323.

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.

The School District offers post retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2005, was \$651,520, for the Fiscal Year ending June 30, 2006, was \$624,817 and for Fiscal Year ending June 30, 2007, was \$941,918. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

The Governmental Accounting Standards Board ("GASB") has recently released its Statement Number 45 ("Statement Number 45"), which will require municipalities to account for other post-employment benefits (meaning other than pension benefits) liabilities much like municipalities are required to account for pension benefits. Although Statement Number 45 encourages earlier adoption, implementation is required by the fiscal year beginning after December 15, 2006, for municipalities, like the School District with revenues over \$100 million in a fiscal year. (Annual revenues determined for fiscal years ending after June 15, 1999).

The School District does not presently recognize a liability for future post employment health care benefits. However, The Epler Co, San Diego, California, has prepared an actuarial valuation of the School District's retiree health insurance benefits and reports that, as of January 1, 2006, the School District has an accrued unfunded liability of approximately \$34,462,451. It is expected that a change to an accrual accounting method under Statement Number 45 would more than [double] the School District's current pay-as-you-go contribution for these healthcare benefits.

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 exposures and as may be required by statute.

In 1998, the State of California authorized the School District to operate a Self-Insured Workers' Compensation Plan to finance liabilities arising from employee industrial injuries. The School District responded by implementing such a plan on July 1, 1998. Effective July 1, 2005, the School District joined a fully insured workers' compensation Joint Powers Authority (JPA) known as the Protected Insurance Program for Schools ("PIPS"). The School District retains responsibility for all previous self-insured claims and will manage them until they close. Kennan & Associates is the claims administrator for both self-insured and PIPS claims.

The School District operates a self-insurance program to cover general liability claim losses up to a limit of \$50,000 per claim and for property losses up to \$25,000 per claim. Lower self-insured retentions apply to boiler and machinery/energy systems (\$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 authority and purchase of commercial insurance and reinsurance policies. For example, one JPA (the Southern California Regional Liability Excess Fund) furnishes \$5,000,000 in government liability coverage and a second JPA (the Schools Excess Liability Fund) provides coverage from \$5,000,001 to \$15,000,000. Effective July 1, 2007, the Southern California Regional Liability Excess Fund ("SCR") coverage will

increase from \$5,000,000 to \$25,000,000, replacing and expanding the limits of the coverage formerly provided by the Schools Excess Liability Fund (“SELF”).

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
OF THE POWAY UNIFIED SCHOOL DISTRICT**

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**RATE AND METHOD OF APPORTIONMENT
OF THE SPECIAL TAX
FOR COMMUNITIES FACILITIES DISTRICT NO. 6
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A One-Time Special Tax and an Annual Special Tax shall be levied on and collected in Community Facilities District No. 6 ("CFD No. 6") of the Poway Unified School District (the "School District") in amounts to be determined through the application of this Rate and Method of Apportionment of the Special Tax ("RMA"). All of the real property in CFD No. 6, 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, exclusive of land area identified as open space on a Final Map and land area encumbered with public or utility easements making impractical such land area use for purposes other than those set forth in the easements, including recorded easements for conservation or open space purposes, as reasonably calculated or determined by the Assistant Superintendent based on the applicable Assessor Parcel Map, Final Map, parcel map, condominium plan, or other recorded County parcel map or applicable data.

"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 expense incurred by the School District on behalf of the CFD related to the determination of the amount of the levy of special taxes (e.g., administration consultant, fiscal agent, arbitrage consultant, etc.), the collection of special taxes including the expenses of collecting delinquencies, the administration of Bonds, the cost of complying with disclosure requirements of applicable federal and state security laws and the Act, and the costs of the payment of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of the CFD.

"Affordable Unit" means one of not more than 150 Units that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is subject to affordable housing restrictions under any applicable law. The first 150 Units which meet the criteria set forth in (i) and (ii) of the preceding sentence and for which Building Permits are issued will be designated permanently and irrevocably as Affordable Units.

"Annual Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property.

"Assessor's Parcel" means a lot or parcel of land 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 County Assessor for purposes of identification.

"Assigned Annual Special Tax" means (i) for Developed Property, the special tax of that name calculated as described in Section E.1. below, or (ii) for Undeveloped Property, the special tax of that name calculated as described in Section E.2. below.

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

"Attached Unit" means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit, and (ii) is not an Affordable Unit.

"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 incurred by CFD No. 6 or the School District.

"Building Square Footage" or **"BSF"** for any Residential Property means all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area, as defined in Section 65995 of the Government Code.

"Building Permit" means a permit for construction of a residential or commercial/industrial structure. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of utility improvements, retaining walls, parking structures or other such improvements not intended for human habitation or commercial/industrial use.

"Calendar Year" means the period commencing on January 1 of any year and ending the following December 31.

"CFD No. 6" means Community Facilities District No. 6 established by the School District under the Act.

"Commercial/Industrial Property" means all Assessor's Parcels of Developed Property other than Residential Property and Exempt Property.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Affordable Unit or an Attached Unit.

"Developed Property" means all Assessor's Parcels in CFD No. 6 for which Building Permits for new construction were issued after the formation of CFD No. 6 and on or before January 1 of the prior Fiscal Year.

"Exempt Property" means the property designated as being exempt from special taxes in Section J.

"Facilities" means those school facilities (including land) and other facilities which the School District is authorized by law to construct, own or operate and which would service the properties within CFD No. 6.

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

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

"Gross Floor Area" or "GFA" means for Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area, as defined in Section 65995 of the Government Code.

"Gross Prepayment Amount" for any Assessor's Parcel of Developed Property means that gross prepayment amount determined by reference to Table 2 and adjusted as set forth in Section G.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index ("M&S Index"), and if the M&S Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate increases or decreases in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Land Use Class" means any of the classes of Developed Property, i.e., Commercial/Industrial Property, Exempt Property, and Residential Property.

"Master Developer" means 4S Kelwood General Partnership, a California general partnership or any successor.

"Maximum Special Tax" means the maximum special tax, determined in accordance with Section C, that can be levied by CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

"One-Time Special Tax" means the single payment special tax to be collected from the owner of an Assessor's Parcel of Undeveloped Property, pursuant to Section D below.

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

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

"Prepayment Ratio" means, with respect to an Assessor's Parcel, for each series of Bonds, the ratio of (i) the Assigned Annual Special Tax or portion thereof applicable to the Assessor's Parcel at the time each such series of Bonds was issued and which was used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent, to (ii) the sum of all the Assigned Annual Special Taxes used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent.

"Residential Property" means all Assessor's Parcels of Developed Property for which the Building Permit was issued for purposes of constructing a Unit(s).

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (ii) credit or liquidity fees on the Bonds, (iii) the cost of acquisition or construction of Facilities, (iv) Administrative Expenses, (v) the costs associated with the release of funds from an escrow account, (vi) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, (vii) lease payments for Facilities, and (viii) any other payments permitted by law.

"Special Tax Requirement A" means, in Fiscal Years in which an elementary school located within or financed by CFD No. 6 is opened, the amount required to fund the Technology Budget, less any amount previously received by CFD No. 6 for such purpose from Master Developer. In Fiscal Years in which no elementary school located within or financed by CFD No. 6 is opened, the Special Tax Requirement A shall be \$0.

"Taxable Property" means all Assessor's Parcels within the boundaries of CFD No. 6 which are not exempt from the special tax pursuant to law or Section J below.

"Technology Budget" means, for Fiscal Year 1997-98, \$238,770 for each elementary school constructed in CFD No. 6. Each July 1, commencing July 1, 1998, the Technology Budget for each elementary school constructed in CFD No. 6 shall be increased or decreased by the annual percentage change in the Index. For purposes of this calculation, the annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

"Undeveloped Property" means all Assessor's Parcels in CFD No. 6 for which no Building Permit was issued after the formation of CFD No. 6 and on or before January 1 of the prior Fiscal Year.

"Undeveloped Special Tax Requirement" means the greater of (i) \$0 or (ii) the amount required in any Fiscal Year to pay: (1) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (2) credit or liquidity fees on the Bonds, (3) Administrative Expenses, and (4) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, less the sum of the amounts levied on Developed Property in Section F.1.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as an Affordable Unit, an Attached Unit, or a Detached Unit.

"Zone A" means the area within the boundaries of CFD No. 6 designated as Zone A on the map of the boundaries of CFD No. 6 most recently recorded in the Maps of Assessment and Community Facilities Districts in the Office of the Recorder of the County, which area is designated at the time of the formation of CFD No. 6 as Assessor's Parcel Numbers 678-030-06-00 and 678-050-09-00.

SECTION B PROPERTY CLASSIFICATION

For each Fiscal Year, beginning Fiscal Year 1997-98, each Assessor's Parcel in CFD No. 6 shall be classified as an Assessor's Parcel of Developed Property, Undeveloped Property or Exempt Property.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit, which amount may be levied on such Assessor's Parcel when classified as Developed Property in any following Fiscal Year.

2. Undeveloped Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property not located in Zone A shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property located in Zone A shall be the sum of (i) the Assigned Annual Special Tax, (ii) the Zone A Assigned Annual Special Tax, and (iii) the One-Time Special Tax.

**SECTION D
ONE-TIME SPECIAL TAX**

A One-Time Special Tax shall be collected from the owner of each Assessor's Parcel of Undeveloped Property on the date a Building Permit is issued for such Assessor's Parcel. There shall be no One-Time Special Tax for Assessor's Parcels of Undeveloped Property for which the Building Permit is issued for the construction of a residential structure. The One-Time Special Tax for Calendar Year 1997 for Assessor's Parcels of Undeveloped Property for which the Building Permit is issued for the construction of a structure other than a residential structure shall be \$0.30 per square foot of Gross Floor Area.

On each January 1, commencing January 1, 1998, the amount of the One-Time Special Tax shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Calendar Year. The annual percent change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAX**

1. Developed Property

a. Assigned Annual Special Tax for New Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be the amount determined by reference to Table 1 below, subject to adjustment as described below, as applicable.

**TABLE 1
ASSIGNED ANNUAL SPECIAL TAX
FOR NEW DEVELOPED PROPERTY
FOR FISCAL YEAR 1997-98**

Land Use Class	Unit Type	Assigned Annual Special Tax 1997-98
Residential Property	Detached Unit	\$1,770.00 per Unit
Residential Property	Attached Unit	\$782.88 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

Each July 1, commencing July 1, 1998, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

b. Assigned Annual Special Tax for Existing Developed Property

Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to an Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

1. Assigned Annual Special Tax

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

a. Zone A Assigned Annual Special Tax

The Zone A Assigned Annual Special Tax for Undeveloped Property located in Zone A shall be \$5,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Zone A Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 1997-98 and for each subsequent Fiscal Year, the Assistant Superintendent shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. In addition, in any Fiscal Year in which an elementary school located within or financed by CFD No. 6 is opened, the Assistant Superintendent shall reasonably determine the Special Tax Requirement A.

The Annual Special Tax shall be levied as follows:

1. Special Tax Requirement

An Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

2. Undeveloped Special Tax Requirement

If the Undeveloped Special Tax Requirement is greater than \$0, an Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property at the same amount per acre of Acreage as necessary to satisfy the Undeveloped Special Tax Requirement, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

3. Special Tax Requirement A

An Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property located in Zone A at the same amount per acre of Acreage as necessary to satisfy the Special Tax Requirement A, up to the Zone A Assigned Annual Special Tax applicable to each such Assessor's Parcel.

**SECTION G
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. 6 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent 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 Prepayment Amount, a calculation shall be performed to determine the amount of Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid, if any. For purposes of this analysis, Bond proceeds shall equal the par amount of Bonds. For each series of Bonds, Bond proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Bond proceeds times the Prepayment Ratio applicable to such Assessor's Parcel for such series of Bonds. For each series of Bonds, an amount of Regularly Retired Principal shall also be allocated to each Assessor's Parcel, to be calculated pursuant to Section G.3.E. below. If, after such allocations, the amount of 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 the sum of all the Gross Prepayment Amounts applicable to such Assessor's Parcel pursuant to Section G.2., then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Section G.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section G.3.

2. Prepayment Amount for Assessor’s Parcel with Allocation of 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 G.2. shall be calculated by (i) counting all the Units of each Land Use Class applicable to such Assessor's Parcel, (ii) multiplying the sum of the Units for each Land Use Class for such Assessor's Parcel by the applicable Gross Prepayment Amount per Unit, and (iii) adding all the products derived from the immediately preceding step which are applicable to such Assessor's Parcel. This sum is the Prepayment Amount for the Assessor's Parcel. The Gross Prepayment Amounts for Calendar Year 1997 shall be determined by reference to Table 2 below.

**TABLE 2
GROSS PREPAYMENT AMOUNT**

Land Use Class	Unit Type	Gross Prepayment Amount 1997
Residential Property	Detached Unit	\$16,328.43 per Unit
Residential Property	Attached Unit	\$7,011.61 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

On each January 1, commencing January 1, 1998, the Gross Prepayment Amounts applicable to each Assessor's Parcel shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

3. Prepayment Amount for Assessor’s Parcel with Allocation of Bonds Equal to or More 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 G.3. shall be the amount calculated as shown below.

- | | |
|--------|----------------------------------------------|
| | Bond proceeds allocated to Assessor's Parcel |
| 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 follow:

A. Redemption Premium

The Redemption Premium is calculated by multiplying (i) the principal amount of the Bonds to be redeemed with the proceeds of the Prepayment Amount by (ii) the applicable redemption premium, if any, on the Bonds to be redeemed.

B. Defeasance

The Defeasance is the amount needed to pay interest on the portion of the Bonds to be redeemed with the proceeds of the Prepayment Amount until the earliest call date of the 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 Bonds to be redeemed with the Prepayment Amount. Such amount of interest earnings will be calculated reasonably by the Assistant Superintendent.

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 Bonds and recording any notices to evidence the prepayment and the redemption, as calculated reasonably by the Assistant Superintendent.

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 requirements resulting from the redemption of Bonds with the Prepayment Amount, plus (ii) the reduction in the applicable reserve fund requirements 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 Bonds times the applicable Prepayment Ratio for each such series of 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 Bonds times the applicable Prepayment Ratio for each such series of Bonds.

E. Regularly Retired Principal

The Regularly Retired Principal is the total regularly scheduled retirement of principal that has occurred with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring prior to the issuance of Bonds will be credited in full. Partial prepayments of the Annual Special Tax obligation occurring subsequent to the issuance of Bonds will be credited in an amount equal to the greatest amount of principal of the 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 Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 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 thirty (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 both prior to and after the proposed prepayment is at least 1.1 times annual debt service on all outstanding Bonds.

**SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX**

At the time a Final Map is recorded for any Taxable Property, the owner filing said Final Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Map to prepay a portion of the applicable Annual Special Tax obligation, provided that the Final Map contains at least 15 Detached Units or 30 Attached Units. The partial prepayment of the Annual Special Tax obligation for every Assessor's Parcel shall be collected prior to the issuance of a Building Permit. 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 G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and, (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall reasonably provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within thirty (30) days of the request and may reasonably charge a reasonable fee for providing this service.

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of Annual Special Taxes, to indicate reasonably the partial prepayment of Annual Special Taxes 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.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property both prior to and after the proposed partial prepayment is at least 1.1 times annual debt service on all outstanding Bonds.

SECTION I TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the last bond series is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

SECTION J EXEMPTIONS

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code or on Assessor's Parcels within the boundaries of CFD No. 6 which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization. Notwithstanding the above, the Assistant Superintendent shall not levy a special tax on Assessor's Parcels owned by a homeowners' association, Assessor's Parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements, and Assessor's Parcels identified entirely as open space on a Final Map.

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 Assistant Superintendent not later than one (1) calendar year after having paid the first installment of the special tax that is being disputed. The Assistant 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 Assistant 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 One-Time Special Tax shall be collected on or before the date a Building Permit is issued, provided that any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on such Assessor's Parcel in any following Fiscal Year. The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 6 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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APPENDIX C

SUMMARY APPRAISAL REPORT

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SUMMARY APPRAISAL REPORT

COVERING

Poway Unified School District
Community Facilities District No. 6
(4S Ranch)

DATE OF VALUE:

April 15, 2007

SUBMITTED TO:

Sandra G. Burgoyne
Poway Unified School District
13626 Twin Peaks Rd.
Poway, CA 92064-3034

DATE OF REPORT:

April 27, 2007

SUBMITTED BY:

Stephen G. White, MAI
1370 N. Brea Blvd., Suite 205
Fullerton, CA 92835

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 27, 2007

Sandra G. Burgoyne
Poway Unified School District
13626 Twin Peaks Rd.
Poway, CA 92064-3034

Re: Community Facilities District No. 6
(4S Ranch)

Dear Ms. Burgoyne:

In accordance with your request and the District's authorization, I have completed an appraisal of only the properties within the community of 4S Ranch and within the above-referenced Community Facilities District (CFD) that consisted of completed homes as of April 15, 2007. This includes completed-sold homes (closed sales from builder to homeowner) and completed-unsold homes (still owned by the builder). There are a total of 20 tracts of homes that are built and sold-out and 11 tracts of homes that are currently under construction but also include some completed homes.

The purpose of this appraisal is to estimate the minimum market value on a mass appraisal basis of the completed homes within these 31 separate tracts. This appraisal also reflects the existing and proposed public bond financing, as well as the tax rates up to a maximum of 1.9% to the homeowners, including the special taxes for this CFD and other overlapping debt.

Based on the inspections of the properties and analysis of matters pertinent to value, the following conclusions of minimum market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

<u>Neighborhood One:</u> <u>Tract Name (Builder)</u>	<u>No.</u> <u>Homes</u>	<u>Min. Market Value</u>
Ryland Heritage (Ryland Homes)	75	\$ 71,250,000
Summerwood (William Lyon Homes)	95	\$ 52,250,000
Tanglewood (William Lyon Homes)	161	\$ 80,500,000
Cedar Creek (D.R. Horton)	80	\$ 53,600,000
Amherst (Brookfield Homes)	80	\$ 64,800,000
Homestead (Fieldstone Communities)	103	\$ 80,340,000
Garden Gate (Sea Country Homes)	133	\$ 79,800,000
Talavera (Davidson Communities)	126	\$120,960,000
Providence (William Lyon Homes)	122	\$114,680,000
Legacy (Christopher Homes)	<u>107</u>	<u>\$ 85,600,000</u>
Sub-Total	1,082	\$803,780,000

MS. SANDRA G. BURGOYNE
 APRIL 27, 2007
 PAGE 2

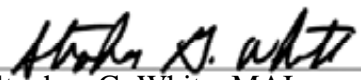
Neighborhood Two: <u>Tract Name (Builder)</u>	<u>No.</u> <u>Homes</u>	<u>Min. Market Value</u>
Belle Rive (Buie Communities)	82	\$ 59,860,000
Canyon Ridge (Centex Homes)	75	\$ 63,750,000
Palomino (K. Hovnanian)	97	\$101,850,000
Avery Lane (Pulte Homes)	75	\$ 69,750,000
Cambridge (Fieldstone Communities)	65	\$ 52,650,000
Terreno (Standard Pacific Homes)	105	\$ 99,750,000
Ivy Gate (Woodbridge Homes)	<u>66</u>	<u>\$ 95,280,000</u>
Sub-Total	565	\$542,890,000

Neighborhood Three: <u>Tract Name (Builder)</u>	<u>No.</u> <u>Homes</u>	<u>Min. Market Value</u>
Reunion (Davidson Communities)	66	\$ 63,360,000
Travata (Standard Pacific Homes)	65	\$ 61,100,000
SilverCrest (Fieldstone Communities)	120	\$ 95,640,000
Rosemary Lane (John Laing Homes)	121	\$ 86,570,000
Silhouette (John Laing Homes)	17	\$ 11,350,000
Maybeck (William Lyon Homes)	19	\$ 12,440,000
Garden Walk (Sea Country Homes)	136	\$ 81,600,000
Bridgeport (Lennar Homes)	189	\$ 66,150,000
Gianni (Standard Pacific Homes)	63	\$ 24,720,000
San Moritz (Shea Homes)	140	\$ 64,120,000
Amante (William Lyon Homes)	114	\$ 62,380,000
Ravenna (William Lyon Homes)	169	\$ 78,660,000
Chanteclair (Buie Communities)	19	\$ 12,720,000
Evergreen (K. Hovnanian Homes)	<u>28</u>	<u>\$ 20,950,000</u>
Sub-Total	1,266	\$741,760,000
Total	2,913	\$2,088,430,000

(TWO BILLION EIGHTY-EIGHT MILLION FOUR HUNDRED THIRTY THOUSAND DOLLARS)

The following is the balance of this 140-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,


 Stephen G. White, MAI
 (State Certified General Real Estate
 Appraiser No. AG 013311)

SGW:sw
 Ref: 07016

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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 property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is 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 but general inspection of the property that is 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 description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is 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 property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
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 estimate contained in the report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass 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 property, 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 value estimated in this

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

appraisal is based on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for 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. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
13. 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.
14. 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 property in question unless arrangements have previously been made.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the minimum market value of the properties within Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District that consisted only of completed homes as of April 15, 2007, as segregated into the 31 different tracts of homes. It is intended that this Summary Appraisal Report is to be used as required in the bond issuance.

SCOPE OF THE APPRAISAL

It is the intent of this 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. This has included an inspection of the subject properties and their surroundings; review of various maps and documents relating to the properties and the developments which are existing, planned or currently underway; obtaining of pertinent property data on the subject properties; obtaining of comparable sales from a variety of sources; and analysis of all of the data to the minimum market value conclusions.

DATE OF VALUE

The date of value for this appraisal is April 15, 2007.

PROPERTY RIGHTS APPRAISED

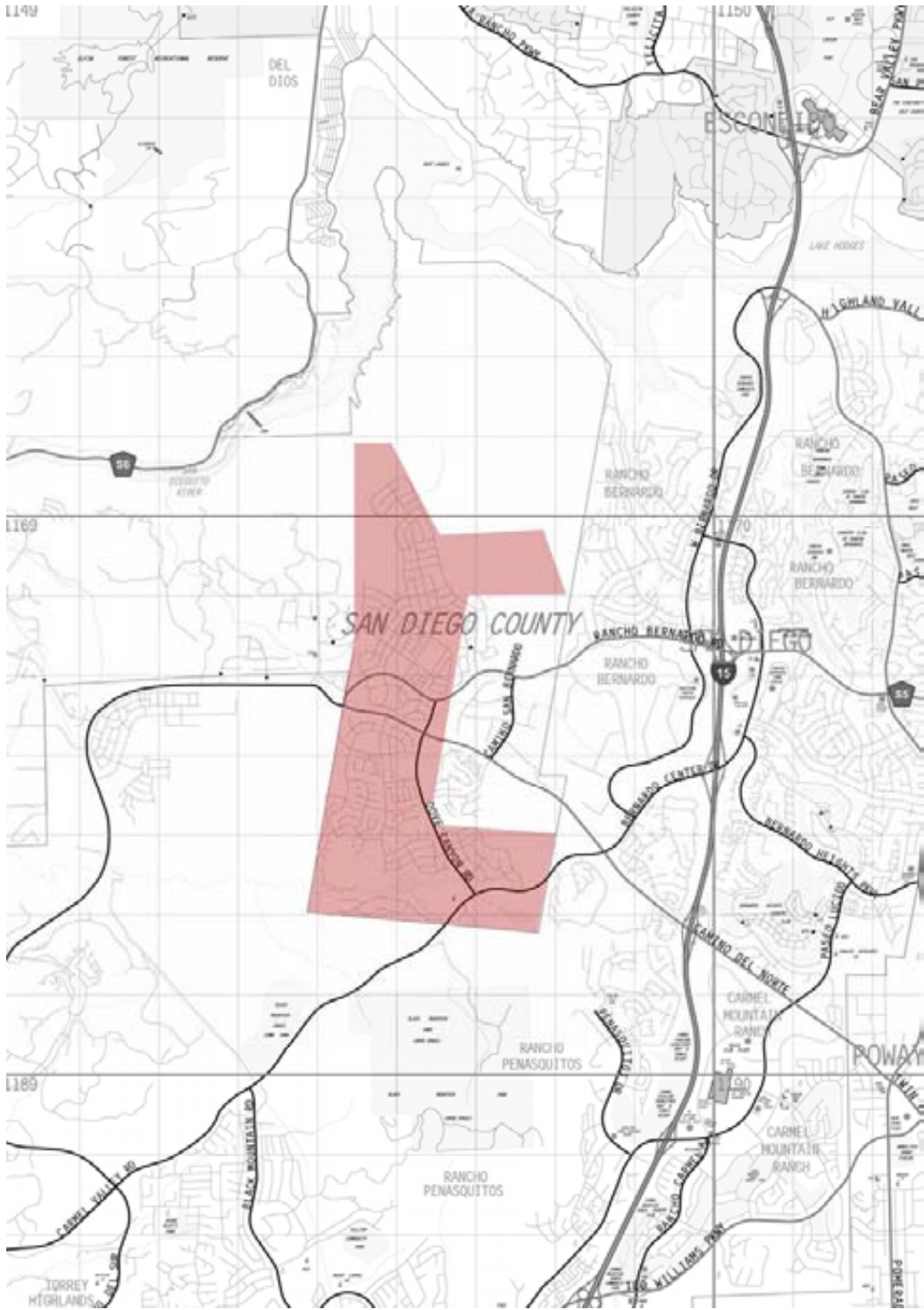
This appraisal is of the fee simple interest in the subject properties, subject to the special tax and assessment liens.

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.

In this appraisal, the analysis is of the "minimum market value" which is intended to be a conservative estimate of market value that is at least slightly to significantly below what a probable estimate of market value would be.

LOCATION MAP



GENERAL PROPERTY DATA

LOCATION

The map on the opposite page indicates the approximate location of 4S Ranch, with Neighborhoods One and Two being located south of Camino Del Norte and on both sides of 4S Ranch Parkway, and Neighborhoods Three and Four being located north of Camino Del Norte. This location is in a developing area in unincorporated San Diego County, just under 2 miles west of the 15 Freeway, but with a San Diego mailing address.

GENERAL AREA DESCRIPTION

The immediate subject area is located within unincorporated San Diego County, with the most northerly end of the City of San Diego surrounding the south portion of the subject area nearby to the west, south and east. The subject area is located about 23 miles northerly of downtown San Diego, and about 10 miles inland of the ocean at Encinitas and Solana Beach.

The area to the north is mostly undeveloped for some distance, with Lake Hodges being located several miles to the north and the City of Escondido farther to the north and northeast. Nearby to the east/northeast is the community of Rancho Bernardo within the City of San Diego and nearby to the southeast is the community of Rancho Penasquitos within the City of San Diego. Farther to the east is the City of Poway.

To the south is a large area of undeveloped land, sloping down into a valley area then sloping up into a hilly area. This area is within the City of San Diego, and includes the large open space area of Black Mountain Ranch and Black Mountain Park. Farther south is more of the community of Rancho Penasquitos. To the west and southwest is the newly developing community of Del Sur, which is part of the overall Black Mountain Ranch project. This community will include a total of $\pm 2,800$ dwelling units, as well as some commercial space and home construction has now been underway for about 1½ years.

The subject area is a desirable residential area due to its relatively close-in location to central San Diego and the good freeway proximity. The subject area also has good arterial road access by Camino Del Norte and Rancho Bernardo Rd., both of which have interchanges at the freeway. Retail/shopping facilities and schools are currently available nearby in Rancho Bernardo, but there will be much future commercial development as well as two elementary schools, a middle school and a high school within 4S Ranch. There are also the nearby recreational facilities at Lake Hodges and Lake Poway, various nearby golf courses, and ocean recreation within 10 miles.



DEVELOPMENT SUMMARY

PLANNING AREA NUMBER	TRACT/USE	MIN LOT SIZE/ZONE	NO. DU'S
1	OPEN SPACE		-
2	SFD	60 x 100	24
3	MIDDLE SCHOOL		-
4	SFD	110 x 120	68
5	OPEN SPACE		-
6	SFD	70 x 100	72
7	SFD	60 x 100	65
8	SFD	65 x 120	100
9	OPEN SPACE		-
10	SFD	60 x 100	70
11	SFD	60 x 100	70
12	SDF-2	50 x 100	100
13	SFD	45 x 100	80
14	PARK		-
15	SDF-5	60 x 100	123
16	SDF-4	70 x 100	120
17	PUMP STATION		-
18	SDF-2	50 x 90	102
19	SDF	R/R	132
20	MF LOW	C34	100
21	WATER RECLAMATION PLANT		-
22	COMMERCIAL	C30	-
23	RECLAIMED WATER RESERVOIR		-
24	SDF-8	50 x 100	34
25	SDF	RV-12	200
26	SDF	RV-9	24
27	SDF-1	60 x 100	70
28	SDF-7	50 x 100	40
29	SDF-2	42 x 100	80
30	COMMERCIAL	C33	-
31	COMMERCIAL	C35	-
32	MF/COMMERCIAL	MF1A/C24	340
33	COMMERCIAL	C30	-
34	SFD	45 x 80	122
35	MF	RW-29	219
36	SFD	50 x 100	127
37	MF	RW-29	140
38	MF	RV-14	326
39	ELEMENTARY SCHOOL		-
40	MF	RV-18	209
41	SFD	RV-12	130
42	SFD	42 x 100	36
43	SFD	60 x 100	121
44	SFD	50 x 100	60
45	SFD	50 x 100	60
46	SFD	45 x 80	101
47	SFD	50 x 100	134
48	SFD	60 x 100	170
49	OPEN SPACE		-
50	WATER TANK		-
51	SFD	70 x 100	114
52	SFD (RALPHS)		25
53	OPEN SPACE		-
54	OPEN SPACE		-
55	PARK		-
56	PARK		-
57	PARK		-
58	WATER TANK		-
59	SCHOOL		-
60	OPEN SPACE/RETENTION BASIN		-
61	PUMP STATION		-
64	RALPHS FAMILY RANCH (NOT SHOWN)		11
TOTAL			4,500

AUGUST 10, 2005



**4S RANCH
MASTER DEVELOPMENT PLAN**

DESCRIPTION OF 4S RANCH

Overview

4S Ranch is a mixed-use master planned community that contains a total of ±2,900 acres. The current planning is for a total of over 4,000 dwelling units, consisting of mostly single family detached homes, but also including some attached homes and apartments. There is also a 53-acre mixed-use district called 4S Commons which includes the 4S Commons Town Center that includes tenants such as World Market, Ralph's, Bed Bath & Beyond, CVS Pharmacy, Ace Hardware, Blockbuster, Wells Fargo, Chile's restaurant, and various other stores and fast food restaurants.

Community amenities include four schools (two elementary schools, a middle school and a future high school), a fire station, a sheriff substation, a library, 1,600 acres of permanent open space/wildlife habitat, a 25-acre community park with Little League and soccer fields, three neighborhood parks, pocket parks and public greens, and more than 10 miles of hiking and biking trails winding throughout the community. The trails connect to the pedestrian promenades along 4S Ranch Parkway, providing walking or biking access from throughout the community to the 4S Commons. There is also a community-wide intranet system.

4S Ranch was granted Specific Plan approval in 1999, and the first residential land sales to builders closed in December 1999, located in Neighborhood One. Construction of the first homes commenced shortly thereafter, and there are now 20 built-out/sold-out tracts of homes and 14 other tracts of homes that are under construction will be coming in the future. Sales of the last remaining residential land located in Neighborhood Four are anticipated to take place later this year.

Streets and Access

The primary access to 4S Ranch is by Camino Del Norte and Rancho Bernardo Rd., which are primary roads extending northwesterly and westerly to this area from the 15 Freeway.

Access into Neighborhoods One and Two is by Dove Canyon Rd. and 4S Ranch Parkway which extend southerly from Camino Del Norte, and by Bernardo Center Dr./Carmel Valley Rd. which extends southwestly from Camino Del Norte. 4S Ranch Parkway will ultimately extend north-south through the overall community providing access to all Neighborhoods.

Primary access into Neighborhoods Three and Four is by 4S Ranch Parkway and Ralphs Ranch Rd. which extend northeasterly from Rancho Bernardo Rd.

DESCRIPTION OF 4S RANCH, Continuing

Utilities

The utilities for the community are provided as follows:

Water & Sewer:	Olivenhain Municipal Water District
Gas & Electric:	San Diego Gas & Electric
Telephone:	Pacific Bell
Cable:	Cox Communication and Time Warner

Zoning/Approvals

As previously indicated, 4S Ranch was granted Specific Plan approval in 1999. This approval provides for the zoning and necessary approvals for the planned residential development of the subject properties within Neighborhoods One through Four. In addition, the subject tracts in Neighborhoods One through Three have recorded tract maps with an approved tentative tract map for Neighborhood Four.

Drainage/Flood Hazard

Drainage is and will be within master-planned facilities throughout the community. Neighborhood One is generally above grade of Camino Del Norte, and then gradually sloping down to the south into Neighborhood Two. Neighborhoods Three and Four have a gradual slope up to the north. None of the developable areas in 4S Ranch are within the floodplain.

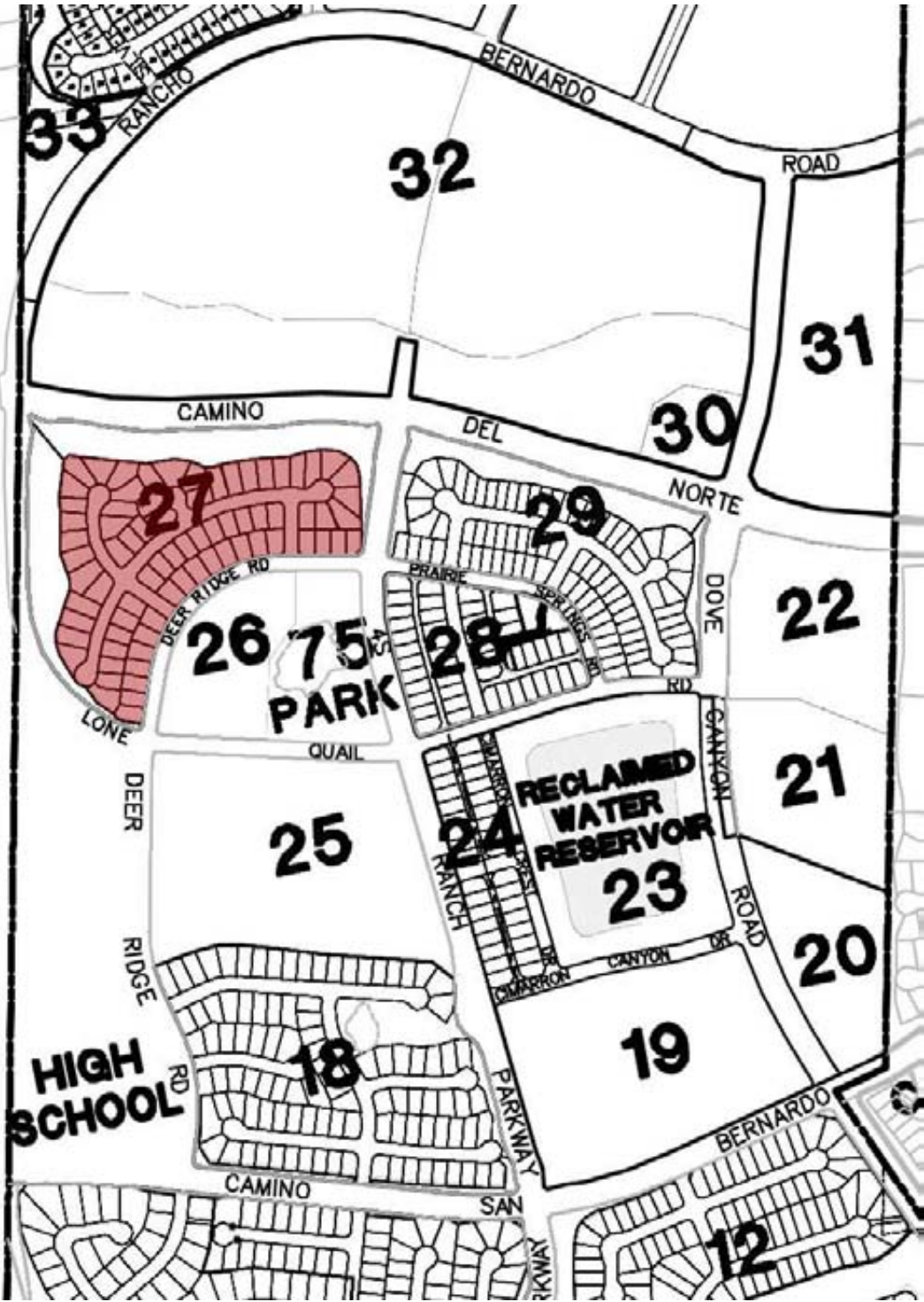
Soil/Geologic Conditions

This appraisal has assumed that all necessary grading and compacting has been and will be properly completed by the master developer, and is being properly completed by the current merchant builders, and that there are no abnormal soil or geologic conditions that would affect the development of the land as planned.

Environmental Conditions

This appraisal has assumed that all necessary environmental permits and approvals have been obtained for development of the land as planned. It has also been assumed that there are no other environmental conditions, including endangered species or significant habitat, watercourses or wetlands that would have a negative effect on the planned development.

MAP OF RYLAND HERITAGE



RYLAND HERITAGE (RYLAND HOMES)

PROPERTY DATA

Location

This tract is located in the area bounded by Camino Del Norte at the north, 4S Ranch Parkway at the east, Lone Quail Rd. at the west and southwest, and Deer Ridge Rd. at the south and southeast.

Record Owner/Ownership History

All of the 75 homes are owned by separate homeowners. The original sales from the builder, Ryland Homes, closed from the latter part of 2001 through 2002, and there have been many resales since that time.

Legal Description

This tract comprises Lots 1 through 75 of County of San Diego Tract No. 5067-1, according to Map No. 13968.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-520-01 to 23, 26 to 57, 59 to 60; 678-521-01 to 09, 12 to 18 and 20 to 21. Assessed values range from \$38,513 to \$1,302,088, or an average of \$747,002. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 75 lots. The minimum lot size is 6,000 s.f., or $\pm 60'$ by 100', with some of the lots ranging up to $\pm 9,000$ s.f. in size.

Existing Development

These lots were developed in 2001 and 2002 with a tract of 75 homes called Ryland Heritage at 4S Ranch. There are three floor plans and the approximate number and description of each plan is as follows:

Residence One (± 22): 3,643 s.f., two-story, with 4 bedrooms, loft, office, family room, breakfast nook, $4\frac{1}{2}$ baths and 2-car garage with options of master retreat, bonus room and bedroom 5.

Residence Two (± 27): 3,798 s.f., two-story, with 4 bedrooms, master retreat, bonus room, tech center, den, family room, breakfast nook, 3 baths, and 3-car tandem garage with options of bedrooms 5, 6 and 7 and baths 4 and 5.

PROPERTY DATA, Continuing

Residence Three (±26): 4,039 s.f., two-story, with 5 bedrooms, master retreat, tech center, den, family room, breakfast nook, 3½ baths and 3-car tandem garage, with options of bonus room, super family room, media room, bedrooms 6 and 7 and baths 4 and 5.

VALUATION

Method of Analysis

All of the homes in this tract are categorized as completed-sold, having been completed and sold by the builder over 4 years ago. Thus, the Sales Comparison Approach is used to estimate the minimum market value of the 75 homes on a mass appraisal basis, considering recent resales from within the tract.

Analysis of 75 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	9829 Falcon Bluff	Listing	\$900,000	3,643	Plan 1; bonus room & office
2	9869 Falcon Bluff	Listing	\$948,000	3,643	Plan 1; 5+ bedrooms & loft
3	9972 Falcon Bluff	Listing	\$980,000	4,014	Plan 1; pool & spa; view
4	9919 Falcon Bluff	Listing	\$989,000	4,014	Plan 1; upgraded
5	16634 Deer Ridge	Listing	\$1,050,000	3,800	Plan 1; pool & spa; highly upgraded
6	9838 Falcon Bluff	2/3/06	\$1,110,000	3,798	Plan 2; upgraded; pool & spa; view; expired listing at \$1,195,000 in 1/07

It is evident that there has been only one sale in this tract since early February 2006, which was the Plan 2 at \$1,110,000 and on which a more recent listing at \$1,195,000 expired in January 2007. The other data consists of current listings at prices from \$900,000 to \$1,050,000 for Plan 1 homes, three of which have been expanded with options from the base floor plan, but no recent data on Plan 3 homes. The average of these 6 prices is \$996,000 which would tend to support a firm lower limit for the overall tract due to plan mix of mostly Plan 1 homes, though also being mostly asking prices.

From March through December 2005 there were 10 closed sales that ranged in price from \$1,000,000 to \$1,355,000 or an average of \$1,130,000. Of these 10 sales, 4 were Plan 1 homes and 6 were Plan 3 homes. It is noted that the data includes only Plan 1 and 3 homes, and two of the Plan 1 homes and three of the Plan 3 homes included options that increase the size from the base floor plan. It is also noted that all of these sales range from slightly to highly upgraded, though most of the homes

VALUATION, Continuing

in this tract were upgraded from the base level at the time of the original construction. Due to declining market conditions since most of these sales took place in mid to late 2005, a downward adjustment of $\pm 10\%$ results in an adjusted average indication at \$1,017,000.

Lastly, the later analyses of the Avery Lane and Providence tracts support close but firm lower limits for the subject tract at averages of \$930,000 and \$940,000 due to the smaller homes on similar size to slightly larger lots; and the later analysis of the Talavera tract supports a close upper limit for the subject tract at an average of \$960,000 due to the similar size homes but on larger lots and with superior views.

In summary, I have concluded on a conservative average value at \$950,000 which results in the following:

75 homes @ \$950,000 = \$71,250,000

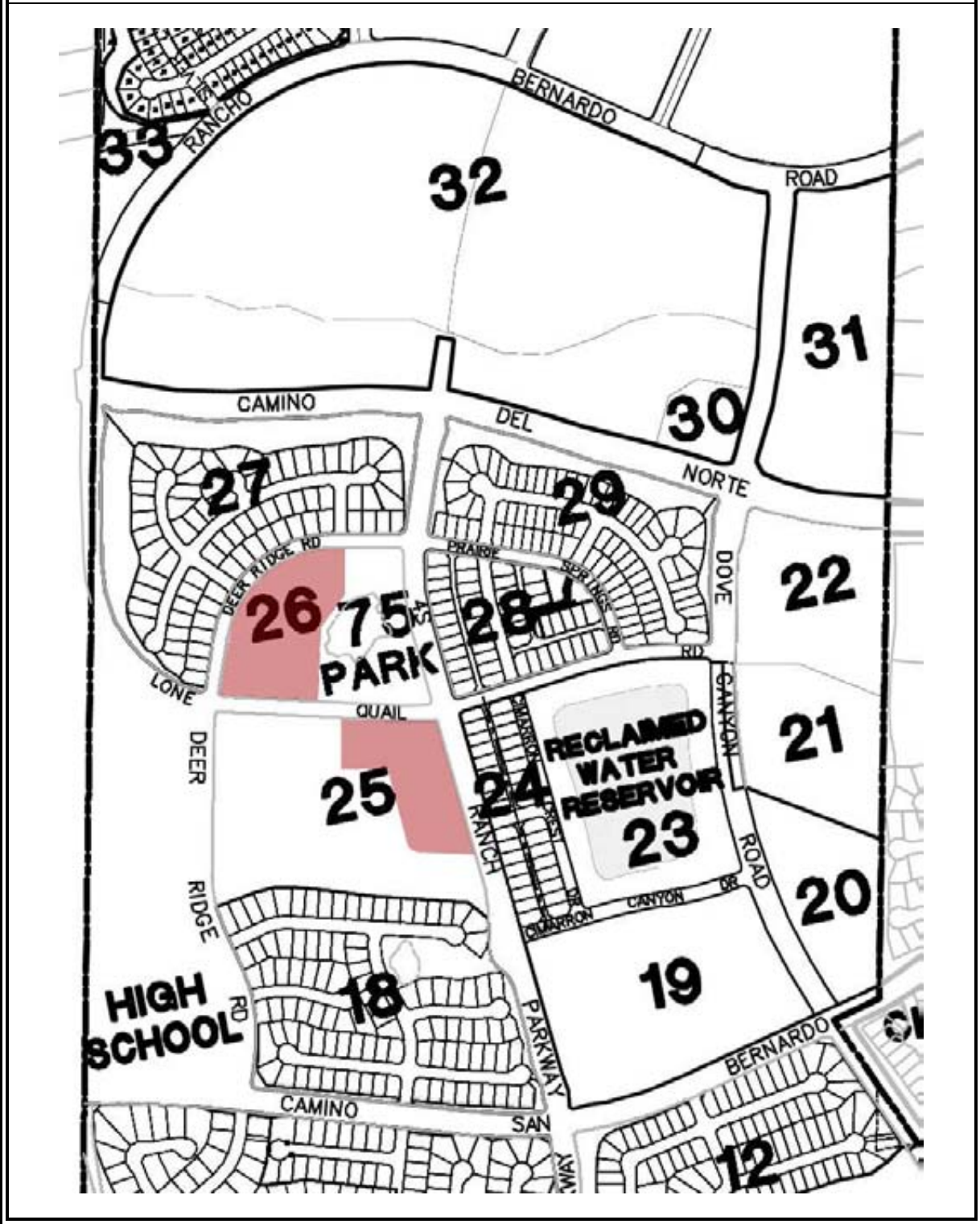
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Ryland Heritage tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$71,250,000

(SEVENTY-ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF SUMMERWOOD



SUMMERWOOD (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the northeast corner of Lone Quail Rd. and Deer Ridge Rd. and at the southwest corner of 4S Ranch Parkway and Lone Quail Rd.

Record Owner/Ownership History

All of the 95 homes are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from late 2002 through the fourth quarter of 2003, and there have been many resales since that time.

Legal Description

This tract comprises Lot 1 of County of San Diego Tract No. 5258-1, according to Map No. 14454 and a portion of Lot 1 of County of San Diego Tract No. 5256-1, according to Map No. 14396.

Assessor Data-2006/07

The 95 lots comprising the subject property consist of Assessor Parcel Nos. 678-502-01-01 to 12, 678-502-02-01 to 15, 678-502-03-01 to 14, 678-503-01-01 to 13, 678-503-02-01 to 12, 678-503-03-01 to 14 and 678-503-04-01 to 15. The assessed values range from \$240,906 to \$750,000 or an average of \$494,450. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$ but the overall tax rate is $\pm 1.5\%$ or slightly less including the special taxes for the CFD.

No. of Lots/Lot Sizes

This tract contains a total of 95 lots in a condominium-type subdivision. The lot sizes range from 2,800 s.f. to 3,000 s.f.

Existing Development

These lots were developed in 2002 and 2003 with a tract of 95 detached homes called Summerwood at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Plan 1 (28): 1,644 s.f., two-story, with 3 bedrooms, 2½ baths and a 2-car garage.

Plan 2 (34): 1,931 s.f., two-story, with 3 bedrooms, master retreat, 2½ baths and a 2-car garage.

Plan 3 (33): 2,043 s.f., two-story, with 3 bedrooms, master retreat, loft or optional bedroom 4, den, 2½ baths and a 2-car garage.

VALUATION

Method of Analysis

This is the same as for the previous Ryland Heritage tract.

Analysis of 95 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16519 Manassas	2/22/07	\$539,900	1,644	Plan 1; typical
2	16651 Deer Ridge	10/11/06	\$545,000	1,931	Plan 2; typical
3	16563 Manassas	3/8/07	\$554,000	1,644	Plan 1; upgraded; large lot
4	16579 Manassas	9/8/06	\$560,000	1,931	Plan 2; upgraded
5	16627 Deer Ridge	1/25/07	\$570,000	1,644	Plan 1
6	16628 Honeybrook	8/10/06	\$585,000	1,931	Plan 2
7	16647 Deer Ridge	10/10/06	\$620,000	2,043	Plan 3; upgraded
8	16604 Honeybrook	9/15/06	\$620,000	1,931	Plan 2; upgraded
9	16570 Manassas	11/15/06	\$635,000	1,931	Plan 2; upgraded; large lot

This data indicates the overall price range of \$539,900 to \$635,000, or an average of \$581,000. It is noted that the data includes mostly Plan 1 and Plan 2 homes, thus the average pricing is conservative when considering that 35% of the homes in the tract are Plan 3. However, it is also noted that 6 of the sales took place 6 to 8 months ago, thus there could be a minor downward time adjustment to 6 of the 9 sales.

Additional information on current listings in the tract includes the following: a Plan 1 home at an asking price of \$519,900 and two Plan 2 homes at asking prices of \$603,900 and \$629,000. In addition, a Plan 2 home at an asking price of \$619,500 was recently withdrawn and a Plan 3 home at an asking price of \$649,000 was recently withdrawn. These asking prices indicate an average of \pm \$604,000 and support a firm upper limit as an average for the subject tract.

In summary, I have concluded on a conservative average at \$550,000 which results in the following:

$$95 \text{ homes @ } \$550,000 = \$52,250,000$$

VALUATION, Continuing

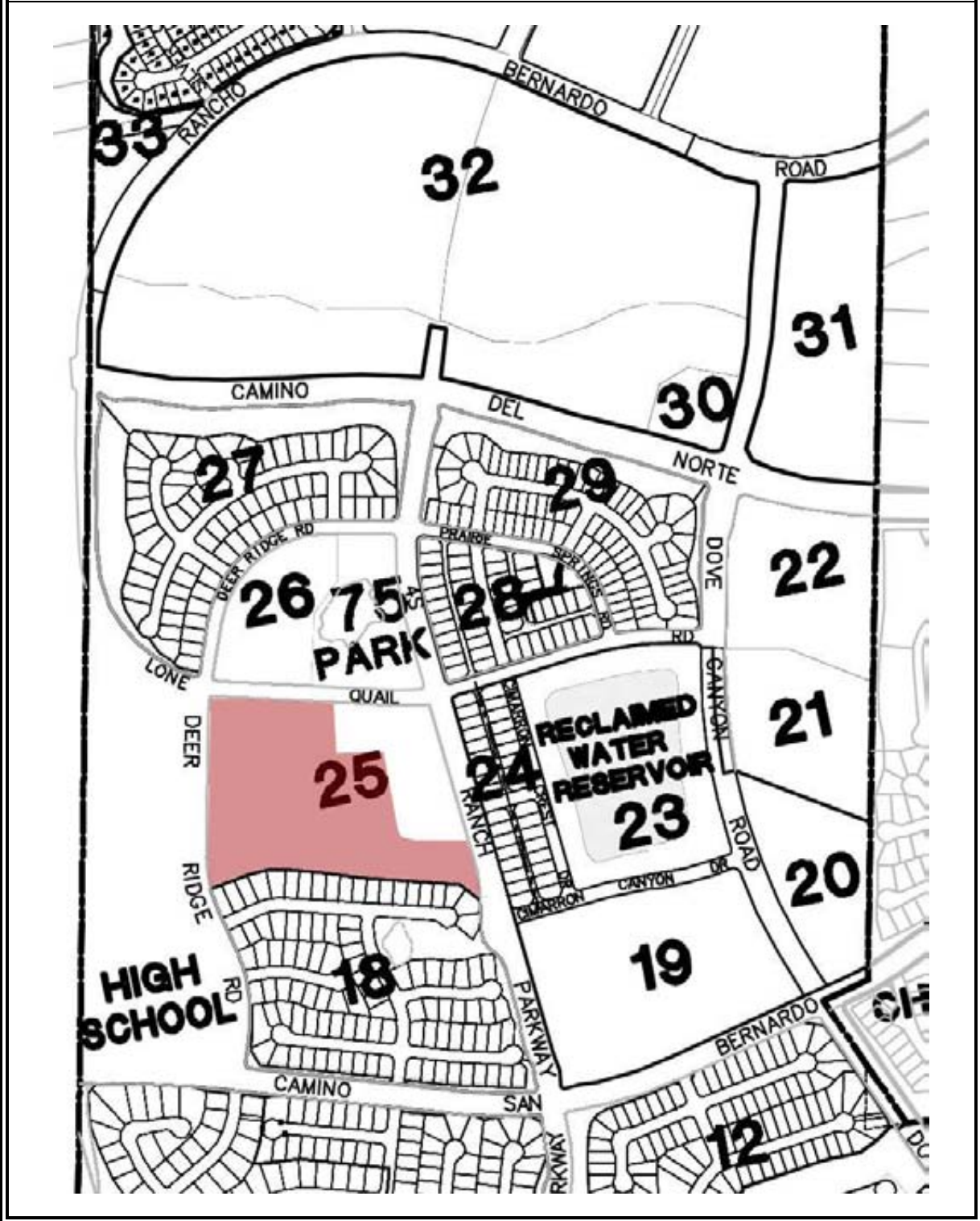
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Summerwood tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$52,250,000

(FIFTY-TWO MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF TANGLEWOOD



TANGLEWOOD (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the southeast corner of Lone Quail Rd. and Deer Ridge Rd., with the south portion extending east to 4S Ranch Parkway.

Record Owner/Ownership History

All of the 161 homes are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from December 2002 through December 2003, and there have been many resales since that time.

Legal Description

This tract comprises a portion of Lot 1 of County of San Diego Tract No. 5256-1, according to Map No. 14396.

Assessor Data-2006/07

The 161 lots comprising the subject property consist of Assessor Parcel Nos. 678-502-04-01 to 15, 678-502-05-01 to 16, 678-502-06-01 to 11, 678-502-07-01 to 16, 678-502-08-01 to 16, 678-502-09-01 to 12, 678-502-10-01 to 16, 678-502-11-01 to 16, 678-502-12-01 to 11, 678-502-13-01 to 16, 678-502-14-01 to 16. The assessed values range from \$137,303 to \$663,000 or an average of \$446,586. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract contains a total of 161 lots in a condominium-type subdivision. The lot sizes range from 2,350 s.f. to 2,750 s.f.

Existing Development

These lots were developed in 2002 and 2003 with a tract of 161 detached homes called Tanglewood at 4S Ranch. There are four floor plans and the number and description of each plan is as follows:

Plan 1 (32): 1,310 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths and 2-car garage.

Plan 2 (40): 1,410 s.f., two-story, with 3 bedrooms, 2½ baths and a 2-car garage.

PROPERTY DATA, Continuing

Plan 3 (46): 1,581 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths and a 2-car garage.

Plan 4 (43): 1,690 s.f., two-story, with 3 bedrooms, loft or optional bedroom 4, 2½ baths and a 2-car garage.

VALUATION

Method of Analysis

This is the same as for the previous tracts.

Analysis of 161 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	9961 Fieldthorn	3/5/07	\$499,000	1,310	Plan 1; upgraded
2	9905 Fieldthorn	1/22/07	\$510,000	1,310	Plan 1; upgraded
3	9951 Fieldthorn	10/25/06	\$512,000	1,581	Plan 3; motivated seller
4	10083 Fieldthorn	10/2/06	\$520,000	1,581	Plan 3; upgraded
5	10075 Fieldthorn	10/12/06	\$529,900	1,690	Plan 4; large lot; motivated seller
6	9864 Fieldthorn	11/3/06	\$530,000	1,690	Plan 4; typical
7	10019 Fieldthorn	8/31/06	\$535,000	1,581	Plan 3; typical
8	9939 Fieldthorn	4/9/07	\$545,000	1,310	Plan 1; highly upgraded interior & back yard
9	16533 Gettysburg	8/31/06	\$550,000	1,690	Plan 4; upgraded interior & back yard
10	9969 Fieldthorn	2/7/07	\$558,000	1,690	Plan 4; large, upgraded back yard
11	9720 Fieldthorn	8/28/06	\$560,000	1,690	Plan 4; upgraded interior & back yard

This data indicates the overall price range of \$499,000 to \$560,000, or an average of ±\$532,000. It is noted that the data is more heavily weighted toward the two larger plans and with no Plan 2 homes. Thus, the average pricing would support an upper limit for this factor, reflecting the plan mix in the tract with 45% of the homes in the tract being Plans 1 or 2. It is also noted that 6 of the sales took place about 6 to 8 months ago thus there could be a minor downward time adjustment to these sales.

Additional information on current pending sales and listings in the tract includes the following: a Plan 2 home at an asking price of \$500,900 that is in escrow; two Plan 3 homes at asking prices of \$490,000+ and \$550,000+ that are currently in escrow; and

VALUATION, Continuing

a Plan 3 home at an asking price of \$549,000. These asking prices indicate an average of \$522,000+ and support a firm upper limit as an average for the subject tract.

In summary, I have concluded on a conservative average value at \$500,000, which results in the following:

161 homes @ \$500,000 = \$80,500,000

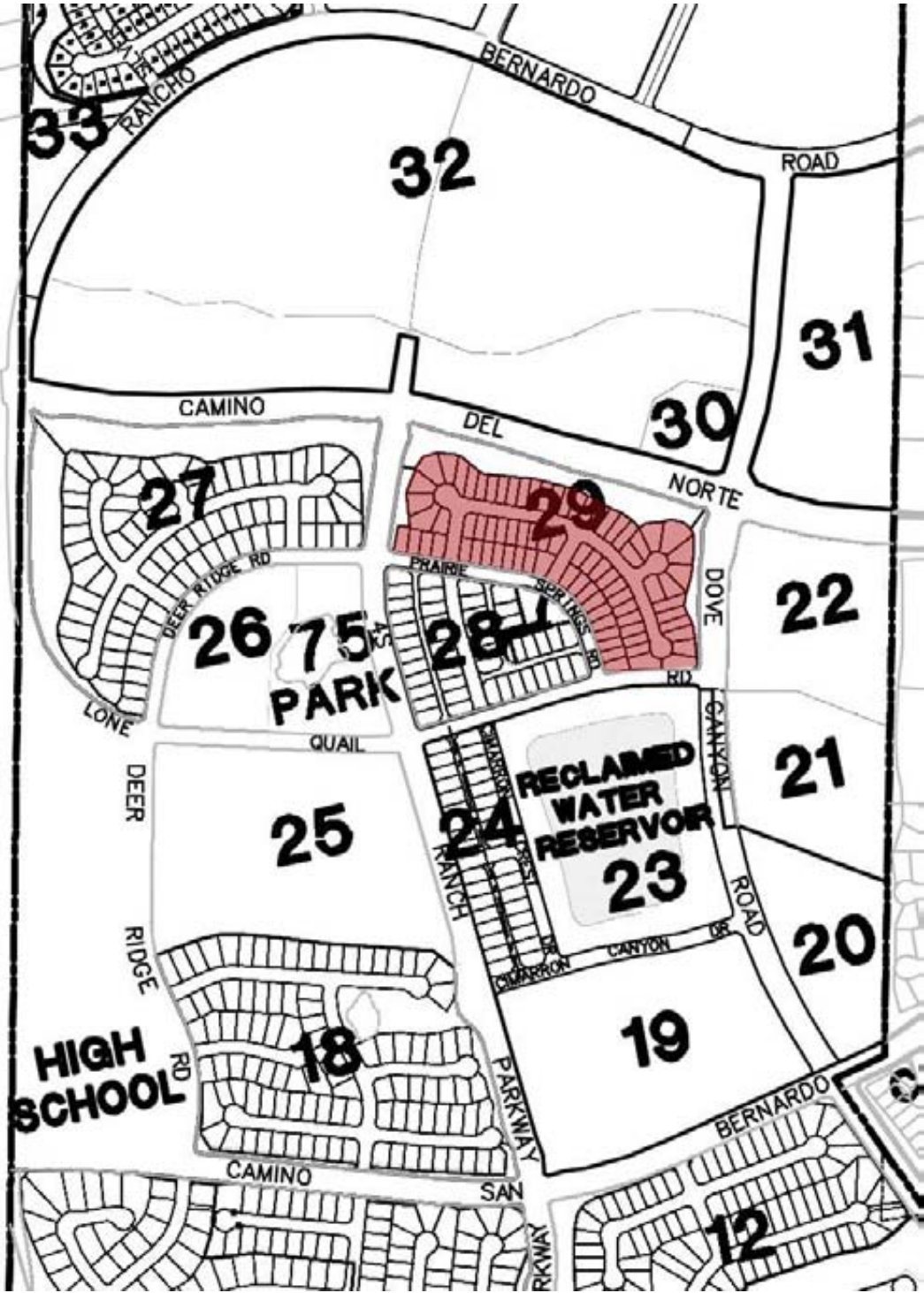
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Tanglewood tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$80,500,000

(EIGHTY MILLION FIVE HUNDRED THOUSAND DOLLARS)

MAP OF CEDAR CREEK



CEDAR CREEK (D.R. HORTON)

PROPERTY DATA

Location

This tract is located in the area bounded by Camino Del Norte at the north, 4S Ranch Parkway at the west, Dove Canyon Rd. at the east, and Prairie Springs Rd. and Lone Quail Rd. along the southerly side.

Record Owner/Ownership History

All of the 80 homes are owned by separate homeowners. The original sales from the builder, D.R. Horton, closed from May 2001 through mid 2002, and there have been many resales since that time.

Legal Description

This tract comprises Lots 79 through 158 of County of San Diego Tract No. 5067-2, according to Map No. 13988.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-540-02 to 41 and 678-541-01 to 40. The assessed values range from \$442,027 to \$831,279, or an average of \$565,164. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 80 lots. The minimum lot size is 4,200 s.f., or $\pm 42'$ by 100'.

Existing Development

These lots were developed in 2001 and 2002 with a tract of 80 homes called Cedar Creek at 4S Ranch. There are three floor plans and the number and description of each of the plans is as follows:

Plan 1 (20): 2,156 s.f., two-story, with 3 bedrooms, family room, breakfast nook, 2½ baths, and 2-car garage with optional loft in lieu of bedroom 2.

Plan 2 (29): 2,344 s.f., two-story, with 3 bedrooms, family room, breakfast nook, 2½ baths, and 2-car garage with options of master retreat or loft in lieu of bedroom 3.

Plan 3 (31): 2,712 s.f., two-story, with 4 bedrooms, family room, breakfast nook, 3 baths and 2-car garage with optional den and powder in lieu of bedroom 4 and bath 3.

VALUATION

Method of Analysis

This is the same as for the previous tracts.

Analysis of 80 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	10250 Prairie Springs	1/12/07	\$687,500	2,712	Plan 3; corporate relocation
2	16757 Cimarron Crest	12/15/06	\$689,000	2,344	Plan 2; upgraded; corner lot
3	10156 Prairie Fawn	10/16/06	\$715,000	2,344	Plan 2; view
4	10132 Prairie Fawn	8/14/06	\$719,000	2,156	Plan 1; upgraded; pool/spa; view
5	10186 Prairie Springs	7/18/06	\$719,500	2,344	Plan 2; typical
6	10174 Prairie Fawn	6/30/06	\$740,000	2,156	Plan 1; spa; good views
7	10151 Prairie Fawn	7/28/06	\$750,000	2,712	Plan 3; typical
8	10274 Prairie Springs	6/30/06	\$760,000	2,156	Plan 1
9	16719 Prairie Fawn	8/25/06	\$780,000	2,712	Plan 3; upgraded; large lot

This data indicates the overall price range of \$687,500 to \$780,000, or an average of \pm \$729,000. It is noted that the data includes an even mix of all floor plans, which is slightly weighted to the two larger plans in contrast to the overall plan mix in the tract. Thus, the average pricing would represent a close upper limit to a supportable average price for the tract. It is also noted that 7 of the 9 sales took place about 6 to 10 months ago, thus a minor downward adjustment would be supportable.

Additional information on current pending sales and listings in the tract includes the following: a Plan 1 home at an asking price of \$699,000+; two Plan 2 homes at asking prices of \$669,000+ and \$699,000+; a Plan 3 home at an asking price of \$689,000+; and a Plan 3 home at an asking price of \$700,000+ that is in escrow. These asking prices indicate an average of \pm \$691,000+ and support a firm upper limit as an average for the subject tract.

In summary, I have concluded on a conservative average value at \$670,000 which results in the following:

$$80 \text{ homes @ } \$670,000 = \$53,600,000$$

VALUATION, Continuing

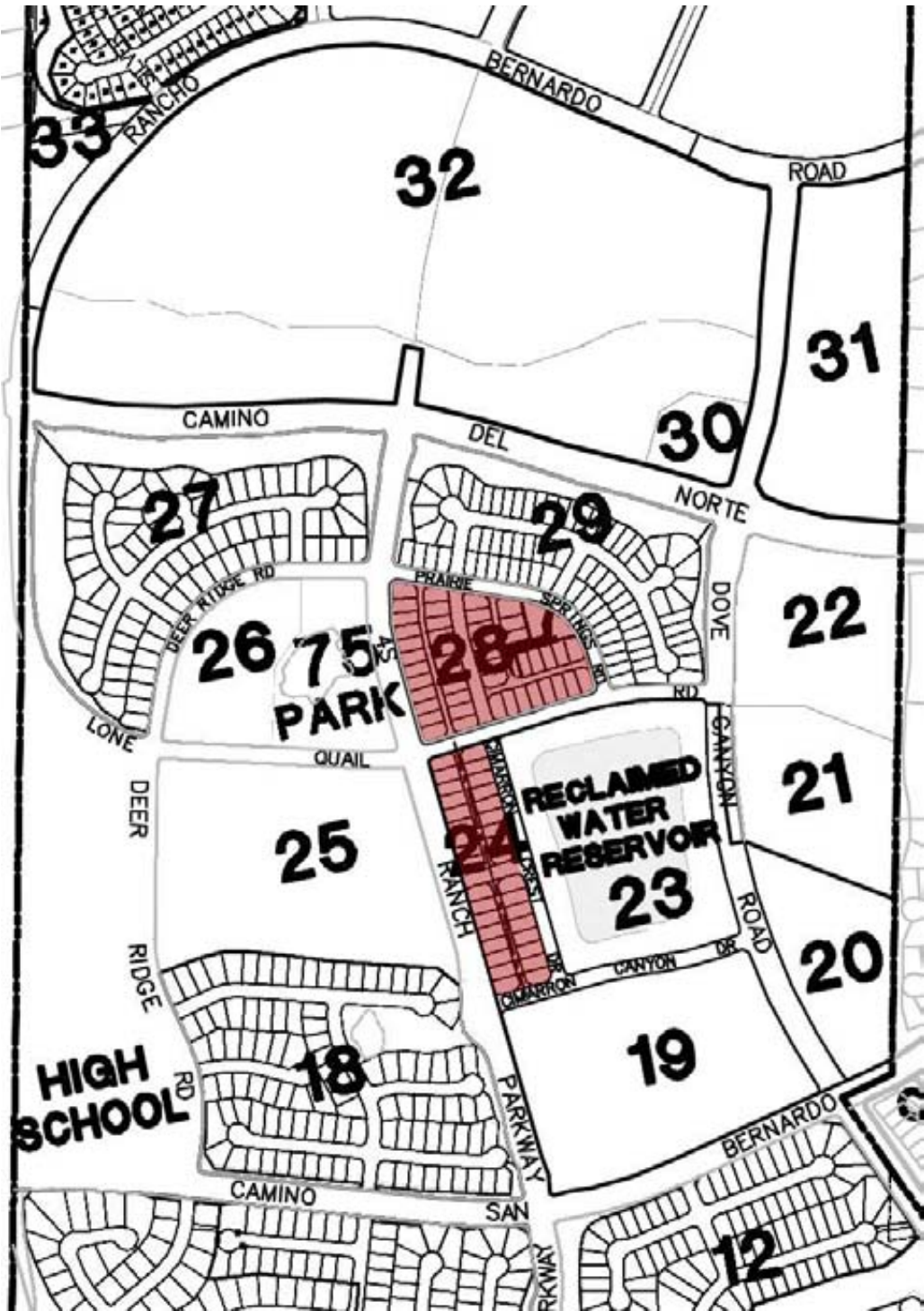
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Cedar Creek tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$53,600,000

(FIFTY-THREE MILLION SIX HUNDRED THOUSAND DOLLARS)

MAP OF AMHERST



AMHERST (BROOKFIELD HOMES)

PROPERTY DATA

Location

This tract is located at the northeast and southeast corners of 4S Ranch Parkway and Lone Quail Rd. The north site extends north and east to Prairie Springs Rd. and the south site extends east to Cimarron Crest Dr. and south to Cimarron Canyon Dr.

Record Owner/Ownership History

All of the 80 lots are owned by separate homeowners. The original sales from the builder, Brookfield Homes, closed from April 2002 through the end of that year, and there have been many resales since that time.

Legal Description

This tract comprises Lots 641 through 686 of County of San Diego Tract No. 5067-7, according to Map No. 14171, and Lots 690 through 723 of County of San Diego Tract No. 5067-8, according to Map No. 14172.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-580-01 to 46 and 678-590-01 to 34. The assessed values range from \$487,941 to \$950,000, or an average of \$578,861. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 80 lots. The minimum and typical lot size is 5,250 s.f., or $\pm 50'$ by $105'$.

Existing Development

These lots were developed in 2002 with a tract of 80 homes called Amherst at 4S Ranch. The number and description of the three floor plans is as follows:

Plan One (Provence) [24]: 2,901 s.f., two-story, with 5 bedrooms, family room, breakfast nook, 3 baths and 3-car tandem garage, with options of office and master retreat.

Plan Two (Andover) [29]: 3,169 s.f., two-story, with 5 bedrooms, family room, breakfast nook, 3 baths and 3-car tandem garage; options of office, master retreat and bath 4.

Plan Three (Carolina) [27]: 3,377 s.f., two-story, with 6 bedrooms, family room, breakfast nook, 3 baths and 3-car tandem garage, with options of retreat, teen room, and bath 4.

VALUATION

Method of Analysis

This is the same as for the previous tracts.

Analysis of 80 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16691 4S Ranch Pkwy	11/1/06	\$765,000	3,169	Plan 2; average
2	16667 4S Ranch Pkwy	5/4/06	\$805,000	2,901	Plan 1; upgraded back yard
3	16651 4S Ranch Pkwy	5/23/06	\$845,000	3,169	Plan 2; average
4	16592 Cimarron Crest	8/25/06	\$860,000	3,444	Plan 3; view
5	16581 4S Ranch Pkwy	9/11/06	\$865,000	3,444	Plan 3; upgraded
6	16599 4S Ranch Pkwy	5/31/06	\$920,000	3,322	Plan 2; upgraded interior & back yard; spa
7	16620 Cimarron Crest	Escrow	±\$945,000	3,444	Plan 3; highly upgraded

This data indicates the overall price range of \$765,000 to ±\$945,000, or an average of ±\$858,000. It is noted that the data is more heavily weighted with Plan 2 and 3 homes, thus the indicated average price would be on the high side for the overall tract that has a more even mix of the three floor plans. It is also noted that all of the closed sales took place from about 5 to 11 months ago, thus there could be a minor downward time adjustment, though the current escrow indicates the highest price.

Additional information on current listings in the tract includes the following: a Plan 1 home at an asking price of \$815,000+ and a Plan 3 home at an asking price of \$899,888+. These asking prices indicate an average of \$857,000+ and support a firm upper limit as an average for the subject tract. In summary, I have concluded on a conservative average value at \$810,000 which results in the following:

80 homes @ \$810,000 = \$64,800,000

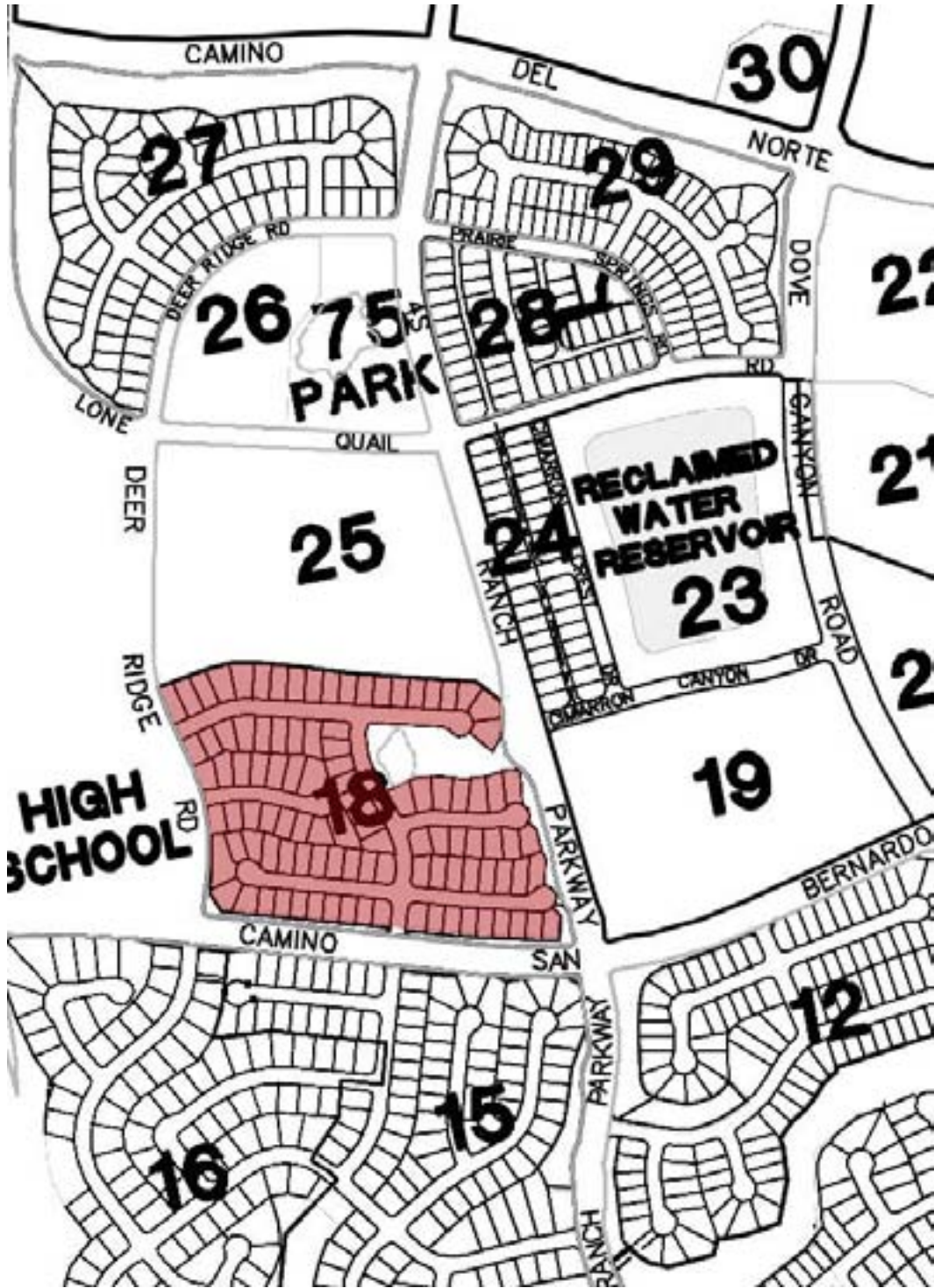
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Amherst tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$64,800,000

(SIXTY-FOUR MILLION DOLLARS)

MAP OF HOMESTEAD



HOMESTEAD (FIELDSTONE COMMUNITIES)

PROPERTY DATA

Location

This tract is located at the northwest corner of 4S Ranch Parkway and Camino San Bernardo, extending west to Deer Ridge Rd.

Record Owner/Ownership History

All of the 103 homes are owned by separate homeowners. The original sales from the builder, Fieldstone Communities, closed from November 2001 and thereafter, and there have been many resales since that time.

Legal Description

This tract comprises Lots 161 through 263 of County of San Diego Tract No. 5067-3, according to Map No. 13989.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-530-01 to 16, 18 to 38 and 41, and 678-531-01, 04, 10 to 22, 24, 26 to 65, 68 to 72 and 73 to 76. The assessed values range from \$137,705 to \$930,000 or an average of \$597,466. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 103 lots. The minimum and typical lot size is 5,040 s.f., or $\pm 56'$ by $90'$.

Existing Development

These lots were developed in 2001/2002 with a tract of 103 homes called Homestead at 4S Ranch. The number and description of the three floor plans is as follows:

Plan 2860 (26): 2,860 s.f., two-story, with 3 bedrooms, 3 baths, large loft, and 3-car garage, with optional 4th bedroom in lieu of 3rd car garage, and optional deck off master bedroom.

Plan 3296 (52): 3,296 s.f., two-story, with 5 bedrooms, 3 baths, large loft, and tandem 3-car garage, with optional 6th bedroom with additional full bath, optional den, and optional deck off master bedroom.

PROPERTY DATA, Continuing

Plan 3300 (25): 3,300 s.f., two-story, with 4 bedrooms plus office/den including master retreat, 3 baths, large loft, tandem 3-car garage, with optional 5th bedroom and optional deck off master bedroom.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 103 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	9822 Fox Valley	11/21/06	\$774,650	3,300	Plan 3; upgraded; motivated seller
2	9830 Fox Valley	9/19/06	\$812,500	3,296	Plan 2; average
3	16452 Fox Valley	12/1/06	\$817,000	3,296	Plan 2; upgraded; seller relocated
4	9814 Fox Valley	7/31/06	\$820,000	3,296	Plan 2; upgraded
5	9973 Fox Valley	6/30/06	\$950,000	3,300	Plan 3; highly upgraded; good view

This data indicates the overall price range of \$774,650 to \$950,000, or an average of \pm \$835,000. It is noted that the data consists of only Plan 2 and 3 homes, thus the indicated average price would be on the high side for the overall tract. It is also noted that Data No. 1 is skewed to the low side due to a motivated seller but Data No. 5 is skewed to the high side due to being highly upgraded and with a good view. Furthermore, all of the sales would require at least a minor downward time adjustment considering the dates of sale being about 4 to 10 months ago.

It is noted that there are no current listings in this tract, and only a recent expired listing on a Plan 3 home at an asking price of \$850,000+.

Lastly, the previous analysis of the Amherst tract supports a close upper limit for this subject tract at an average of \$810,000 due to the slightly larger homes on slightly larger lots; the later analysis of the Legacy tract supports a close indication at an average of \$800,000 due to the similar size homes on similar size lots; and the later analysis of the Cambridge tract supports an upper limit at an average of \$810,000 due to the slightly larger homes on larger lots.

In summary, I have concluded on a conservative average value at \$780,000 which results in the following:

VALUATION, Continuing

103 homes @ \$780,000 = \$80,340,000

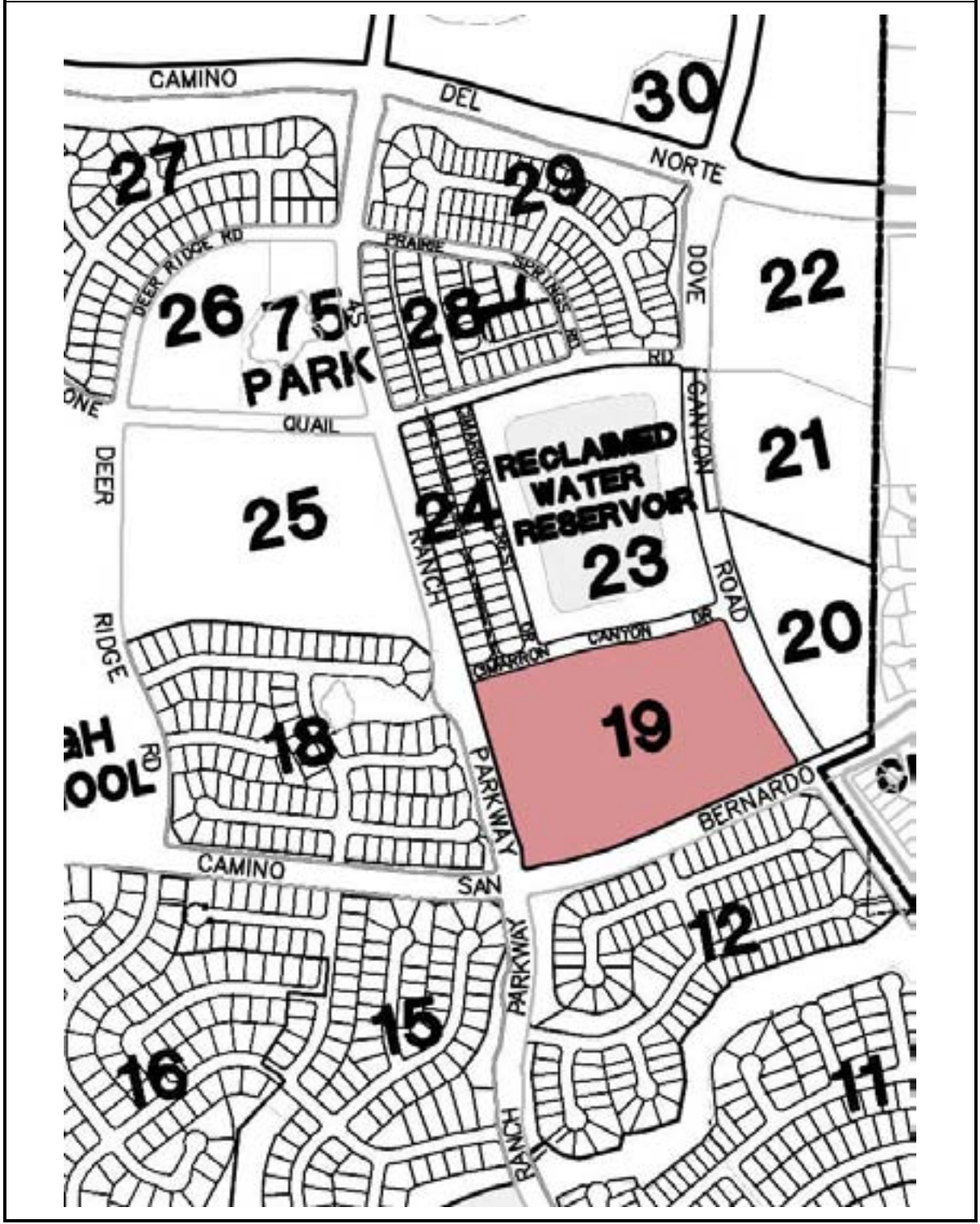
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Homestead tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$80,340,000

(EIGHTY MILLION THREE HUNDRED FORTY THOUSAND DOLLARS)

MAP OF GARDEN GATE



GARDEN GATE (SEA COUNTRY HOMES)

PROPERTY DATA

Location

This tract is located in the block bounded by 4S Ranch Parkway at the west, Cimarron Canyon Rd. at the north, Dove Canyon Rd. at the east, and Camino San Bernardo at the south.

Record Owner/Ownership History

All of the 133 homes are owned by separate homeowners. The original sales from the builder, Sea Country Homes, closed from December 2002 through the first quarter of 2003, and there have been many resales since that time.

Legal Description

This tract comprises Residential Modules A through M of Lot 1 of County of San Diego Tract No. 5266-1, according to Map No. 14393.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-610-01-01 to 10, 678-610-02-01 to 10, 678-610-03-01 to 10, 678-610-04-01 to 10, 678-610-05-01 to 09, 678-610-06-01 to 10, 678-610-07-01 to 11, 678-610-08-01 to 10, 678-610-09-01 to 10, 678-610-10-01 to 10, 678-610-11-01 to 09, 678-610-12-01 to 11 and 678-610-13-01 to 13. The assessed values range from \$405,061 to \$772,140 or an average of \$519,862. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 14 net/pad acres, and contains a total of 133 lots in a condominium-type subdivision. The lot sizes range from $\pm 2,700$ s.f. to 3,700 s.f., with an average size of $\pm 3,200$ s.f.

Existing Development

These lots were developed in 2002 and 2003 with a tract of 133 detached homes called Garden Gate at 4S Ranch. The number and description of the three floor plans are as follows:

Plan 1 (39): 1,901 s.f., two-story, with 3 bedrooms, den, 2½ baths and 2-car garage with options of bedroom 4 and bath 3.

PROPERTY DATA, Continuing

Plan 2 (50): 2,082 s.f., two-story, with 3 bedrooms, loft, flex space, 3 baths and 2-car garage with options of master retreat, bedrooms 4 and 5, and bath 4.

Plan 3 (44): 2,271 s.f., two-story, with 4 bedrooms, breakfast nook, family room, 3 baths and 2-car garage with options of flex space at bedrooms 2 and 4.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 133 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16413 Camelias Walk	6/22/06	\$600,000	1,901	Plan 1; motivated seller
2	16394 Calloway	11/6/06	\$615,000	1,901	Plan 1; upgraded; view
3	10072 Baylee	Escrow	±\$629,900	2,082	Plan 2; average
4	16416 Snowbells	6/9/06	\$630,000	1,901	Plan 1; upgraded; corner lot
5	16456 Ambrose	7/17/06	\$640,000	2,082	Plan 2; upgraded interior & back yard
6	16424 Camelias Walk	2/9/07	\$640,000	2,271	Plan 3; average
7	16408 Ambrose	2/14/07	\$665,000	2,082	Plan 2; secluded corner lot
8	16464 Sunstone	4/2/07	\$672,000	2,271	Plan 3; upgraded interior & back yard
9	16441 Sunstone	10/31/06	\$714,000	2,271	Plan 3; upgraded interior & back yard

This data indicates the overall price range of \$600,000 to \$714,000, or an average of ±\$645,000. It is noted that there is an even mix of the three floor plans, which is fairly similar to the overall mix in the tract. However, it is also noted that 5 of the sales took place about 5 to 10 months ago, thus there could be a minor downward adjustment to these sales.

Additional information on current listings in the tract includes the following: a Plan 2 home at an asking price of \$625,000+ and two Plan 3 homes at asking prices of \$615,000+ and \$669,000. These asking prices indicate an average of \$636,000+ and support a firm upper limit as an average for the subject tract, considering also that these listings are only of the two larger floor plans.

VALUATION, Continuing

In summary, I have concluded on a conservative average value at \$600,000 which results in the following:

133 homes @ \$600,000 = \$79,800,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Garden Gate tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$79,800,000

(SEVENTY-NINE MILLION EIGHT HUNDRED THOUSAND DOLLARS)

MAP OF TALAVERA



TALAVERA (DAVIDSON COMMUNITIES)

PROPERTY DATA

Location

This tract is located on the south side of Camino San Bernardo, opposite Deer Ridge Rd.

Record Owner/Ownership History

All of the 126 homes are owned by separate homeowners. The original sales from the builder, Davidson Communities, closed from February 2002 and thereafter, and there have been many resales since that time.

Legal Description

This tract comprises Lots 268 to 393 and 395 of County of San Diego Tract No. 5067-4, according to Map No. 14105.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-550-01 to 18, 22 to 30, 36, 37, 39 and 40, 678-551-01 to 27, 678-552-01 to 34 and 678-553-01 to 35 (it is noted that one of the homes in this tract is comprised of two APNs). The assessed values range from \$638,771 to \$1,336,200 or an average of \$797,310. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 126 lots. The minimum lot size is 7,000 s.f., or $\pm 70'$ by 100'.

Existing Development

These lots were developed in 2002 and 2003 with a tract of 126 homes called Talavera at 4S Ranch. The number and description of the four floor plans follows:

Residence One (25): 3,451 s.f., two story, with 4 bedrooms, 3½ baths, den and bonus room (optional 5th bedroom), and tandem 3-car garage.

Residence Two (34): 3,780 s.f., two story, with 4 bedrooms, 4½ baths, with den and bonus room (optional 5th and/or 6th bedrooms), and 3-car garage.

Residence Three (27): 3,870 s.f., two story, with 4 bedrooms, 4½ baths, hobby room and bonus room (optional 5th and/or 6th bedrooms), and 3-car garage.

PROPERTY DATA, Continuing

Residence Four (40): 4,053 s.f., two story, with 5 bedrooms, 4½ baths, tech.-study room (optional 6th bedroom), and 3-car garage.

VALUATION

Method of Analysis

This is the same as for the previous tracts.

Analysis of 126 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	9785 Wren Bluff	9/27/06	\$930,000	3,451	Plan 1; average
2	16277 Deer Ridge	3/13/07	\$940,000	3,780	Plan 2; average; pool & spa
3	9680 Deer Trail	8/22/06	\$970,000	3,451	Plan 1; upgraded interior & back yard
4	9673 Deer Trail	3/19/07	\$1,025,000	4,053	Plan 4; larger lot
5	9672 Deer Trail	7/11/06	\$1,082,000	3,451	Plan 1; highly upgraded; pool/spa; view
6	9752 Wren Bluff	7/14/06	\$1,082,000	4,053	Plan 4; large lot
7	9611 Deer Trail	3/28/07	\$1,087,000	4,053	Plan 4; large lot; view
8	16134 Deer Ridge	6/23/06	\$1,162,500	3,870	Plan 2; upgraded int. & back yard; view
9	16225 Deer Ridge	6/15/06	\$1,249,500	4,053	Plan 4; upgraded; large lot; view
10	16240 Deer Ridge	9/1/06	\$1,270,000	4,053	Plan 4; upgraded; pool & spa; view

This data indicates the overall price range of \$930,000 to \$1,270,000 or an average of ±\$1,080,000. It is noted that the data is more heavily weighted to the Plan 4 homes, with no sales of Plan 3 homes. In addition, 7 of the 10 sales took place about 5 to 10 months ago, thus there could be a minor downward time adjustment to these 7 sales. Overall, the average indication at \$1,080,000 supports a firm upper limit at current date. It is also noted that the three most recent sales indicate the range of \$940,000 to \$1,087,000 or an average of \$1,017,000, but the mix includes a Plan 2 and two Plan 4 homes.

Lastly, it is noted that there is only one current listing in the subject tract, a Plan 3 home at an asking price of \$975,000+, and this would tend to support an upper limit as an average for the overall tract since it is slightly larger than the average home size in the tract.

VALUATION, Continuing

In summary, I have concluded on a conservative average value at \$960,000 which results in the following indication:

126 homes @ \$960,000 = \$120,960,000

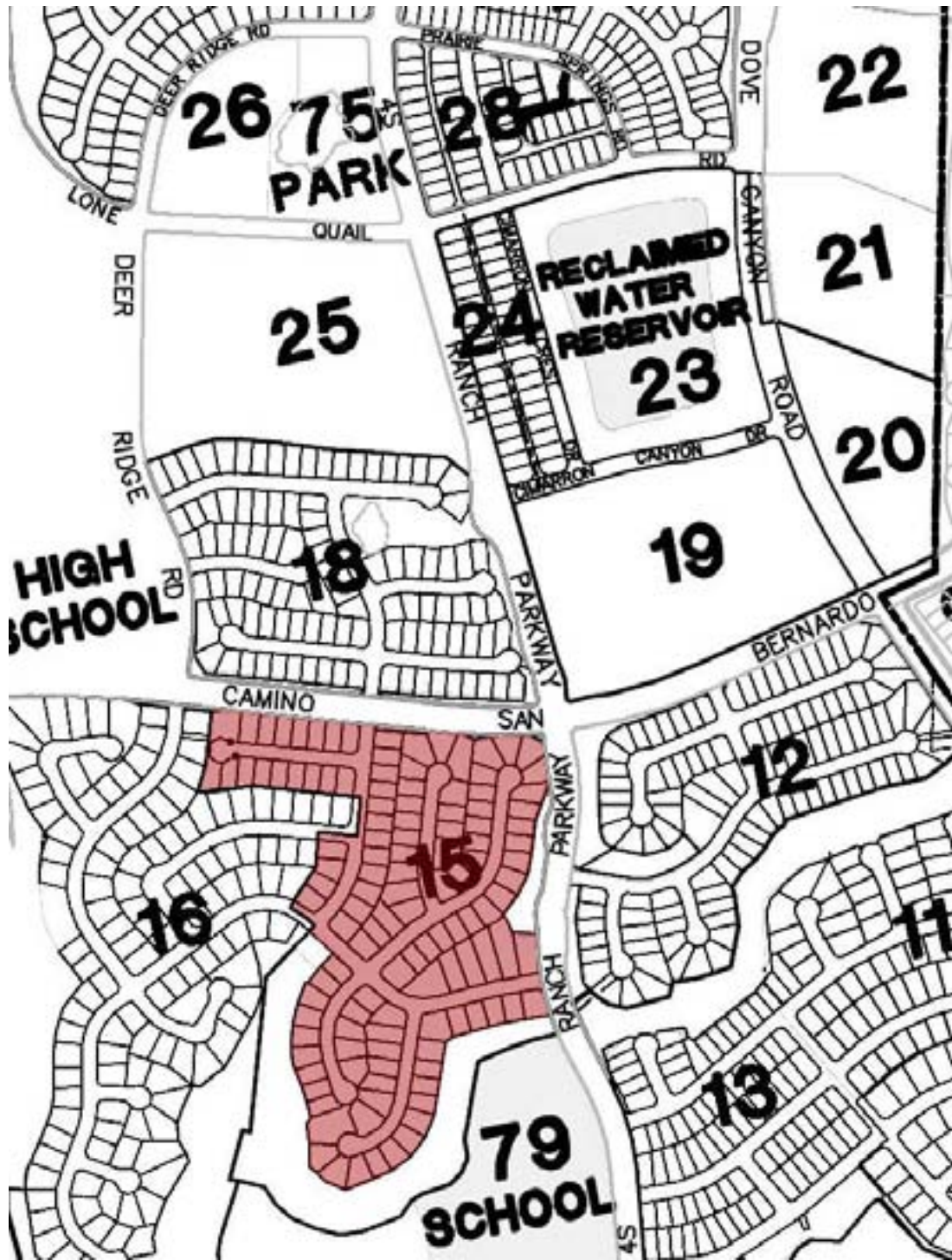
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Talavera tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$120,960,000

**(ONE HUNDRED TWENTY MILLION
NINE HUNDRED SIXTY THOUSAND DOLLARS)**

MAP OF PROVIDENCE



PROVIDENCE (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the southwest corner of 4S Ranch Parkway and Camino San Bernardo.

Record Owner/Ownership History

All of the 122 homes are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from December 2001 and thereafter, and there have been many resales since that time. (Note: There are 123 homes in this tract, but one has prepaid the special taxes, thus is not included in this appraisal.)

Legal Description

This tract comprises Lots 398 through 520 of County of San Diego Tract No. 5067-5, according to Map No. 14106; however, Lot 462 has prepaid the special taxes and is not included in this appraisal.

Assessor Data-2006/07

The 122 lots being appraised in this tract comprise Assessor Parcel Nos. 678-560-01 to 33, 678-561-01 to 29, 33-45, 49 and 50, and 678-562-01 to 45. The assessed values range from \$164,428 to \$1,140,000 or an average of \$718,242. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 123 lots. The minimum lot size is 6,000 s.f., or $\pm 60'$ x $100'$.

Existing Development

These lots were developed in 2001 through 2003 with a tract of 123 homes called Providence at 4S Ranch. There are four floor plans and the approximate number and description of each plan is as follows:

Plan 1 (Ashby) [± 21]: 3,412 s.f., two story, with 4 bedrooms, bonus room, $2\frac{1}{2}$ baths, and 3-car garage.

Plan 2 (Bristol) [± 27]: 3,472 s.f., two story, with 4 bedrooms, den, bonus room, 3 baths, and 3-car garage.

PROPERTY DATA, Continuing

Plan 3 (Durham) [±35]: 3,652 s.f., two story, with 3 bedrooms, den, retreat, 2½ baths, and 3-car garage.

Plan 4 (Windsor) [±40]: 3,839 s.f., two story, with 4 bedrooms, loft, retreat, 3½ baths, and 3-car garage.

VALUATION

Method of Analysis

This is the same as for the previous tracts.

Analysis of 122 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	9775 Fox Valley	2/15/07	\$845,000	3,412	Plan 1; average
2	16361 Fox Valley	5/25/06	\$885,000	3,472	Plan 2; upgraded back yard w/ spa
3	16314 Fox Valley	8/7/06	\$915,000	3,472	Plan 2; upgraded; view
4	16308 Pinto Ridge	8/18/06	\$990,000	3,472	Plan 2; upgraded; pool & spa; some view
5	16316 Pinto Ridge	2/15/07	\$1,070,000	3,977	Plan 3 expanded; large lot w/ pool & spa
6	9703 Fox Valley	4/3/07	\$1,074,000	4,138	Plan 3 expanded; highly upgraded; view

This data indicates the overall price range of \$845,000 to \$1,074,000 or an average of ±\$963,000. It is noted that the mix of the floor plans is skewed to the smaller plans with the majority of Plan 2 homes and no Plan 4 homes. However, three of the sales took place about 8 to 10 months ago which would warrant a minor downward time adjustment. Overall, the average indication at \$963,000 supports a close indication for the subject tract at current date.

Additional information on current listings in the tract includes the following: a Plan 2 home at an asking price of \$949,900 and three Plan 4 homes at asking prices of \$980,000+, \$1,040,000 and \$1,079,000+. There was also a recently expired listing of a Plan 2 home at an asking price of \$960,000. These asking prices indicate an average of \$1,012,000+ and support a firm upper limit as an average for the subject tract since they are skewed toward the larger floor plans.

Lastly, the previous analysis of the Ryland Heritage tract supports a close upper limit for the subject tract at an average of \$950,000 due to the slightly larger homes on similar size lots but with inferior view potential; the previous analysis of the Talavera tract supports a firm upper limit at an average of \$960,000 due to the

VALUATION, Continuing

slightly larger homes on larger lots; the later analysis of the Canyon Ridge tract supports a firm lower limit at an average of \$850,000 due to the smaller homes on similar size lots; and the later analysis of the Avery Lane tract supports a close lower limit at an average of \$930,000 due to the slightly smaller homes though on slightly larger lots.

In summary, I have concluded on a conservative average value at \$940,000 which results in the following:

122 homes @ \$940,000 = \$114,680,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Providence tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$114,680,000

**(ONE HUNDRED FOURTEEN MILLION
SIX HUNDRED EIGHTY THOUSAND DOLLARS)**

MAP OF LEGACY



LEGACY (PLC/CHRISTOPHER HOMES)

PROPERTY DATA

Location

This tract is located along the south side of Camino San Bernardo, from 4S Ranch Parkway to Dove Canyon Rd.

Record Owner/Ownership History

All of the 108 homes are owned by separate homeowners. The original sales from the builder, Christopher Homes, closed from July 2002 through October 2003, and there have been many resales since that time. (Note: There are 108 homes in this tract, but one has prepaid the special taxes, thus is not included in this appraisal.)

Legal Description

This tract comprises Lots 527 through 634 of County of San Diego Tract No. 5067-6, according to Map No. 14170; however, Lot 607 has prepaid the special taxes and is not included in this appraisal.

Assessor Data-2006/07

The 107 lots being appraised in this tract comprise Assessor Parcel Nos. 678-570-01 to 28, 678-571-01 to 31, and 678-572-01 to 21 & 23 to 49. The assessed values range from \$200,000 to \$976,415 or an average of \$636,904. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The effective tax rate including special taxes for the CFD was $\pm 1.5\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 108 lots. The minimum lot size is 5,000 s.f., or $\pm 50'$ by 100'.

Existing Development

These lots were developed in 2002 and 2003 with a tract of 108 homes called Legacy at 4S Ranch. There are four floor plans and the number and description of each plan is described as follows:

Residence One (12): 2,829 s.f., two story, with 3 bedrooms and loft (optional 4th bedroom), 2½ baths, and 2-car garage plus storage area or optional den/office at storage area.

PROPERTY DATA, Continuing

Residence Two (32): 2,886 s.f., two story, with 4 bedrooms plus loft, 3 baths, and 3-car garage, with optional super family room at bedroom 4 and optional bedroom 5 and bath 4 at loft.

Residence Three (36): 2,987 s.f., two story, with 5 bedrooms plus loft, 4 baths and 3-car garage, with optional den at bedroom 5.

Residence Four (28): 3,288 s.f., two story, with 4 bedrooms and bonus room, 3½ baths and 3-car tandem garage, with optional expanded bedroom 4 at tandem garage.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 107 Completed-Sold Homes

The pertinent sales are tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	10239 Lone Dove	3/13/07	\$810,000	2,886	Plan 2; upgraded
2	10217 Lone Bluff	10/27/06	\$917,000	2,987	Plan 3; upgraded; view
3	10228 Lone Dove	Escrow	\$930,000	2,987	Plan 3; upgraded back yard w/ pool & spa
4	10118 Lone Dove	11/13/06	\$999,000	3,288	Plan 4; upgraded yards; view

This data indicates the overall price range of \$810,000 to \$999,000 or an average of \$914,000. It is noted that the mix of the floor plans is skewed to the larger plans with no Plan 1 homes, thus the average would support an upper limit as an average for the overall tract. However, the sales are fairly recent, thus a downward time adjustment is not warranted.

Additional information on current listings in the tract includes the following: two Plan 1 homes at asking prices of \$799,000+ and \$819,888+; a Plan 2 home at an asking price of \$800,000+; and two Plan 4 homes at asking prices of \$859,888+ and \$875,000+. These asking prices indicate an average of \$831,000+ and support a firm upper limit as an average for the subject tract.

Lastly, the previous analysis of the Amherst tract supports a close upper limit for the subject tract at an average of \$810,000 due to the slightly larger homes on slightly larger lots but with inferior view potential; and the previous analysis of the Homestead tract supports a close lower limit at an average of \$780,000 due to the similar size homes on similar size lots but with inferior view potential.

VALUATION, Continuing

In summary, I have concluded on a conservative average value at \$800,000 which results in the following:

107 homes @ \$800,000 = \$85,600,000

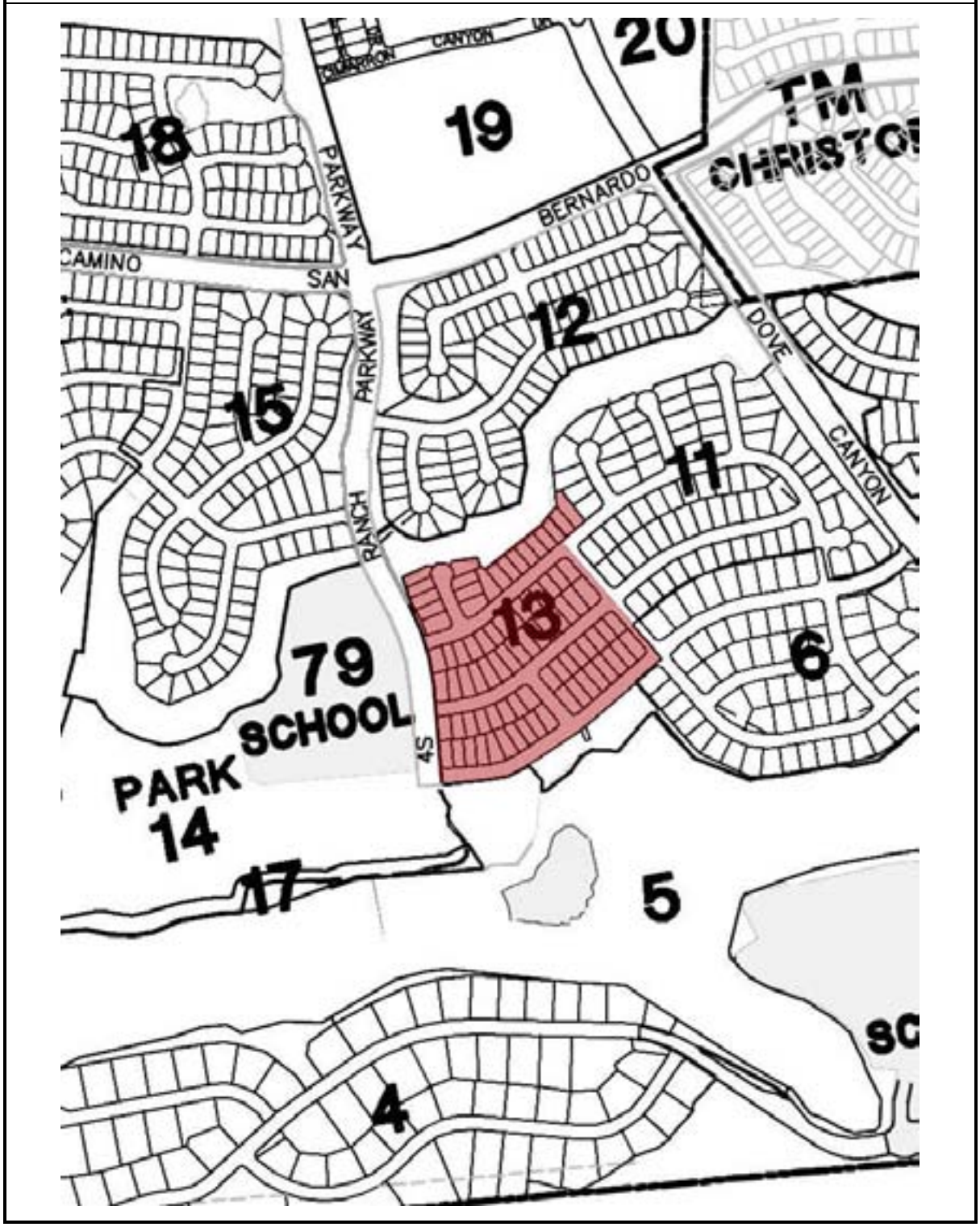
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Legacy tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$85,600,000

(EIGHTY-FIVE MILLION SIX HUNDRED THOUSAND DOLLARS)

MAP OF BELLE RIVE



BELLE RIVE (BUIE COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the east side of 4S Ranch Parkway, extending north from Dove Creek Rd.

Record Owner/Ownership History

All of the 82 homes are owned by separate homeowners. The original sales from the builder, Buie Communities, closed from July 2003 through the second quarter of 2004, and there have been a number of resales since that time.

Legal Description

The 82 lots comprising this tract consist of Lots 1 to 82 of County of San Diego Tract No. 5216-1 according to Map No. 14431.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-261-01 to 31, 312-262-01 to 02 and 312-260-01 to 49. The assessed values range from \$497,311 to \$935,000 or an average of \$605,523. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.9\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 82 lots. The minimum lot size is 4,500 s.f., or $\pm 45'$ x 100'.

Existing Development

These lots were developed in 2003 and 2004 with a tract of 82 homes called Belle Rive at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Plan 1 (The Loire) [26]: 2,264 s.f., two-story, with 3 bedrooms, loft, 2½ baths and 3-car tandem garage with options of master retreat, den and bedrooms 4 and 5.

Plan 2 (The Rhone) [27]: 2,865 s.f., two-story, with 3 bedrooms, loft, den, 3 baths and 3-car tandem garage with options of bedrooms 4, 5 and 6.

Plan 3 (The Seine) [29]: 3,047 s.f., two-story, with 5 bedrooms, 3 baths and 3-car garage with options of master retreat, loft, den and bedroom 6.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 82 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	15087 Cross Stone	10/30/06	\$740,000	2,922	Plan 2 expanded; average; view
2	15015 Cross Stone	8/16/06	\$760,000	2,492	Plan 1 expanded; former model
3	15023 Palomino Mesa	3/29/06	\$770,000	2,492	Plan 1 expanded; average
4	15041 Palomino Mesa	12/28/06	\$770,000	3,273	Plan 3 expanded; average
5	15064 Cross Stone	6/28/06	\$885,000	3,072	Plan 2 expanded; upgraded; large lot

This data indicates the overall price range of \$740,000 to \$885,000 or an average of \$785,000. It is noted that the mix of the floor plans is skewed to the smaller plans with the majority of Plan 1 and 2 homes, though they appear to be expanded plans per assessor information. It is noted that the sales took place from about 4 to 12 months ago, thus a minor downward adjustment would be warranted. Overall, the average indication at \$785,000 supports an upper limit indication for the subject tract at current date.

It is also noted that there is one current listing in the tract, a Plan 3 home with an upgraded yard at an asking price of \$980,000. There have been two prior expired listings on this same property, in January 2007 at an asking price of \$999,000 and in October 2006 at an asking price in the range of \$930,000 to \$999,000. It is evident that this is far above the sales data indications, thus it is of general interest only.

Lastly, the analysis of the Cedar Creek tract supports a firm lower limit at \$670,000 due to the smaller homes on smaller lots, and the analysis of the Homestead tract supports a firm upper limit at an average of \$780,000 due to the larger homes on larger lots.

In summary, I have concluded on a conservative average value at \$730,000, which results in the following:

$$82 \text{ homes @ } \$730,000 = \$59,860,000$$

VALUATION, Continuing

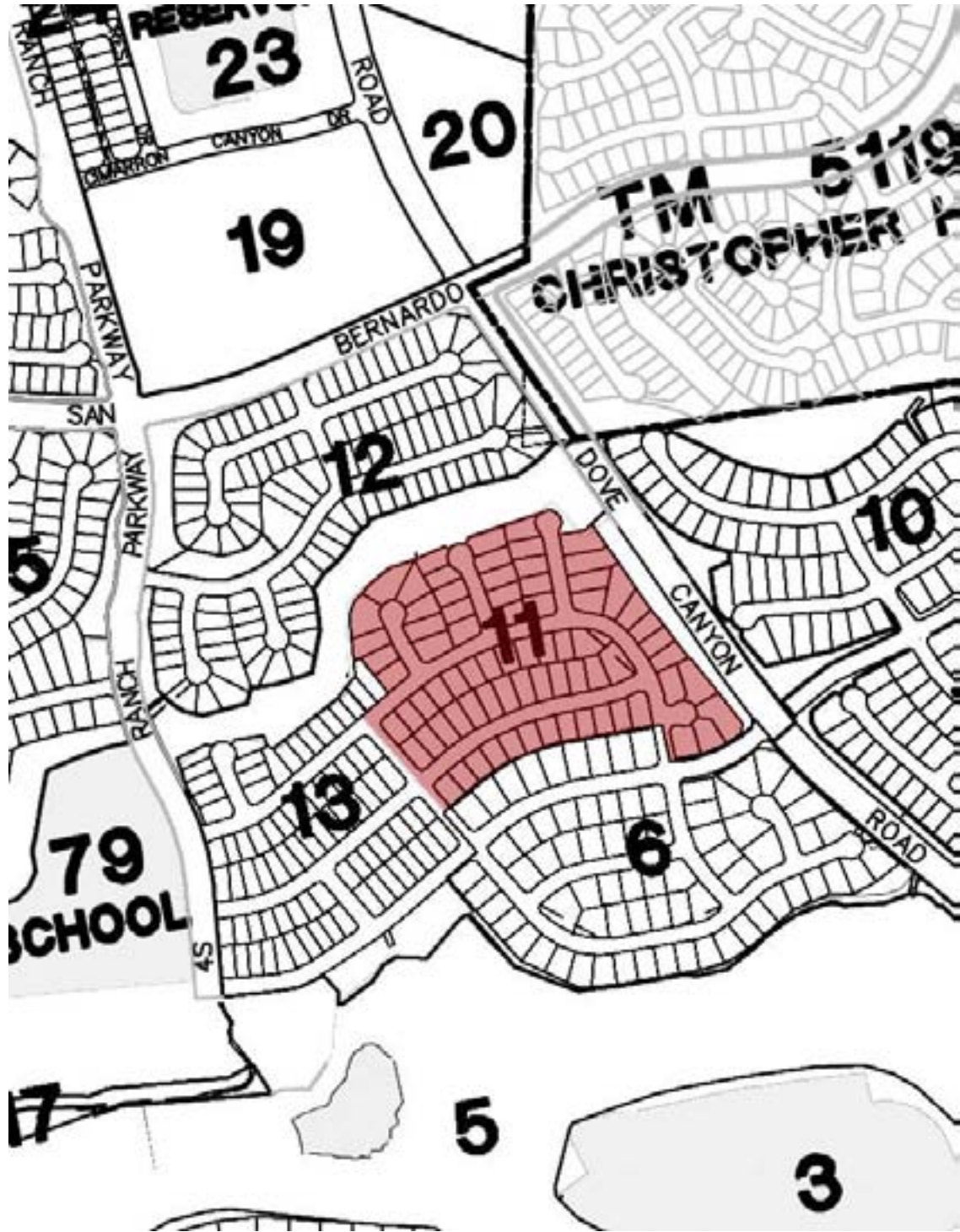
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Belle Rive tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$59,860,000

(FIFTY-NINE MILLION EIGHT HUNDRED SIXTY THOUSAND DOLLARS)

MAP OF CANYON RIDGE



CANYON RIDGE (CENTEX HOMES)

PROPERTY DATA

Location

This tract is located along the west side of Dove Canyon Rd., extending north from Dove Creek Rd.

Record Owner/Ownership History

All of the 75 homes are owned by separate homeowners. The original sales from the builder, Centex Homes, closed from March 2003 through the first quarter of 2004, and there have been a number of resales since that time.

Legal Description

This tract comprises Lots 83 through 157 of County of San Diego Tract No. 5216-1, according to Map No. 14431.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-262-03 to 45 and 312-263-01 to 32. The assessed values range from \$236,989 to \$1,009,800 or an average of \$713,909. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.9\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 75 lots. The minimum lot size is approximately 6,300 s.f., or $\pm 60'$ by $105'$.

Existing Development

These lots were developed in 2003 and 2004 with a tract of 75 homes called Canyon Ridge at 4S Ranch. There are three floor plans and the approximate number and description of each plan is as follows:

Residence 1 (± 21): 3,137 s.f., two-story, with 4 bedrooms, family room, breakfast nook, $2\frac{1}{2}$ baths and 3-car tandem garage with options of loft, media room, and bath 3.

Residence 2 (± 25): 3,382 s.f., two-story, with 3 bedrooms, loft, den, family room, breakfast nook, 3 baths and 3-car garage with options of office, bedroom 4 and 5.

Residence 3 (± 29): 3,800 s.f., two-story, with 4 bedrooms, loft, super family room, breakfast nook, $3\frac{1}{2}$ baths and 3-car garage with options of master retreat, bunk room, bedrooms 5 & 6, and bath 4.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 75 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16216 Palomino Mesa	9/15/06	\$850,000	3,440	Plan 2; upgraded back yard
2	16238 Dapple Gray	2/16/07	\$865,000	3,616	Plan 2 expanded; upgraded interior and back yd
3	16227 Palomino Mesa	5/11/06	\$915,000	3,616	Plan 2 expanded; upgraded
4	15104 Cross Stone	5/11/06	\$925,000	3,800	Plan 3; average; minor view
5	15176 Cross Stone	Escrow	±\$1,000,000	3,800	Plan 3; highly upgraded int./bk yard; large lot

This data indicates the overall price range of \$850,000 to ±\$1,000,000 or an average of \$911,000. It is noted that the data is skewed toward the two larger floor plans with no sales of Plan 1 homes. In addition, four of the five sales were from 7 months to over a year ago and would warrant a downward time adjustment. However, the highest price is from a current escrow, though a highly upgraded Plan 3 home. Overall, the average indication of \$911,000 supports a firm upper limit as an average for the tract at current date.

It is also noted that there is one current listing in the tract, a Plan 2 home with an upgraded back yard and pool at an asking price of \$900,000 to \$950,000. There was a prior expired listing on this same property in October 2006 at an asking price in the range of \$999,000 to \$1,100,000. The current asking price is of general interest, but supports an upper limit at \$900,000 as an average for the overall tract.

Lastly, the previous analyses of the Amherst and Legacy tracts would support far lower limits at an average of \$810,000 and \$800,000 due to the smaller homes on smaller lots, and the previous analysis of the Providence tract would support a firm upper limit at an average of \$940,000 due to the larger homes though on similar size lots.

In summary, I have concluded on a conservative average value at \$850,000 which results in the following:

$$75 \text{ homes @ } \$850,000 = \$63,750,000$$

VALUATION, Continuing

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Canyon Ridge tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$63,750,000

(SIXTY-THREE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF PALOMINO



PALOMINO (K. HOVNIANIAN HOMES)

PROPERTY DATA

Location

The north part of this tract is located on the west side of Dove Canyon Rd., along the north side and extending south from Dove Creek Rd.; and the south part of this tract is located on the southeast side of Carmel Valley Rd. at Winesprings Dr.

Record Owner/Ownership History

All of the 97 homes are owned by separate homeowners. The original sales from the builder, K. Hovnianian Homes, closed from July 2003 through early 2006, and there have been a number of resales since that time.

Legal Description

The north part of this tract comprises Lots 158 through 230 of County of San Diego Tract No. 5216-1, according to Map No. 14431 recorded August 21, 2002; and the south part of this tract comprises Lots 496 to 519 of County of San Diego Tract No. 5216-3 according to Map No. 14978 recorded March 9, 2005.

Assessor Data-2006/07

The north part of this tract comprises Assessor Parcel Nos. 312-263-33 to 41, 312-264-01 to 43, 312-265-01 to 21, and the south part of this tract comprises Assessor Parcel No. 312-150-06. Assessed values range from \$575,524 to \$1,449,990 or an average of \$891,673. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to new homebuyers was originally projected to be 1.6% including the special taxes for the CFD, but now is somewhat lower.

No. of Lots/Lot Sizes

This overall tract comprises a total of 97 lots, with 73 lots in the north part of the tract and 24 lots in the south part. The lots in the north part of the tract are $\pm 7,500$ s.f. minimum ($\pm 70-75'$ by $105-110'$) and the lots in the south part of the tract are $\pm 8,000$ s.f. minimum ($\pm 70'$ by $115'$).

Existing Development

These lots were developed in 2003 through early 2006 with a tract of 97 homes called Palomino at 4S Ranch. There are three floor plans and the approximate number and description of each plan is as follows:

PROPERTY DATA, Continuing

Residence One (24): 4,152 s.f., two-story, with 4 bedrooms, bonus room, loft, parlor, family room, breakfast nook, 3½ baths, center courtyard and 4-car tandem garage with options of bonus room II, master suite II, den/office and bedroom 5.

Residence Two (37): 4,381 s.f., two-story, with 5 bedrooms, bonus room, family room, breakfast nook, 4½ baths and 4-car tandem garage with options of master retreat, super family room, bedroom 6 and bath 5.

Residence Three (36): 4,595 s.f., two-story, with 5 bedrooms, bonus room, den, family room, breakfast nook, 4½ baths and 4-car tandem garage with options of master retreat, theatre, bedroom 6, and office.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 97 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	15163 Palomino Valley	8/14/06	\$975,000	4,381	Plan 2; upgraded; motivated seller
2	15151 Palomino Valley	3/5/07	\$990,000	4,595	Plan 3; upgraded
3	16008 Palomino Valley	6/9/06	\$1,155,000	4,595	Plan 3; average; view
4	16168 Palomino Valley	4/6/07	\$1,180,000	4,632	Plan 2 expanded; highly upgraded; good view
5	15922 Winesprings	4/10/06	\$1,200,000	4,595	Plan 3; upgraded; not lived in; view
6	16120 Palomino Valley	1/29/07	\$1,250,000	4,550	Plan 1 expanded; highly upgraded; view
7	15132 Palomino Valley	9/27/06	\$1,275,000	4,632	Plan 2 expanded; upgraded back yd/pool & spa

This data indicates the overall price range of \$975,000 to \$1,275,000 or an average of ±\$1,146,000. It is noted that the data is skewed toward the two larger floor plans with only one sale of a Plan 1 home. In addition, four of the seven sales were from 7 months to a year ago and would warrant a downward time adjustment. Overall, the average indication of \$1,146,000 supports a firm upper limit as an average for the tract at current date.

Additional information on current listings in the tract includes the following: three Plan 1 homes at asking prices of \$1,000,000+, \$1,129,900+ and \$1,225,000+; and a Plan 2 home at an asking price of \$1,185,000+. These asking prices indicate an

VALUATION, Continuing

average of \$1,135,000+ and are skewed toward the smaller floor plans, but still support a firm upper limit as an average for the subject tract.

Lastly, the previous analysis of the Talavera tract would support a firm lower limit at an average of \$960,000 due to the smaller homes on smaller lots, and the later analysis of the Ivy Gate tract would support a far upper limit at an average of \$1,500,000 due to the much larger and semi-custom homes on much larger lots.

In summary, I have concluded on a conservative average value at \$1,050,000 which results in the following:

$$97 \text{ homes @ } \$1,050,000 = \$101,850,000$$

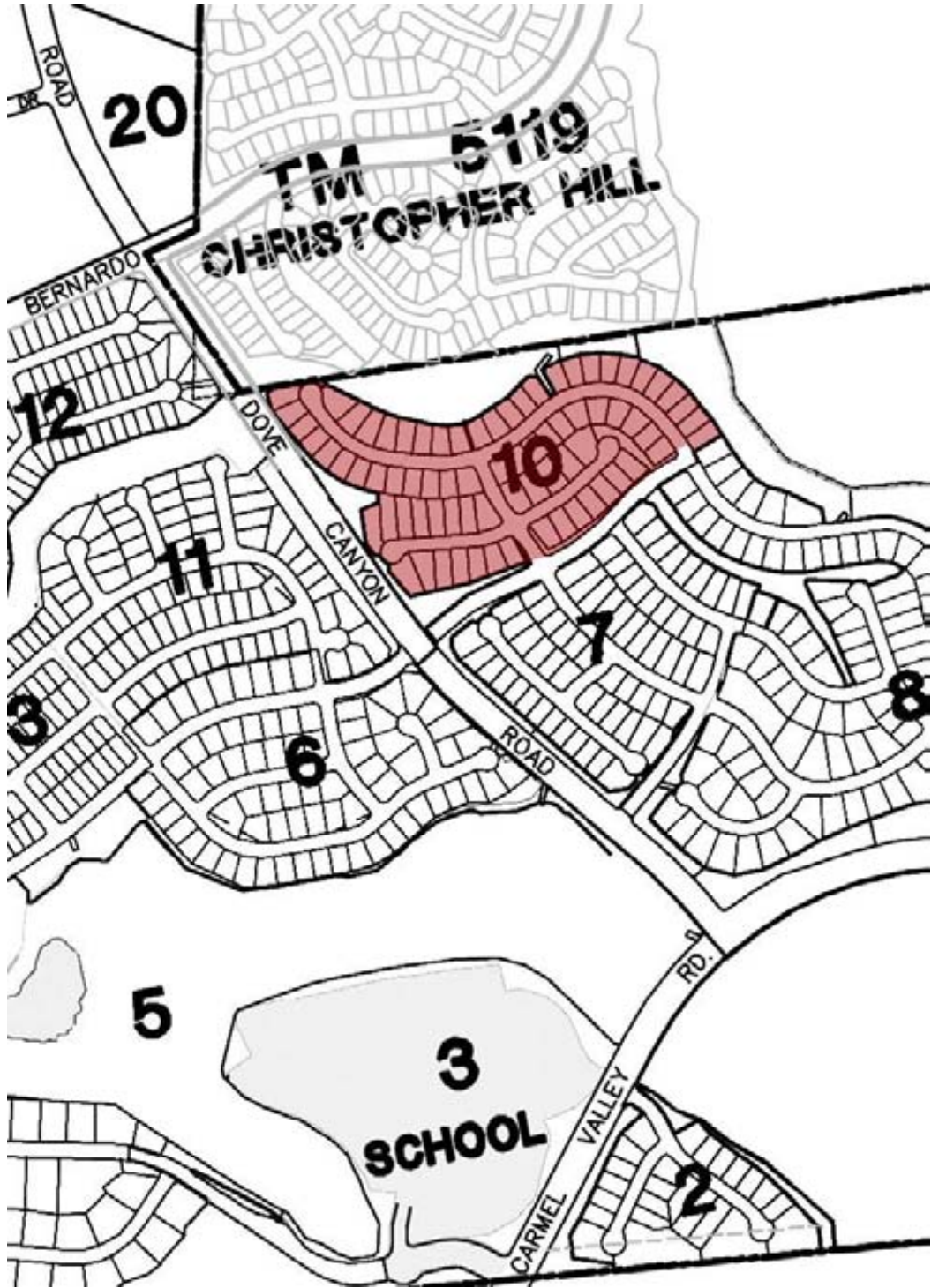
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Palomino tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$101,850,000

(ONE HUNDRED ONE MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF AVERY LANE



AVERY LANE (PULTE HOMES)

PROPERTY DATA

Location

This tract is located at the northeast corner of Dove Canyon Rd. and Dove Creek Rd., extending north and east to the northeasterly side of Catenne Ridge Rd.

Record Owner/Ownership History

All of the 75 homes are owned by separate homeowners. The original sales from the builder, Pulte Homes, closed from September 2003 through June 2004, and there have only been a few resales since that time.

Legal Description

The 75 lots comprising this tract consist of Lots 235 to 309 of County of San Diego Tract No. 5216-2 according to Map No. 14510.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-270-01 to 46 and 312-271-01 to 29. The assessed values range from \$649,937 to \$1,129,000 or an average of \$773,979. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The effective tax rate including special taxes for the CFD was $\pm 1.9\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 75 lots. The minimum lot size is approximately 6,300 s.f., or $\pm 60'$ by $105'$.

Existing Development

These lots were developed in 2003 and 2004 with a tract of 75 homes called Avery Lane at 4S Ranch. There are three floor plans and the approximate number and description of each plan is as follows:

Residence One (± 20): 3,390 s.f., two-story, with 3 bedrooms, master sitting area, bonus room, den, family room, breakfast nook, $3\frac{1}{2}$ baths and 3-car tandem garage with options of bedrooms 4, 5 and 6, and baths 4 and 5.

Residence Two (± 25): 3,678 s.f., two-story, with 5 bedrooms, loft, family room, breakfast nook, $4\frac{1}{2}$ baths and 3-car tandem garage with options of media room, office, super family room and bedroom 6.

PROPERTY DATA, Continuing

Residence Three (±30): 3,843 s.f., two-story, with 5 bedrooms, master sitting area, loft, bonus room, family room, breakfast nook, 4½ baths and 4-car tandem garage with options of office, media room, bedrooms 6, 7 and 8.

VALUATION

Method of Analysis

This is similar to previous tracts.

Analysis of 75 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16342 Cayenne Ridge	8/9/06	\$915,000	3,843	Plan 3; average
2	16342 Cayenne Ridge	4/11/07	\$955,000	3,390	Plan 1; upgraded; spa; view
3	15376 Cayenne Creek	Escrow	±\$999,000	3,843	Plan 3; large lot
4	16387 Cayenne Ridge	7/6/06	\$1,150,000	3,843	Plan 3; large lot; pool

This data indicates the overall price range of \$915,000 to \$1,150,000 or an average of ±\$1,005,000. It is noted that the data is skewed toward the largest Plan 3 home with only one sale of a Plan 1 home and no sales of Plan 2 homes. Two of the sales are very recent but two would warrant a minor downward time adjustment. Overall, the average indication of \$1,005,000 supports a firm upper limit as an average for the tract at current date.

Additional information on current listings in the tract includes the following: a Plan 1 home at an asking price of \$875,000+ and a Plan 2 home at an asking price of \$1,090,000+. These asking prices indicate an average of \$982,000+ but are skewed toward the smaller floor plans, though still support a firm upper limit as an average for the subject tract due to being only asking prices.

Lastly, the previous analysis of the Ryland Heritage tract would support an upper limit at an average of \$950,000 due to the larger homes though on slightly smaller lots and with inferior views; the previous analysis of the Providence tract supports a close indication for the subject at an average of \$940,000 due to the similar size homes on slightly smaller lots, but with similar view potential; and the previous analysis of the Canyon Ridge tract supports a far lower limit at an average of \$850,000 due to the smaller homes on similar size lots.

VALUATION, Continuing

In summary, I have concluded on a conservative average value at \$930,000 which results in the following:

75 homes @ \$930,000 = \$69,750,000

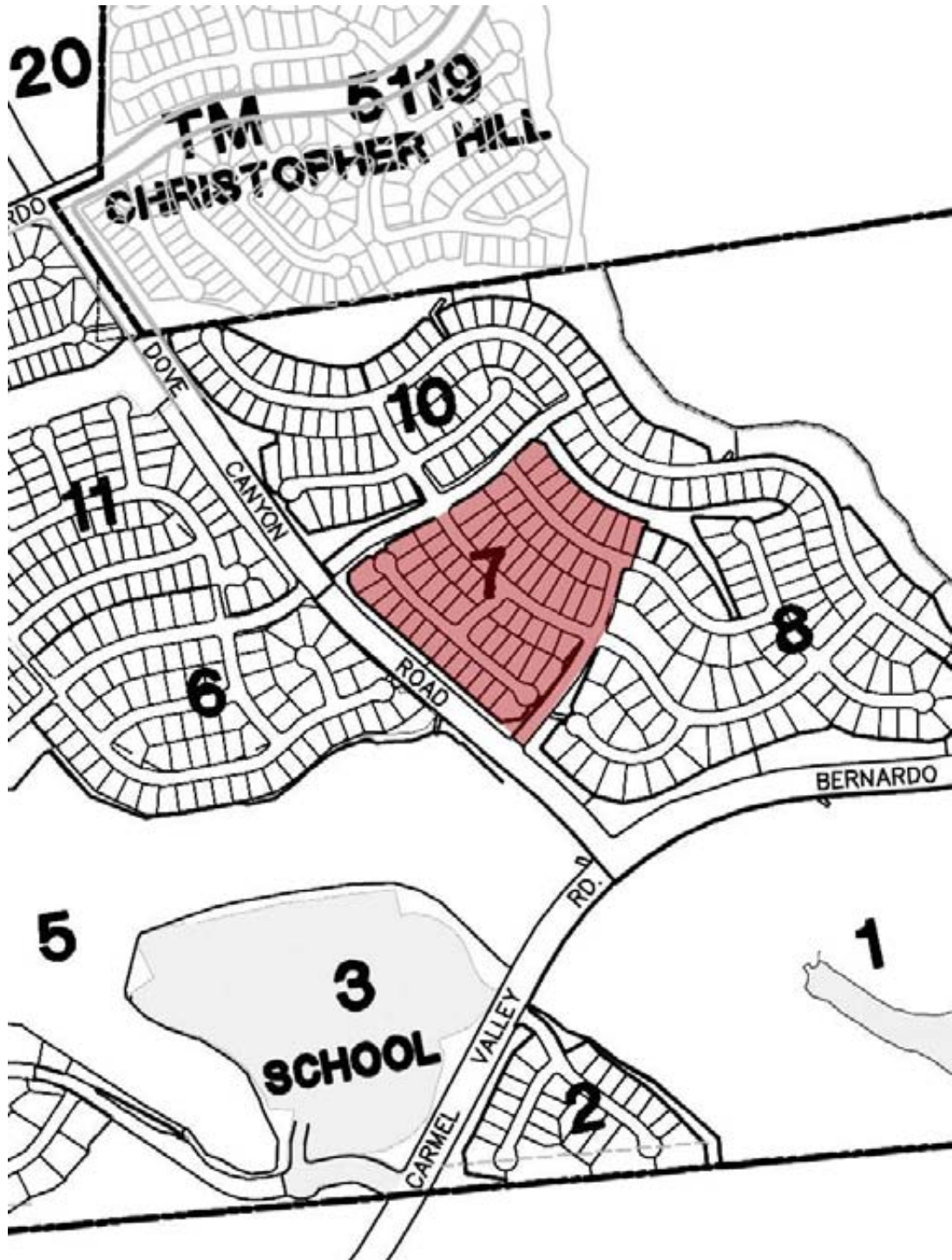
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Avery Lane tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$69,750,000

(SIXTY-NINE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF CAMBRIDGE



CAMBRIDGE (FIELDSTONE COMMUNITIES)

PROPERTY DATA

Location

This tract is located at the southeast corner of Dove Canyon Rd. and Dove Creek Rd., extending south to Painted Canyon Rd. and east to the east side of Falcon Crest Dr.

Record Owner/Ownership History

All of the 65 homes are owned by separate homeowners. The original sales from the builder, Fieldstone Communities, closed from September 2003 through July 2004, and there have been a limited number of resales since that time.

Legal Description

The 65 lots comprising this tract consist of Lots 310 to 374 of County of San Diego Tract No. 5216-2 according to Map No. 14510.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-272-01 to 29 and 312-273-01 to 36. The assessed values range from \$567,006 to \$1,186,056 or an average of \$685,048. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.9\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 65 lots. The minimum lot size is approximately 6,300 s.f., or $\pm 60' \times 105'$.

Existing Development

These lots were developed in 2003 and 2004 with a tract of 65 homes called Cambridge at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Plan 2814 (17): 2,814 s.f., two-story, with 4 bedrooms, family room, breakfast nook, 2½ baths and 3-car tandem garage with options of loft, super family room, den, bedroom 5 and baths 3 and 4.

Plan 3157 (23): 3,157 s.f., two-story, with 5 bedrooms, den, family room, breakfast nook, 2½ baths and 3-car tandem garage with options of master suite, double bedroom, loft, study, super family room, bedroom 6 and baths 3 and 4.

PROPERTY DATA, Continuing

Plan 3392 (25): 3,392 s.f., two-story, with 5 bedrooms, tech center, den, family room, breakfast nook, 2½ baths and 3-car tandem garage with options of loft, study, super family room, butler's pantry, bedrooms 6 and 7, and baths 3,4 and 5.

VALUATION

Method of Analysis

This is the similar to previous tracts.

Analysis of 65 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	16143 Cayenne Creek	7/20/06	\$815,000	2,814	Plan 1; upgraded
2	16112 Cayenne Creek	3/16/07	\$910,000	3,392	Plan 3; average; view

It is evident that the resale data is fairly limited, with sales of only a Plan 1 and a Plan 3 home, indicating an average price of \$862,000. However, a downward time adjustment would be warranted to the sale from July 2006. Thus, the average indication at \$862,000 supports an upper limit for the overall tract at current date.

Additional information on current listings in the tract includes the following: a Plan 1 home at an asking price of \$824,900+; and two Plan 3 homes at asking prices of \$840,000 and \$989,000 with the lower price being an average home and the higher price being upgraded and with a view. These asking prices indicate an average of \$885,000+ but are skewed toward the largest floor plan and are only asking prices, thus supporting a firm upper limit as an average for the subject tract.

The previous analysis of the Legacy tract supports a close lower limit for the subject tract at an average of \$800,000 due to the slightly smaller homes on smaller lots; and the previous analysis of the Canyon Ridge tract support a firm upper limit for the subject tract at an average of \$850,000 due to the larger homes though on similar minimum size lots.

In summary, I have concluded on a conservative average value at \$810,000 which indicates the following:

$$65 \text{ homes @ } \$810,000 = \$52,650,000$$

VALUATION, Continuing

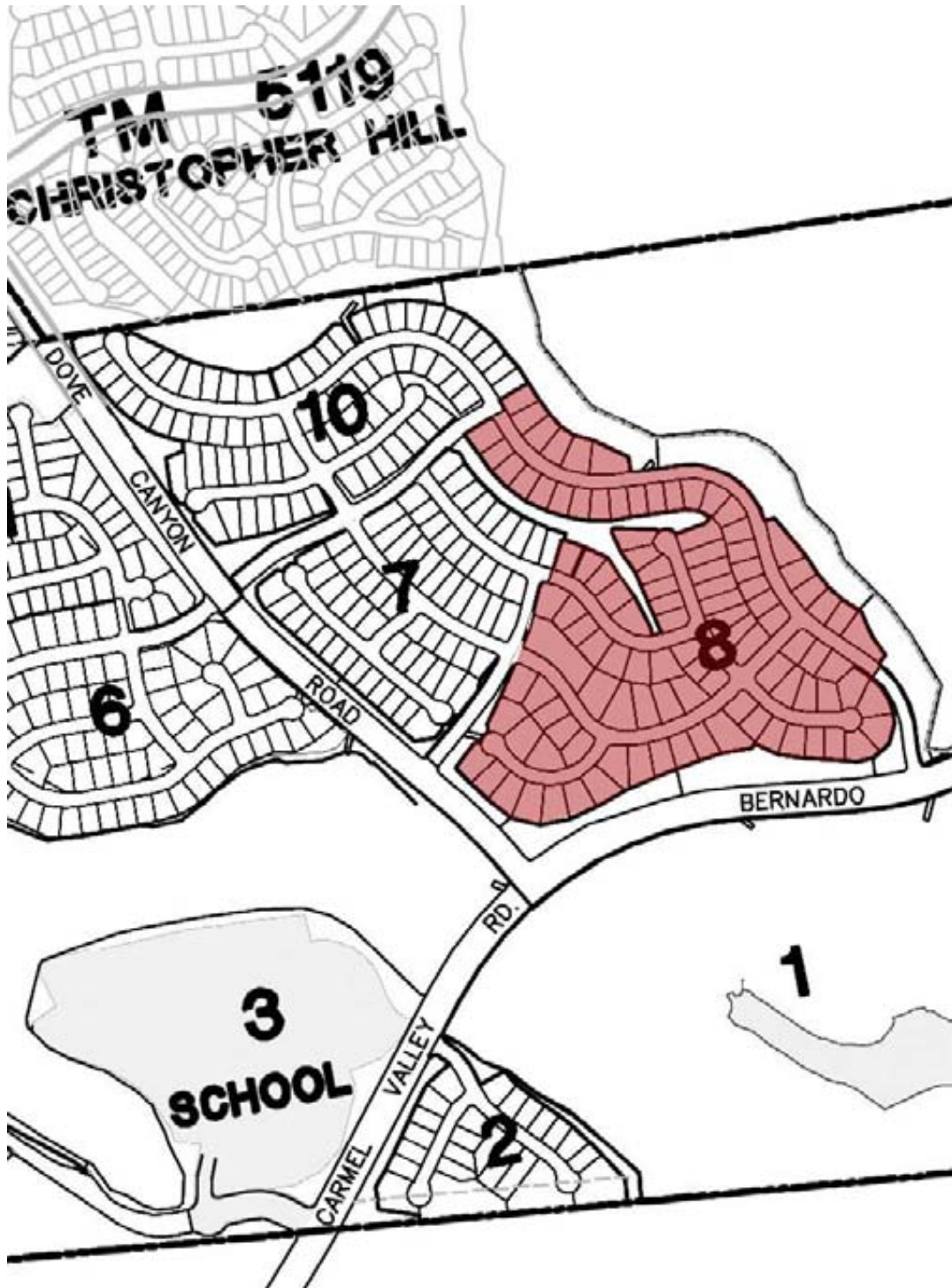
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Cambridge tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$52,650,000

(FIFTY-TWO MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF TERRENO



TERRENO (STANDARD PACIFIC HOMES)

PROPERTY DATA

Location

This tract is located at northerly corner of Dove Canyon Rd. and Bernardo Center Dr., extending east to Cayenne Ridge Rd. and north to Painted Canyon Rd. and Dove Creek Rd.

Record Owner/Ownership History

All of the 105 homes are owned by separate homeowners. The original sales from the builder, Standard Pacific Homes, closed from December 2003 through October 2004, and there have been a number of resales since that time.

Legal Description

The 105 lots comprising this tract consist of Lots 375 to 479 of County of San Diego Tract No. 5216-2 according to Map No. 14510.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-271-30 to 35, 312-272-30 to 38, 312-274-01 to 41, 312-275-01 to 25 and 312-276-01 to 24. The assessed values range from \$77,491 to \$1,344,258 or an average of \$879,710. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was $\pm 1.9\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 105 lots. The minimum lot size is approximately 8,125 s.f., or $\pm 65' \times 125'$.

Existing Development

These lots were developed in 2003 and 2004 with a tract of 105 homes called Terreno at 4S Ranch. There are four floor plans and the number and description of each plan is as follows:

Plan 1 (Riva) [20]: 3,175 s.f., one-story, with 4 bedrooms, study, 3 baths and 3-car tandem garage.

Plan 1X (Fiore) [15]: 3,918 s.f., two-story, with 5 bedrooms, study, loft, tech center, 4 baths and 3-car tandem garage.

PROPERTY DATA, Continuing

Plan 2 (Castello) [33]: 3,802 s.f., two-story, with 5 bedrooms, master retreat, study, loft, 4½ baths and 3-car garage.

Plan 3 (Tramonto) [37]: 3,990 s.f., two-story, with 5 bedrooms, study, tech center, 4½ baths and 3-car garage with optional casitas at third car garage.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 105 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Sale Price</u>	<u>Home Size</u>	<u>Remarks</u>
1	15220 Heather Stone	8/30/06	\$1,000,000	3,990	Plan 3; large lot; upgraded back yard
2	15993 Cayenne Ridge	12/13/06	\$1,000,000	3,990	Plan 3; average; minor view
3	16065 Falcon Crest	11/29/06	\$1,050,000	4,288	Plan 3 w/casita; spa/upgraded back yard
4	16068 Cayenne Ridge	8/4/06	\$1,060,000	3,802	Plan 2; pool & spa; view
5	15985 Cayenne Ridge	9/25/06	\$1,100,000	3,918	Plan 1X; highly upgraded
6	16042 Falcon Crest	12/22/06	\$1,165,000	3,802	Plan 2; highly upgraded; view
7	16126 Cayenne Ridge	6/20/06	\$1,250,000	3,802	Plan 2; upgraded interior/back yard; pool; view

This data indicates the overall price range of \$1,000,000 to \$1,250,000 or an average of ±\$1,089,000. It is noted that the data is skewed toward the three largest floor plans with no sales of Plan 1 homes, though only 19% of the homes in the tract are Plan 1 homes. In addition, all of the sales took place about 4 to 10 months ago, thus at least a minor downward time adjustment would be warranted. Overall, the average indication of \$1,089,000 supports a firm upper limit as an average for the tract at current date.

It is also noted that there are no current listings in the subject tract.

Lastly, the previous analysis of the Ryland Heritage tract would support a close indication for this subject tract at an average of \$950,000 due to the similar to slightly larger homes but on smaller lots and with inferior view potential; the previous analysis of the Talavera tract would support a close indication at an average of \$960,000 due to the similar to slightly larger homes but on smaller lots; and the previous analysis of the Providence and Avery Lane tracts would support firm lower

VALUATION, Continuing

limits at averages of \$940,000 and \$930,000 due to the smaller homes on smaller lots.

In summary, I have concluded on a conservative average value at \$950,000 which results in the following:

105 homes @ \$950,000 = \$99,750,000

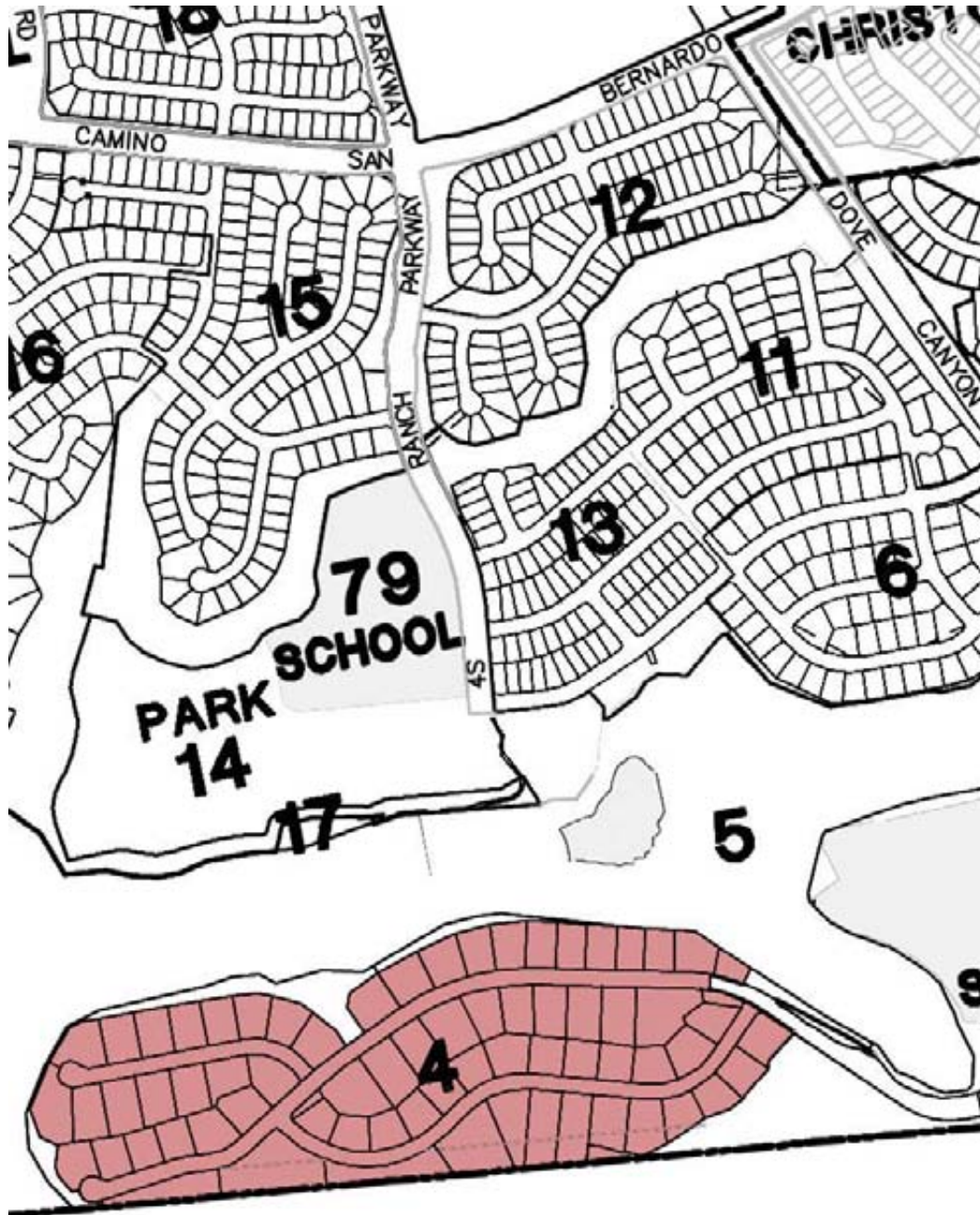
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Terreno tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$99,750,000

**(NINETY-NINE MILLION
SEVEN HUNDRED FIFTY THOUSAND DOLLARS)**

MAP OF IVY GATE



IVY GATE (WOODBRIIDGE HOMES)

PROPERTY DATA

Location

This tract is located at the southerly end of the 4S Ranch community, nearby to the northwest of Carmel Valley Rd. at Winecreek Rd.

Record Owner/Ownership History

Of the 66 homes, 54 are owned by separate homeowners by sales from the builder, Woodbridge Homes (who held title as Woodbridge 4S Area 4 LLC) that have closed since May 2006. The remaining 12 homes are still owned by the builder, with 6 in escrow, 4 of which are due to close in early May 2007 and 2 of which may fall through.

Legal Description

This overall tract of 66 lots comprises Lots 520 through 585 of County of San Diego Tract No. 5216-3, according to Map No. 14978, recorded March 9, 2005.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 312-281-01 to 03, 312-282-01 to 35, and 312-283-01 to 28. The assessed values range from \$324,536 to \$1,158,026 or an average of \$500,758. The tax rate area is 64-105 with a current base tax rate of $\pm 1.02\%$. The overall tax rate including special taxes for the CFD was projected to be $\pm 1.4\%$ at the time of the original builder sales but is now somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 66 lots. The minimum lot size is $\pm 15,000$ s.f. (pad), but the average size is closer to 20,000 s.f.

Existing Development

These lots were developed in 2005/2006 with a tract of 66 homes called Ivy Gate at 4S Ranch. There are four floor plans and the number and description of each plan is as follows:

Residence One (10): 3,820 s.f., one-story, with 4 bedrooms, teen room, study, family room, breakfast nook, 3½ baths, courtyard and 3-space garage with options of exercise room, guest suite, bedroom 5 and bath 4.

Residence Two (18): 4,205 s.f., one-story, with 4 bedrooms, teen room, office, family room, breakfast nook, 4½ baths, garden patio and 4-space garage with options of exercise room, guest suite and bedroom 5.

PROPERTY DATA, Continuing

Residence Three (18): 4,849 s.f., two-story, with 5 bedrooms, master sitting room, teen room, computer center, office, family room, breakfast nook, 5½ baths and 3-car garage with options of game room, media room, bedroom 6 and bath 6.

Residence Four (20): 5,359 s.f., two-story, with 5 bedrooms, master sitting room, bonus room, tech center, office, media room, family room, breakfast nook, 5½ baths and 4-car split garage.

VALUATION

Method of Analysis

This is the same as for previous tracts, except that separate consideration is given to the completed-unsold homes that are still owned by the builder.

Analysis of 54 Completed-Sold Homes

Information on 45 of the builder sales indicated that the sale prices have ranged from \$1,195,000 to \$2,249,500 or an average of ±\$1,499,000.

There has been one indicated resale of a Plan 1 home that sold by the builder in May 2006 at a price of \$1,224,000 and then resold in August 2006 at a price of \$1,395,000.

Available information on pricing for 8 of the 12 builder-owned homes that are currently available or in escrow indicates the range of \$1,450,000 to \$2,099,950 or an average of ±\$1,771,000. However, these were the asking prices, with the sale prices on the current escrows not known, and which could include some type of incentives.

Lastly, it is noted that there are two current listings for resale homes, a Plan 1 at an asking price of \$1,599,000 (builder sale in July 2006 at \$1,277,500) and a Plan 2 at an asking price of \$1,699,000 (builder sale in July 2006 at \$1,474,500). This indicated average from the asking prices of \$1,649,000 would tend to be a lower limit as an average for the overall tract due to being only the two smaller floor plans, though it is noted that these are only asking prices.

It is evident that the resale indications are at higher prices than the original builder sales. This reflects that the value increase due to homebuyer upgrades, interior finishes and yard improvements are more than offsetting to a downward time adjustment to the builder sale prices. For example, it is apparent from inspection that many of the yards of these homes have been significantly improved.

In summary, I have concluded on a conservative average value for the 54 completed-sold homes at \$1,500,000 which results in the following:

VALUATION, Continuing

54 completed-sold homes @ \$1,500,000 = \$81,000,000

Analysis of 12 Completed-Unsold Homes

These are the 12 homes that are still owned by the builder, of which 4 are the highly upgraded models, and of which 4 others are in escrow and are due to close in early May 2007. Based on the analysis of the completed-sold homes, I have concluded on an initial conservative average of \$1,400,000 to reflect that 8 of the homes have not yet been upgraded by homeowners to the level of the resale homes. Then, a further discount of 15% has been made to reflect the bulk ownership by the builder, for items such as holding and sales costs plus profit. This results in an average of \$1,190,000 for these 12 completed-unsold homes, as follows:

12 completed-unsold homes @ \$1,190,000 = \$14,280,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

54 completed-sold homes:	\$81,000,000
12 completed-unsold homes:	<u>\$14,280,000</u>
Value Indication:	\$95,280,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Ivy Gate tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$95,280,000

(NINETY-FIVE MILLION TWO HUNDRED EIGHTY THOUSAND DOLLARS)

MAP OF REUNION



REUNION (DAVIDSON COMMUNITIES)

PROPERTY DATA

Location

This tract is located at the northwesterly corner of Paseo de Linda and Albert Ave., extending west to the west side of Camino San Thomas and north to the north side of Sienna Hills Dr.

Record Owner/Ownership History

All of the 66 homes are owned by separate homeowners. The original sales from the builder, Davidson Communities, closed from July 2005 through September 2006, and there has only been one resale since that time.

Legal Description

This tract comprises Lots 338 to 403 of County of San Diego Tract No. 5229-1, according to Map No. 14747, recorded February 27, 2004.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-635-38 to 59 and 678-636-01 to 44. The assessed values range from \$565,268 to \$1,158,427 or an average of \$808,913. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.7-1.8\%$ including the special taxes for the CFD but now is somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 66 lots. The minimum lot size is $\pm 6,300$ s.f., or $\pm 60'$ by $105'$.

Existing Development

These lots were developed in 2005 and 2006 with a tract of 66 homes called Reunion at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Plan 1 (21): 3,594 s.f., two-story, with 3 bedrooms, master retreat and breakfast bar, bonus room, office, gathering room, breakfast nook, $3\frac{1}{2}$ baths and 3-car tandem garage.

Plan 2 (22): 4,153 s.f., two-story, with 5 bedrooms, bonus room, library, gathering room, informal dining room, $3\frac{1}{2}$ baths and 2-car garage with optional outdoor kitchen.

Plan 3 (23): 4,276 s.f., two-story, with 5 bedrooms, master retreat, loft, study, sitting area, gathering room, breakfast nook, office, super storage area, $4\frac{1}{2}$ baths and 2-car garage.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 66 Completed-Sold Homes

The builder sales of these 66 homes closed from July 19, 2005 through September 18, 2006 at prices ranging from \$820,500 to \$1,279,000 or an average of \pm \$987,000. Of these 66 sales, the 35 that took place in 2006 ranged in price from \$899,000 to \$1,279,000 or an average of \pm \$1,023,000.

There has been one resale of a Plan 3 home that sold by the builder in March 2006 at a price of \$1,030,500 and then resold in March 2007 at a price of \$1,095,000, indicating an increase of 6.3%. It is noted that this home has a view, and the resale reflects that the yards have been well landscaped plus there is a pool and spa.

In addition, there are three current listings, as follows:

Plan 1: asking \$949,000; average; partial view; builder sale in 5/06 at \$905,500

Plan 2: asking \$989,900; average; backs to open space; builder sale in 2/06 at \$946,000

Plan 3: asking \$969,000; average; backs to open space; motivated seller; builder sale in 4/06 at \$1,062,000

It is evident that the asking prices range from slightly above to slightly below the sale price when the home was purchased from the builder in the first part of 2006, though the indication that is below is due to a motivated seller. The average of these asking prices indicates an average of \pm \$969,000, which would tend to support an upper limit as an average for the overall tract since they represent asking prices only, though this average is skewed to the low side due to the motivated seller on the Plan 3 home, resulting in a conservative price.

In summary, the indicated average of \$1,023,000 from the more recent builder sales would tend to support a lower limit due to homebuyer upgrades since purchase from the builder and some net price increase since the earliest of those sales were negotiated, and also as supported by the one resale. However, the resale supports a far upper limit at \$1,030,500 as an average for the overall tract since it is the largest floor plan. The average of \pm \$969,000 from the current listings would tend to support a lower limit as an average for the overall tract due to being skewed by the relatively low price for the Plan 3 home.

I have concluded on a conservative average value at \$960,000 which results in the following:

66 homes @ \$960,000 = \$63,360,000

VALUATION, Continuing

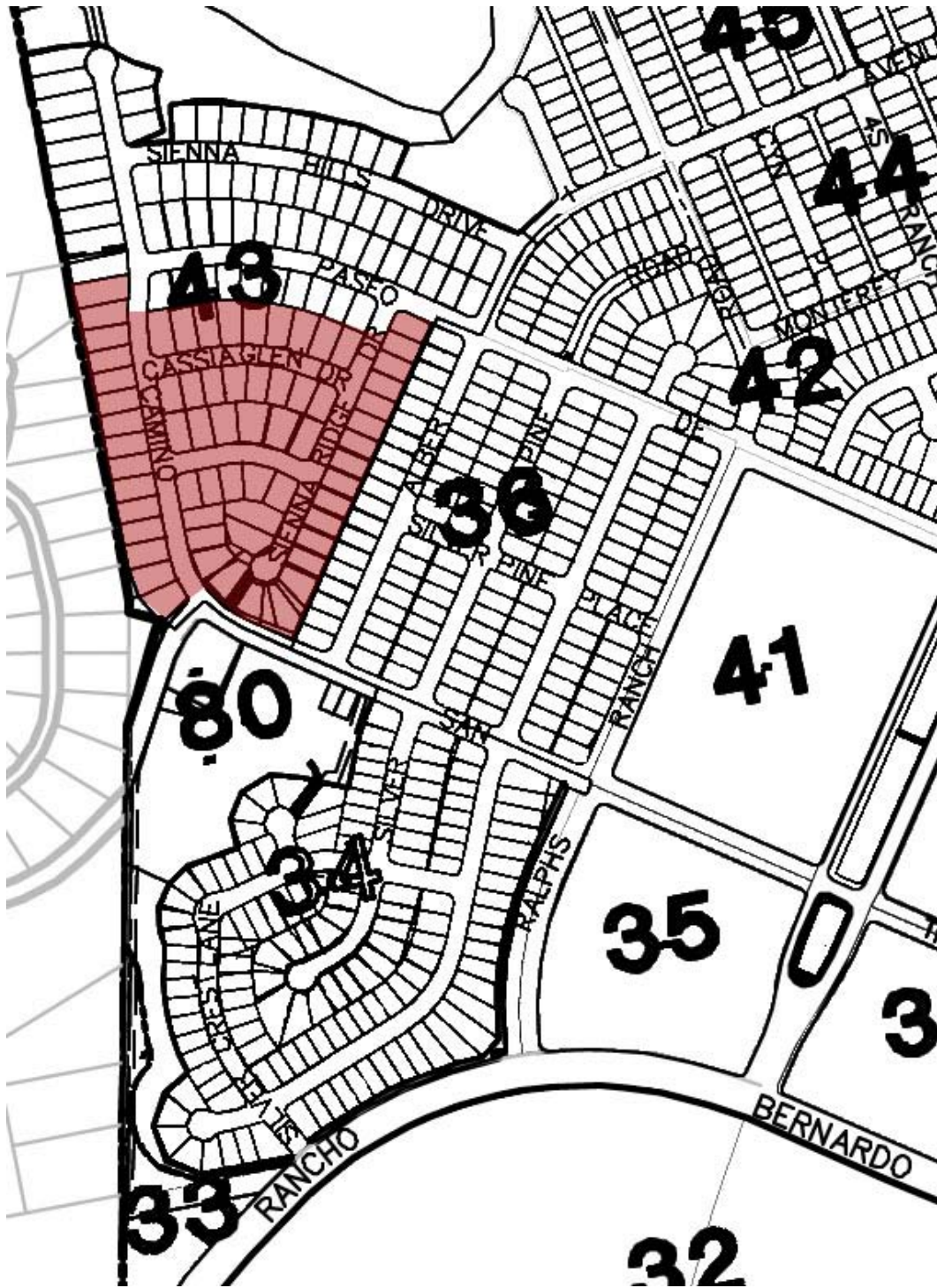
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Reunion tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$63,360,000

(SIXTY-THREE MILLION THREE HUNDRED SIXTY THOUSAND DOLLARS)

MAP OF TRAVATA



TRAVATA (STANDARD PACIFIC HOMES)

PROPERTY DATA

Location

This tract is located from Sienna Ridge Dr. west to Camino San Thomas, south from Paseo De Linda.

Record Owner/Ownership History

All of the 65 homes are owned by separate homeowners. The original sales from the builder, Standard Pacific Homes, closed from November 2005 through July 2006, and there have only been two resales since that time.

Legal Description

This tract comprises Lots 273 through 337 of County of San Diego Tract No. 5229-1, according to Map No. 14747, recorded February 27, 2004.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-635-08 to 37 and 678-564-13 to 47. The assessed values range from \$431,090 to \$1,090,515 or an average of \$745,314. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.75\%$ including the special taxes for the CFD but now is somewhat lower.

No. of Lots/Lot Sizes

This tract comprises a total of 65 lots. The minimum lot size is $\pm 6,300$ s.f., or $\pm 60'$ by $105'$.

Existing Development

These lots were developed in 2005 and 2006 with a tract of 65 homes called Travata at 4S Ranch. There are three floor plans and the number and the description of each plan is as follows:

Plan 1 (Villa Francesca) [19]: 3,552 s.f., two-story, with 4 bedrooms, master retreat, bonus room or optional bedroom 6, den or optional bedroom 5, breakfast nook, family room, 4 baths, and 3-car tandem garage; optional bedroom 7 with bath 5 or craft room in lieu of tandem portion of garage.

Plan 2 (Villa Molino) [20]: 3,676 s.f., two-story, with 3 bedrooms, loft or optional bedroom 4, office or optional master retreat, den or optional bedroom 5, family room, breakfast nook, $4\frac{1}{2}$ baths, and 3-car garage; optional study in lieu of third-car garage.

PROPERTY DATA, Continuing

Plan 3 (Villa Alessar) [26]: 3,726 s.f., two-story, with 4 bedrooms, master retreat, bonus room, tech center, den or optional bedroom 5, family room, breakfast nook, 4½ baths, and 3-car garage; optional game room in lieu of third-car garage.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 65 Completed-Sold Homes

The builder sales of these 65 homes closed from November 8, 2005 through July 5, 2006 at prices ranging from \$833,000 to \$1,250,000 or an average of ±\$961,000. Of these 65 sales, the 44 that took place in 2006 ranged in price from \$872,500 to \$1,250,000 or an average of ±\$986,000.

In addition, there have been two resales in this tract. A Plan 1 home closed in September 2006 at a price of \$1,000,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in November 2005 at a price of \$877,500, indicating a 14% increase. A Plan 2 home closed in September 2006 at a price of \$1,030,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in January 2006 at a price of \$914,000, indicating a 12.7% increase.

It is evident that the resales indicate significantly higher prices than the original builder sale prices, at least from late 2005/early 2006 to September 2006. Initially, these resales would support a lower limit as an average for the overall tract at \$1,015,000 since they are of only the two smaller floor plans. However, there would also be at least a minor downward adjustment for time from September 2006 to current date.

Lastly, the previous analysis of the Reunion tract would support a close upper limit at an average of \$960,000, due to the slightly larger homes though on similar size lots.

I have concluded on a conservative average value at \$940,000 which results in the following:

$$65 \text{ homes @ } \$940,000 = \$61,100,000$$

VALUATION, Continuing

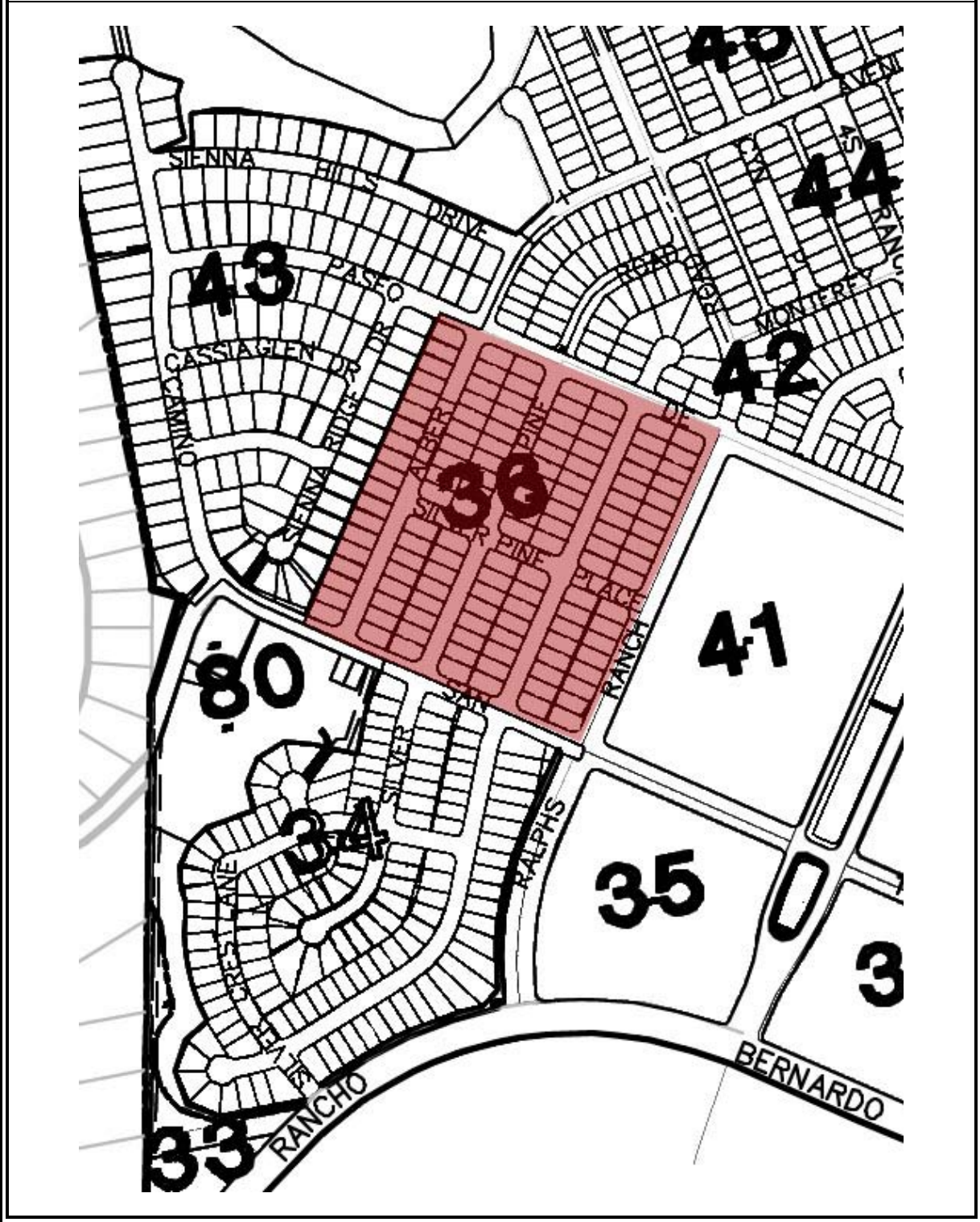
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Travata tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$61,100,000

(SIXTY-ONE MILLION ONE HUNDRED THOUSAND DOLLARS)

MAP OF SILVERCREST



SILVERCREST (FIELDSTONE COMMUNITIES)

PROPERTY DATA

Location

This tract is located at the northwest corner of Camino San Thomas and Ralphs Ranch Rd., extending north to Paseo de Linda and west to the west side of Albert Ave.

Portion of Tract Included in Appraisal

Of the 127 total lots in this tract, and as of April 15, 2007: 120 lots had completed homes that are included in this appraisal; and 7 lots had building permits pulled as of January 1, 2007 but are still vacant lots and are not included in this appraisal.

Record Owner/Ownership History

Of the 120 completed homes, 117 are owned by separate homeowners by sales from the builder, Fieldstone Communities (who held title as Fieldstone 4S Area 36 LLC) that have closed since January 2005. The remaining 3 homes, which are the model homes, are still owned by the builder.

Legal Description

This overall tract comprises Lots 134 through 260 of County of San Diego Tract No. 5229-1, according to Map No. 14747, recorded February 27, 2004; however, Lots 165 to 170 & 174 comprise the 7 lots that were vacant as of April 15, 2007 and are not included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-632-01 to 48, 678-633-01 to 60, 678-634-01 to 12 and 678-635-01 to 07, but parcels 678-632-12 to 17 & 21 comprise the 7 lots that were vacant as of April 15, 2007 and are not included in this appraisal. The assessed values of the 120 included parcels range from \$210,621 to \$954,045 or an average of \$662,555, and the assessed values of the 7 excluded parcels comprise a total of \$1,456,834 or an average of \$208,119. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the original overall tax rate to the homebuyers was $\pm 1.6\%$ including the special taxes for the CFD, though is now slightly lower.

No. of Lots/Lot Sizes

This tract comprises a total of 127 lots. The minimum lot size is 5,000 s.f., or $\pm 50'$ by 100'.

PROPERTY DATA, Continuing

Existing Development

Of the 127 lots, 120 have been developed with most of the tract of homes called SilverCrest at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Plan 2901: 2,901 s.f., two-story, with 4 bedrooms, den, breakfast nook, family room, 2½ baths and 3-car tandem garage with options of tech center, loft, study, super family room, bedroom 5 and baths 3 and 4.

Plan 3212: 3,212 s.f., two-story, with 4 bedrooms, den, breakfast nook, family room, 2½ baths and 3-car tandem garage with options of loft, study, super family room, bedroom 5 and baths 3, 4 and 5.

Plan 3365: 3,365 s.f., two-story, with 4 bedrooms, den, breakfast nook, family room, 2½ baths and 3-car tandem garage with options of loft, study, super family room, bedrooms 5 and 6, and baths 3 through 6.

VALUATION

Method of Analysis

This is the same as for previous tracts, except that a discount is applied to the 3 completed-unsold homes due to the bulk ownership by the builder.

Analysis of 117 Completed-Sold Homes

The available information indicates that builder sales of 115 of the 117 homes closed from January 19, 2005 through March 22, 2007 (all but 1 were December 15, 2006 and prior) and were at prices ranging from \$711,000 to \$961,500 or an average of ±\$845,000. Of these 115 sales, the 54 that took place in 2006/07 ranged in price from \$725,500 to \$961,500 or an average of ±\$852,000, or slightly higher than the overall average.

In addition, there have been three resales in this tract. A Plan 2 home closed in June 2006 at a price of \$862,500, with landscaping but no significant upgrading or view. It had previously sold by the builder in January 2005 at a price of \$800,000, indicating an 8% increase. Another Plan 2 home closed in October 2006 at a price of \$825,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in February 2005 at a price of \$804,500, indicating a 3% increase. Lastly, a Plan 3 home closed in January 2007 at a price of \$860,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in August 2005 at a price of ±\$780,000, indicating a 10% increase.

It is evident that the resales indicate slightly to significantly higher prices than the original builder sale prices. The average of these three resales at ±\$849,000 would

VALUATION, Continuing

tend to support an upper limit for the overall tract, primarily due to consisting of only the two larger floor plans, and also since minor downward time adjustments would be supportable to the two earlier sales.

It is also noted that there are two current listings in the tract, both Plan 2 homes at asking prices of \$849,000 and \$850,000+. Both of these homes include upgrades and the higher-priced listing has a minor view. These listings are of general interest, and at best tend to support an upper limit at an average price of \pm \$850,000 for the overall tract.

In summary, I have concluded on a conservative average value at \$800,000 which results in the following:

117 completed-sold homes @ \$800,000 = \$93,600,000

Analysis of 3 Completed-Unsold Homes

These are the 3 model homes that are still owned by the builder. The analysis is based on the conclusion of an average of \$800,000 for the completed-sold homes, and then applying a discount of 15% to reflect the bulk ownership by the builder. This results in an average of \$680,000 for the 3 completed-unsold homes, as follows:

3 completed-unsold homes @ \$680,000 = \$2,040,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

117 completed-sold homes:	\$93,600,000
3 completed-unsold homes:	<u>\$ 2,040,000</u>
Value Indication:	\$95,640,000

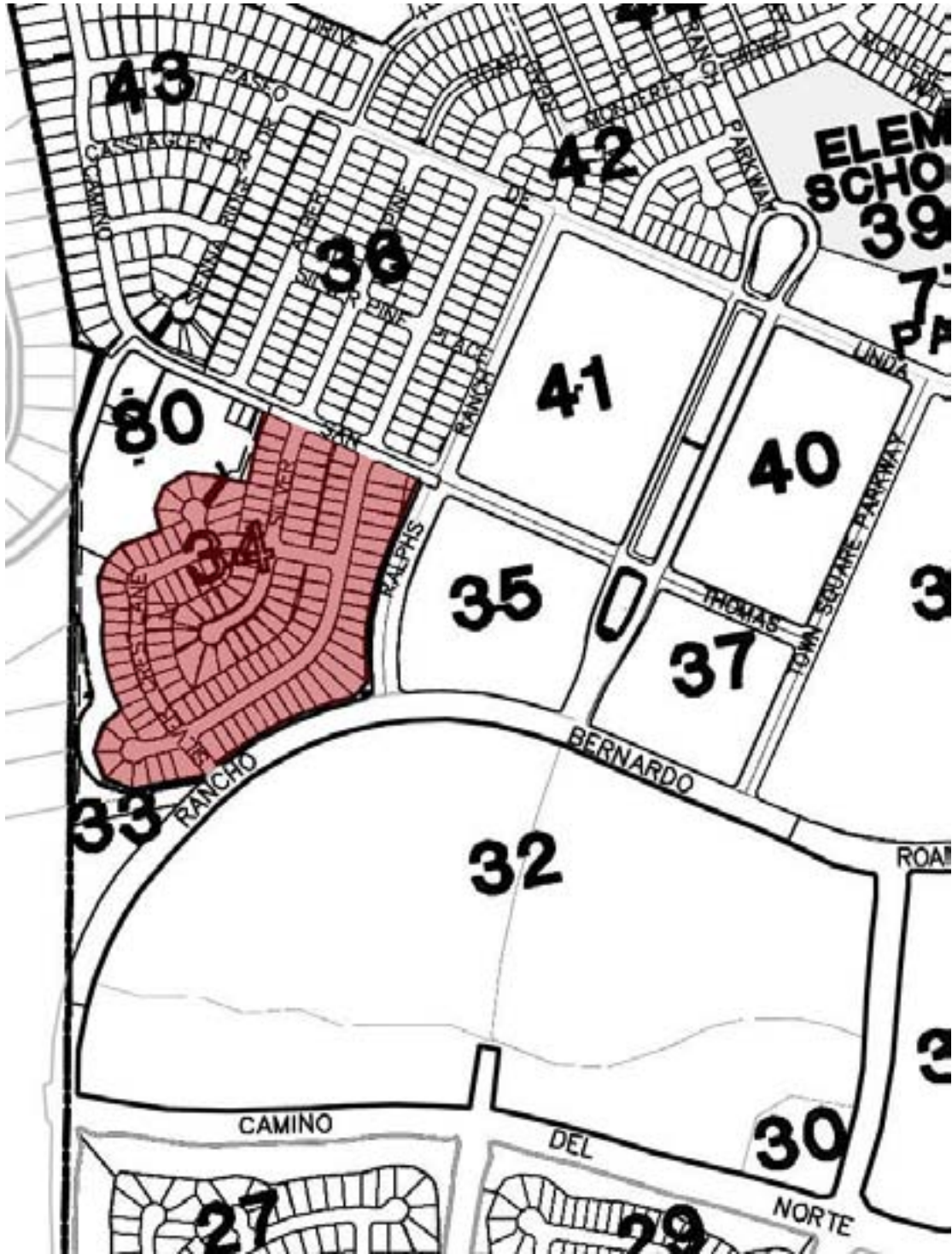
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this SilverCrest tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$95,640,000

(NINETY-FIVE MILLION SIX HUNDRED FORTY THOUSAND DOLLARS)

MAP OF ROSEMARY LANE



ROSEMARY LANE (JOHN LAING HOMES)

PROPERTY DATA

Location

This tract is located at the northwesterly corner of Rancho Bernardo Rd. and Ralphs Ranch Rd., extending north to Camino San Thomas.

Portion of Tract Included in Appraisal

Of the 133 total lots in this tract, and as of April 15, 2007: 121 lots had completed homes that are included in this appraisal; and 12 lots had building permits pulled as of January 1, 2007 but were either vacant or had homes under construction and are not included in this appraisal.

Record Owner/Ownership History

Of the 121 completed homes, 116 are owned by separate homeowners by sales from the builder, John Laing Homes (who held title as Laing 4S Area 34 LLC) that have closed since September 2005. The remaining 5 homes, including the 3 models, are still owned by the builder.

Legal Description

This overall tract comprises Lots 1 through 133 of County of San Diego Tract No. 5229-1, according to Map No. 14747, recorded February 27, 2004; however, Lots 35, 39 to 41 & 77 to 84 comprise the 12 lots that were vacant or had homes under construction as of April 15, 2007 and are not included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-630-01 to 86 and 678-631-01 to 47, but parcels 678-631-15, 19 to 21 & 37 to 44 comprise the 12 lots that were vacant or had homes under construction as of April 15, 2007 and are not included in this appraisal. The assessed values of the 121 included parcels range from \$168,136 to \$865,827 or an average of \$456,947, and the assessed values of the 12 excluded parcels comprise a total of \$2,034,280 or an average of \$169,523. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.6\%$ including the special taxes for the CFD, but is now slightly lower.

No. of Lots/Lot Sizes

This tract comprises a total of 133 lots. The minimum lot size is 4,275 s.f., or 45' by 95'.

PROPERTY DATA, Continuing

Existing Development

Of the 133 lots, 121 have been developed with most of the tract of homes called Rosemary Lane at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Residence One (Windchime) [40]: 2,461 s.f., two story, with 2 bedrooms, master retreat/loft or optional bedroom 3, den or optional bedroom 4, parlor, 3 baths, and 3-car tandem garage.

Residence Two (Trellis) [42]: 2,725 s.f., two story, with 3 bedrooms, loft or optional bedroom 4, study or optional bedroom 5, breakfast nook, parlor, 4 baths, and 3-car tandem garage with optional enlarged laundry room in tandem portion of garage.

Residence Three (Arbor) [39]: 3,274 s.f., two story, with 5 bedrooms, kid's retreat, bonus room, breakfast nook, den, 4 baths and 3-car garage; optional suite adds bedroom 6 and bath 5 in place of den and third-car garage.

VALUATION

Method of Analysis

This is the same as for the previous SilverCrest tract.

Analysis of 116 Completed-Sold Homes

The available information indicates that builder sales on 108 of the 116 homes closed from September 7, 2005 through March 29, 2007 and were at prices ranging from \$660,000 to \$956,500 or an average of \pm \$793,000. Of these 108 sales, the 77 that took place in 2006 and 2007 ranged in price from \$660,000 to \$956,500 or an average of \pm \$803,000, or slightly higher than the overall average. Of the 77 sales, the 9 that took place in 2007 ranged in price from \$660,000 to \$809,000 or an average of \$734,500, or 8.5% lower than the average for the sales in 2006, and representing a fairly even mix of all three floor plans.

In addition, there have been four resales in this tract. A Plan 1 home closed in June 2006 at a price of \$765,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in December 2005 at a price of \$732,500, indicating a 4% increase. Another Plan 2 home closed in March 2007 at a price of \$722,500, with landscaping but no significant upgrading or view. It had previously sold by the builder in December 2005 at a price of \$793,000, indicating a 9% decrease. A Plan 3 home closed in June 2006 at a price of \$845,000, with landscaping but no significant upgrading or view. It had previously sold by the builder in December 2005 at a price of \$769,500, indicating a 10% increase. Lastly, another Plan 3 home closed in August 2006 at a price of \$875,000, with landscaping and upgrades but no significant view. It had previously sold by the builder in September 2005 at a price of \$771,000, indicating a 13% increase.

VALUATION, Continuing

It is evident that three of the four resales indicate slightly to significantly higher prices than the original builder sale prices, but the most recent resale indicated a 9% decrease from December 2005 to March 2007. However, it is not known if this represented a highly motivated or distressed seller. The average of these four resales at \pm \$802,000 would support a firm upper limit for the overall tract, due to the plan mix being weighted more heavily to the larger Plan 3, and also since minor downward time adjustments would be supportable to three of the sales that took place in June and August 2006.

In summary, I have concluded on a conservative average value at \$720,000 which results in the following:

116 completed-sold homes @ \$720,000 = \$83,520,000

Analysis of 5 Completed-Unsold Homes

These are the 3 model homes and 2 production homes that are still owned by the builder. The analysis is based on the conclusion of an average of \$720,000 for the completed-sold homes, and then applying a discount of 15% to reflect the bulk ownership by the builder. This results in an average of \$612,000, rounded to \$610,000 for the 5 completed-unsold homes, as follows:

5 completed-unsold homes @ \$610,000 = \$3,050,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

116 completed-sold homes:	\$83,520,000
5 completed-unsold homes:	<u>\$ 3,050,000</u>
Value Indication:	\$86,570,000

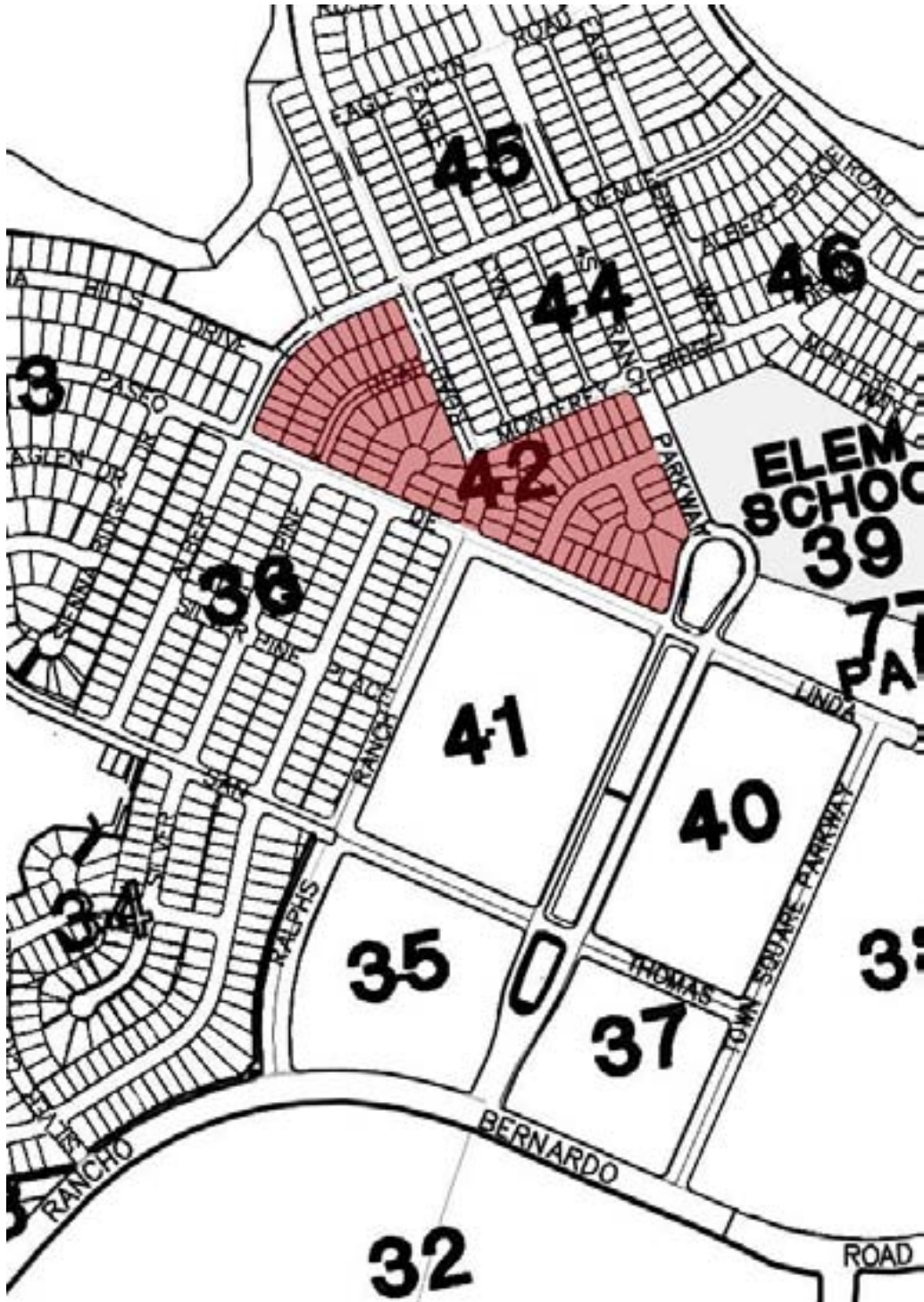
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Rosemary Lane tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$86,570,000

(EIGHTY-SIX MILLION FIVE HUNDRED SEVENTY THOUSAND DOLLARS)

MAP OF SILHOUETTE



SILHOUETTE (JOHN LAING HOMES)

PROPERTY DATA

Location

This tract is located on the northerly side of Paseo de Linda, extending from Albert Ave. at the west to 4S Ranch Parkway at the east.

Portion of Tract Included in Appraisal

Of the 96 total lots in this tract, and as of April 15, 2007: 17 lots had completed homes that are included in this appraisal; 30 lots had building permits pulled as of January 1, 2007 but were either vacant or had homes under construction and are not included in this appraisal; and 49 lots were vacant, did not have building permits pulled as of January 1, 2007, and are not included in this appraisal.

Record Owner/Ownership History

Of the 17 completed homes, 12 are owned by separate homeowners by sales from the builder, John Laing Homes (who held title as WL 4S Ranch Associates, L.P.) that have closed since September 2006. The remaining 5 homes, including the 3 models, are still owned by the builder.

Legal Description

This overall tract comprises Lots 409 through 504 of County of San Diego Tract No. 5229-2 according to Map No. 14966, recorded February 15, 2005; however, only Lots 417 to 427, 441 to 443 & 490 to 492 are included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-640-01 to 47 and 678-641-01 to 49, but only parcels 678-640-09 to 19 & 33 to 35 and 678-641-35 to 37 are included in this appraisal. The 30 lots with building permits pulled as of January 1, 2007 comprise Assessor Parcel Nos. 678-640-01 to 08, 20 to 32, & 36 to 44. The assessed values of the 17 included parcels range from \$254,733 to \$510,543 or an average of \$464,907, and the assessed values of the 30 excluded lots that had building permits pulled as of January 1, 2007 comprise a total of \$8,289,424 or an average of \$276,314. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be up to $\pm 1.9\%$ including the special taxes for the CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract comprises a total of 96 lots. The minimum lot size is $\pm 4,200$ s.f., or $\pm 42'$ by $100'$.

Existing Development

Of the 96 lots, 17 have been developed with part of the tract of homes called Silhouette at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Residence One (Explorer): 2,559 s.f. (up to 2,691 s.f.), two story, with up to 4 bedrooms and up to $3\frac{1}{2}$ baths, and a 3-bay tandem garage; with optional craft room in place of 3rd bay/tandem garage.

Residence Two (Surfer): 3,070 s.f. (up to 3,213 s.f.), two story, with 4 or up to 5 bedrooms and $3\frac{1}{2}$ or up to $4\frac{1}{2}$ baths, and a 3-bay garage; with optional bedroom, den or crafts room in place of 3rd bay/tandem garage.

Residence Three (Dreamer): 3,185 s.f. (up to 3,358 s.f.), two story, with 4 or up to 5 bedrooms and $3\frac{1}{2}$ or up to 4 baths, and a 3-bay garage; with optional bedroom or den in place of 3rd bay/tandem garage.

VALUATION

Method of Analysis

This is the same as for several previous tracts that include completed-unsold homes.

Analysis of 12 Completed-Sold Homes

The builder sales of these 12 homes closed from September 22, 2006 through April 10, 2007, and prices for 11 of the homes ranged from \$714,500 to \$922,000 or an average of $\pm \$836,000$. These prices include options/upgrades and lot premiums. It is noted that the 5 sales that closed in September and October 2006 ranged in price from \$802,000 to \$922,000 or an average of $\pm \$855,000$, and the 6 sales that closed in December 2006 through April 2007 ranged in price from \$714,500 to \$782,500 or an average of $\pm \$748,000$. This lower indication is more supportable as an average for the subject homes at current date.

It is also noted that the current base pricing for these homes ranges from \$669,990 to \$672,990 for Plan 1, \$719,990 to \$725,990 for Plan 2, and \$731,990 to \$733,990 for Plan 3. The pricing for the 7 available homes indicates an average of $\pm \$713,000$, and it is indicated that these prices do not include options/upgrades and lot premiums.

VALUATION, Continuing

Lastly, considering the home sizes and minimum lot sizes, the previous analysis of the Cedar Creek tract supports a lower limit at \$670,000, and the previous analyses of the Belle Rive and Rosemary Lane tracts supports close upper limits at \$730,000 and \$720,000. In summary, I have concluded on a conservative average value at \$700,000 which results in the following:

12 completed-sold homes @ \$700,000 = \$8,400,000

Analysis of 5 Completed-Unsold Homes

These are the 3 model homes and 2 production homes that are still owned by the builder. The analysis is based on the conclusion of an average of \$700,000 for the completed-sold homes, and then applying a discount of 15% to reflect the bulk ownership by the builder. This results in an average of \$595,000, rounded to \$590,000 for the 5 completed-unsold homes, as follows:

5 completed-unsold homes @ \$590,000 = \$2,950,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

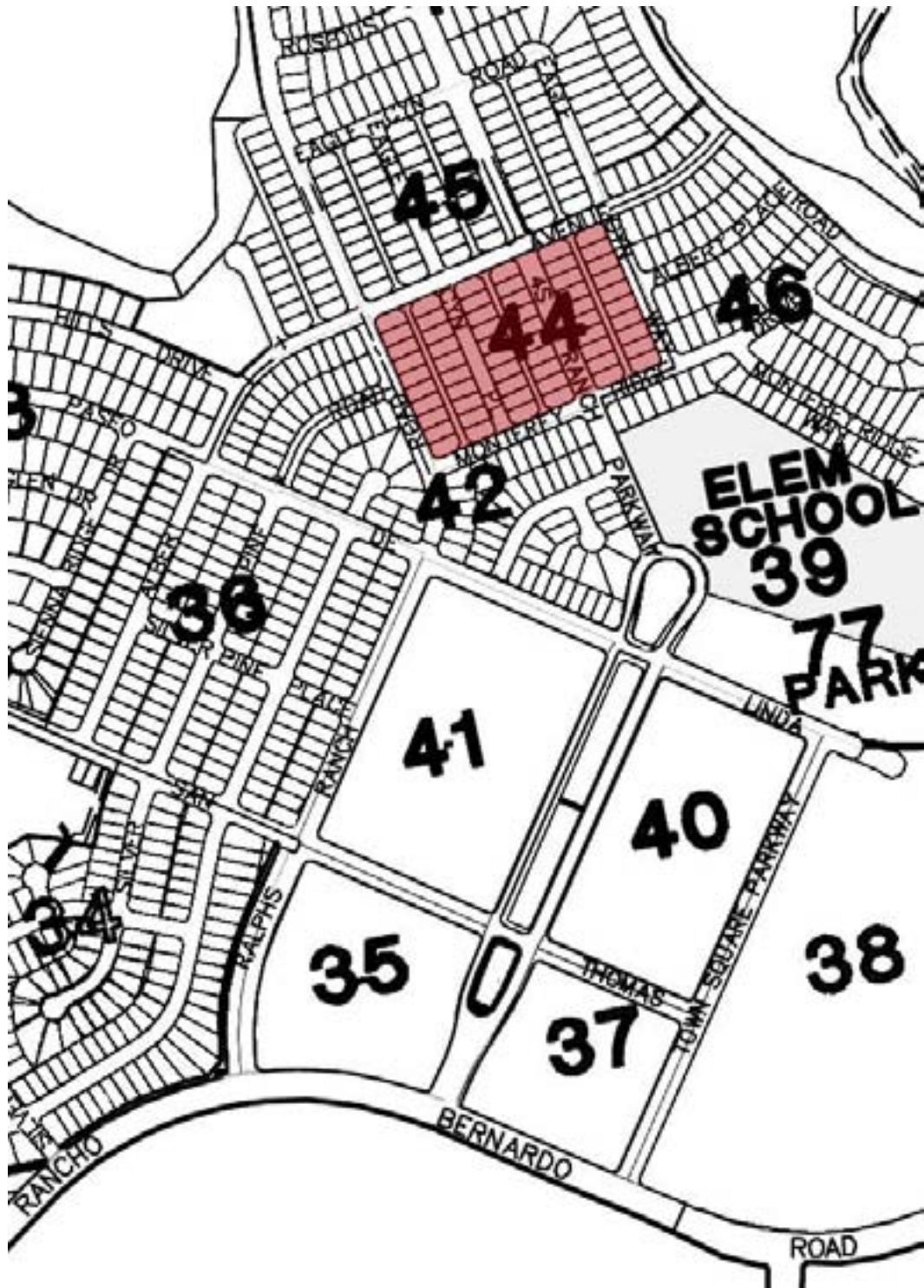
12 completed-sold homes:	\$ 8,400,000
5 completed-unsold homes:	<u>\$ 2,950,000</u>
Value Indication:	\$11,350,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Silhouette tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$11,350,000

(ELEVEN MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF MAYBECK



MAYBECK (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the northeast corner of Ralphs Ranch Rd. and Monterey Ridge Dr., extending east to Eagle Canyon Way and north to Albert Ave.

Portion of Tract Included in Appraisal

Of the 120 total lots in this tract, and as of April 15, 2007: 19 lots had completed homes that are included in this appraisal; 32 lots had building permits pulled as of January 1, 2007 but were either vacant or had homes under construction and are not included in this appraisal; and 69 lots were vacant, did not have building permits pulled as of January 1, 2007, and are not included in this appraisal.

Record Owner/Ownership History

Of the 19 completed homes, 6 are owned by separate homeowners by sales from the builder, William Lyon Homes (who held title as William Lyon Homes, Inc.) that have closed since December 2006. The remaining 13 homes, including the 4 models, separate sales office and 8 production homes are still owned by the builder.

Legal Description

This overall tract comprises Lots 606 through 665 of County of San Diego Tract No. 5229-2 and Lots 695 to 754 of County of San Diego Tract No. 5229-3, according to Map No. 14966 recorded February 15, 2005; however, only Lots 626 to 630, 633 to 638 and 652 to 659 are included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-640-48 to 67 and 678-644-01 to 40, but only parcels 678-640-54 to 61 and 678-644-21 to 25 & 28 to 33 are included in this appraisal. The 32 lots with building permits pulled as of January 1, 2007 comprise Assessor Parcel Nos. 678-640-48 to 53, 62 to 67 and 678-644-01 to 20. The assessed values of the 19 included parcels are each \$379,181 for land and \$0 for improvements, and the assessed values of the 32 excluded lots that had building permits pulled as of January 1, 2007 comprise a total of \$8,922,148 or an average of \$278,817. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the future homebuyers was projected to be $\pm 1.75\%$ including the special taxes for this CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract comprises a total of 120 lots. The minimum lot size is $\pm 5,150$ s.f., or $\pm 50'$ by $103'$.

Existing Development

Of the 60 lots, 19 have been developed with part of the tract of homes called Maybeck at 4S Ranch. There are four floor plans and the description of each plan is as follows:

Plan 1 (Berkeley): 2,797 s.f. (Plan 1X at 3,172 s.f.), two story, with 3 to 4 bedrooms, den, loft, $2\frac{1}{2}$ baths, and oversized 2-car garage; Plan 1X includes guest suite.

Plan 2 (Bingham): 3,180 s.f. (Plan 2X at 3,438 s.f.), two story, with 3 to 4 bedrooms, loft, $3\frac{1}{2}$ baths, and oversized 2-car garage; Plan 2X includes guest suite.

Plan 3 (Lawson): 3,252 to 3,700 s.f., two story, 4 to 5 bedrooms, up to $5\frac{1}{2}$ baths, and 3-car garage.

Plan 4 (Wallen): 3,481 to 3,525 s.f., two story, with 4 to 5 bedrooms, playroom, $4\frac{1}{2}$ baths, and 2 or 3-car garage.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 6 Completed-Sold Homes

The builder sales of these 6 homes closed from December 21, 2006 through February 1, 2007, with sale prices ranging from \$718,000 to \$815,500 or an average of \$772,500. It is noted that this pricing includes options/upgrades, lot premiums and any incentives which are typically up to \$15,000 toward options if the buyer uses the builder's lender.

The current builder pricing is from \$712,500 for Plan 1, from \$766,500 for Plan 1X, from \$733,500 for Plan 2, from \$764,990 for Plan 2X, from \$731,500 for Plan 3, from \$779,990 for Plan 3X and from \$765,500 for Plan 4. This indicates an overall average of $\pm \$751,000$. In addition to these base prices would be options/upgrades and lot premiums, offset by an incentive of up to \$15,000. It is evident that the sale prices of the closed homes are higher than the current base pricing primarily due to the addition of options/upgrades/lot premiums, but also due to current pricing that would be slightly lower.

VALUATION, Continuing

Lastly, the previous analysis of the Rosemary Lane tract at an average of \$720,000 supports a firm lower limit for the subject tract due to being smaller homes on smaller lots, and the previous analysis of the SilverCrest tract at an average of \$800,000 supports an upper limit for the subject tract due to the slightly larger homes though on similar size lots but with likely greater homeowner upgrades due to most builder sales being much longer ago.

In summary, I have concluded on a conservative average value at \$730,000 which results in the following:

6 completed-sold homes @ \$730,000 = \$4,380,000

Analysis of 13 Completed-Unsold Homes

These are the 13 homes that are still owned by the builder, of which 4 are the upgraded models, 1 is the sales office and 8 are production homes. The analysis is based on the conclusion of an average of \$730,000 for the completed-sold homes, and reflecting that the model upgrades are offsetting to the lack of floor coverings in the production homes. Then, a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$620,500, rounded to \$620,000 for the 13 completed-unsold homes, as follows:

13 completed-unsold homes @ \$620,000 = \$8,060,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

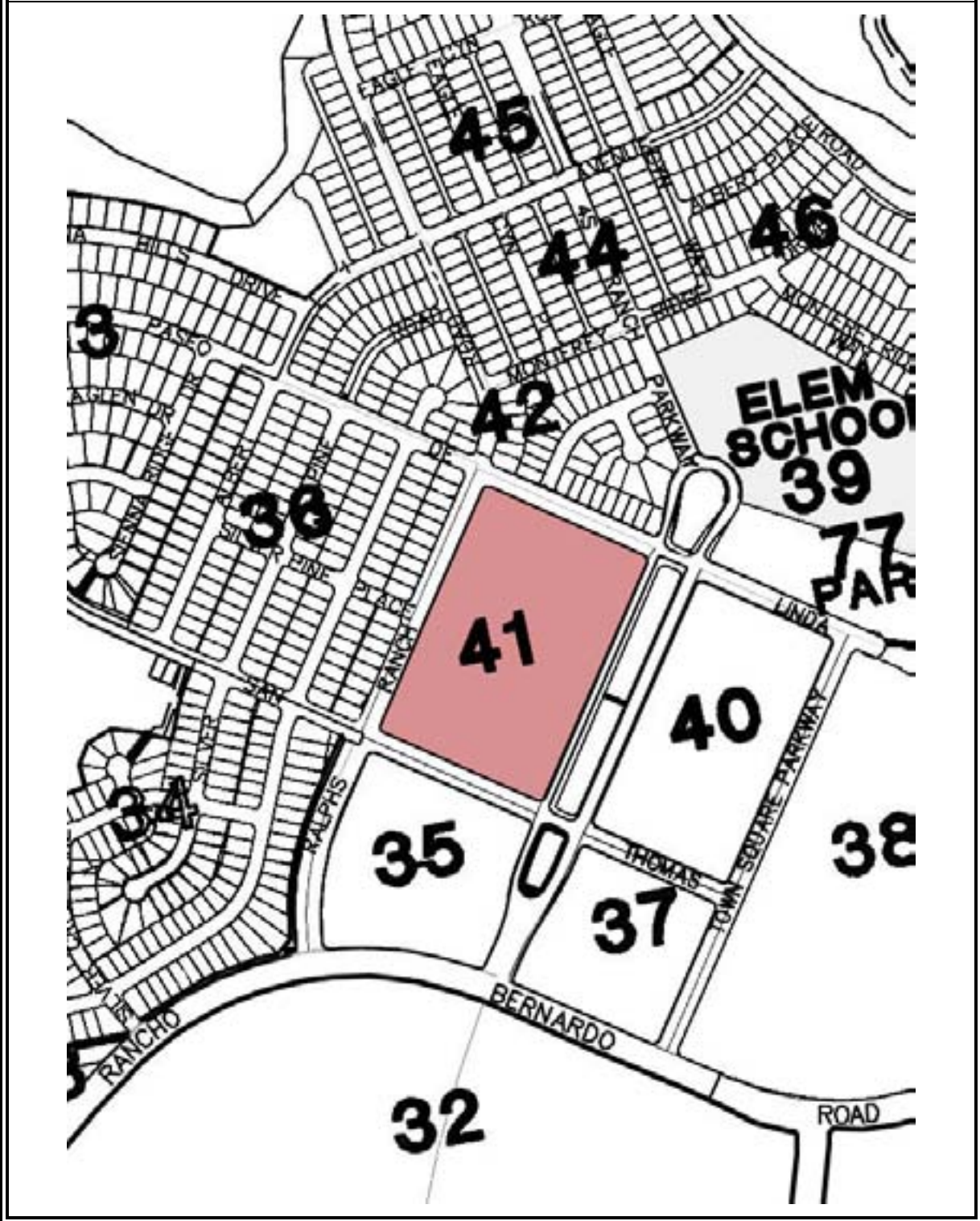
6 completed-sold homes:	\$ 4,380,000
13 completed-unsold homes:	<u>\$ 8,060,000</u>
Value Indication:	\$12,440,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Maybeck tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$12,440,000

(TWELVE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS)

MAP OF GARDEN WALK



GARDEN WALK (SEA COUNTRY HOMES)

PROPERTY DATA

Location

This tract is located in the area bounded by Paseo de Linda at the north, Ralphs Ranch Rd. at the west, 4S Ranch Parkway at the east, and Camino San Thomas along the southerly side.

Record Owner/Ownership History

All of the 136 homes are owned by separate homeowners. The original sales from the builder, Sea Country Homes, are indicated to have closed from September 2005 through February 2007, and there have been four indicated resales since that time.

Legal Description

This tract comprises Units 1 through 36 as shown and described in the First Amendment to Garden Walk at 4S Ranch Condominium Plan encumbering Lot 1 of County of San Diego Tract No. 5327-1, according to Map No. 14949 recorded January 19, 2005.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-638-07-01 to 46, 678-638-08-01 to 54 and 678-638-09-01 to 36. The assessed values range from \$161,127 to \$698,602 or an average of \$367,105. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.8\%$ including the special taxes for the CFD.

No. of Lots/Lot Sizes

This tract comprises a total of 136 lots in a condominium plan. The overall density of the tract is 136 units on 14.4 acres or 9.4 units per acre. The minimum lot size is indicated to be $\pm 3,000$ s.f., with a typical range of 3,000 s.f. to 4,000 s.f.

Existing Development

These lots were developed in 2005 through early 2007 with a tract of 136 homes called Garden Walk at 4S Ranch. There are three floor plans and the number and the description of each plan is as follows:

Plan 1 (The Jasmine) [41]: 1,888 s.f., two-story, with 3 bedrooms, den, 2½ baths and 2-car garage with options of bedroom 4 and bath 3.

PROPERTY DATA, Continuing

Plan 2 (The Zinnia) [50]: 2,117 s.f., two-story, with 3 bedrooms, loft, flex space, 3 baths and 2-car garage with options of master retreat, bedrooms 4 and 5, and bath 4.

Plan 3 (The Willow) [55]: 2,317 s.f., two-story, with 4 bedrooms, breakfast nook, 3 baths and 2-car garage with options of flex space at bedrooms 2 and 4.

VALUATION

Method of Analysis

This is the same as for previous tracts consisting of all completed-sold homes.

Analysis of 136 Completed-Sold Homes

The available information indicates that builder sales on 115 of the 136 homes closed from September 29, 2005 through February 22, 2007 at prices ranging from \$576,000 to \$771,000 or an average of \pm \$664,000. Of these 115 sales, the 26 that took place from October 2006 through February 2007 ranged in price from \$576,000 to \$748,000 or an average of \pm \$649,000 or about 2% lower than the overall average. This indication would support a firm upper limit as an average for the overall tract since at least a minor downward time adjustment would be supportable.

In addition, there have been four resales in this tract. A Plan 1 home closed in October 2006 at a price of \$639,000 and another Plan 1 home closed in January 2007 at a price of \$601,000, both with landscaping but no significant upgrading or view. A Plan 2 home closed in April 2006 at a price of \$669,000 with no landscaping, upgrades or view. Another Plan 2 home closed in December 2006 at a price of \$639,000 with landscaping but no significant upgrades or view, and it had previously sold by the builder in October 2005 at a price of \$637,500 which indicates minimal change to the resale price.

The average of the resale prices is \$637,000, which would tend to support a lower limit as an average for the overall tract due to including only the two smaller floor plans. However, one of the resales took place about a year ago and would require a downward time adjustment. Considering only the three more recent resales, the indicated average price is \pm \$626,000, which would support a lower limit for the overall tract due to including only two Plan 1 homes and a Plan 2 home, though there could be a minor downward time adjustment to the two sales that closed in October and December 2006. This is evident by a current listing of a Plan 1 home at an asking price of \$605,000+ that includes landscaping and minor upgrades.

Lastly, the previous analysis of the Summerwood tract would support a firm lower limit at an average of \$550,000, due to the smaller homes but on similar size lots, and the previous analysis of the Garden Gate tract would support a close indication at an average of \$600,000 due to the similar size homes on similar size lots.

VALUATION, Continuing

I have concluded on a conservative average value at \$600,000 which results in the following:

136 homes @ \$600,000 = \$81,600,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Garden Walk tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$81,600,000

(EIGHTY-ONE MILLION SIX HUNDRED THOUSAND DOLLARS)

MAP OF BRIDGEPORT



BRIDGEPORT (LENNAR HOMES)

PROPERTY DATA

Location

This tract is located at the northwest corner of 4S Ranch Parkway and Rancho Bernardo Rd., extending north to Camino San Thomas and west to Ralphs Ranch Rd.

Portion of Tract Included in Appraisal

Of the 218 total lots/units in this tract, and as of April 15, 2007: 189 had completed homes that are included in this appraisal; and 29 had building permits pulled as of January 1, 2007 but had homes under construction and are not included in this appraisal.

Record Owner/Ownership History

Of the 189 completed homes, all are owned by separate homeowners by sales from the builder, Lennar Homes (who held title as Greystone Homes 4S Area 35 LLC) that have closed since November 2005.

Legal Description

The overall site for this tract comprises Lot 1 of County of San Diego Tract No. 5333-1, according to Map No. 15004 recorded April 26, 2005, and the individual homes are described as various Unit Nos. within Modules A through F and Bridgeport at 4S Ranch Phases I through V.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-637-12-01 to 40, 678-637-13-01 to 29, 678-637-14-01 to 40, 678-637-15-01 to 29, 678-637-16-01 to 40 and 678-637-17-01 to 40; but parcels 678-637-13-01 to 29 comprise the 29 lots/units that had homes under construction as of April 15, 2007 and are not included in this appraisal. The assessed values of the 189 included parcels range from \$121,904 to \$524,800 or an average of \$378,399, and the assessed values of the 29 excluded parcels comprise a total of \$3,216,216 or an average of \$110,904. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was projected to be $\pm 1.5\%$ including the special taxes for the CFD.

No. of Lots/Lot Sizes

This tract comprises a total of 218 attached residential units, thus there are not individual lots or lot sizes. On the 9.41 acre site, this indicates a density of 23.2 units per acre.

PROPERTY DATA, Continuing

Existing Development

Of the 218 lots/units, 189 have been developed with most of the tract of attached townhomes called Bridgeport at 4S Ranch. There are six floor plans, mostly two-story units over garages on the ground floor, and the description of each plan is as follows:

Residence One: 959 to 988 s.f., two-story, with 1 bedroom, loft, 1½ baths, and 1- or 2-car detached garage.

Residence Two: 1,054 to 1,059 s.f., two-story, with 2 bedrooms, 2 baths and 1- or 2-car detached garage.

Residence Three: 1,439 to 1,457 s.f., two-story, with 2 bedrooms, 2½ baths and 1- or 2-car attached garage.

Residence Four: 1,416 to 1,430 s.f., two-story, with 3 bedrooms, 3 baths and 2-car tandem attached garage.

Residence Five: 1,423 s.f., two-story, with 3 bedrooms, 3 baths and 2-car attached garage.

Residence Six: 1,436 s.f., three-story, with 3 bedrooms, 3½ baths and 2-car attached garage.

VALUATION

Method of Analysis

This is the same as for previous tracts consisting of all completed-sold homes.

Analysis of 189 Completed-Sold Homes

The available information indicates that builder sales on 180 of the 189 homes closed from November 18, 2005 through March 21, 2007 at prices ranging from \$246,000 to \$503,500 or an average of ±\$395,000. The 48 sales that closed from October 2006 through March 2007 ranged in price from \$250,000 to \$452,000 or an average of ±\$368,000 or about 7% lower than the overall average. The 19 sales that closed during 2007 ranged in price from \$308,000 to \$447,500 or an average of ±\$371,000. These prices reflect any options/upgrades and premiums, as well as an incentive of up to 6% of the price if the buyer uses the builder's lender, though this incentive can only go toward financing and closing costs and not to reduce the price. Overall, the indication at an average of ±\$370,000 would tend to support a close indication for the tract at current date.

It is noted that the current builder pricing for the new homes is from \$349,000 for Plan 1, from \$375,500 for Plan 2, from \$420,500 for Plan 3, from \$429,000 for Plan 4, from \$430,500 for Plan 5 and from \$426,500 for Plan 6. This indicates an average of ±\$405,000 and is the pricing for the last sales release. While this is the base

VALUATION, Continuing

pricing, and could be increased by options/upgrades/premiums, it is still considered to support an upper limit as an average for the overall tract.

Lastly, it is noted that there is one current listing in the tract, a Plan 6 home at an asking price of \$481,000+. It has some interior upgrades and also good views. While this is of interest, it only represents an asking price on the largest floor plan.

I have concluded on a conservative average value at \$350,000 which results in the following:

189 homes @ \$350,000 = \$66,150,000

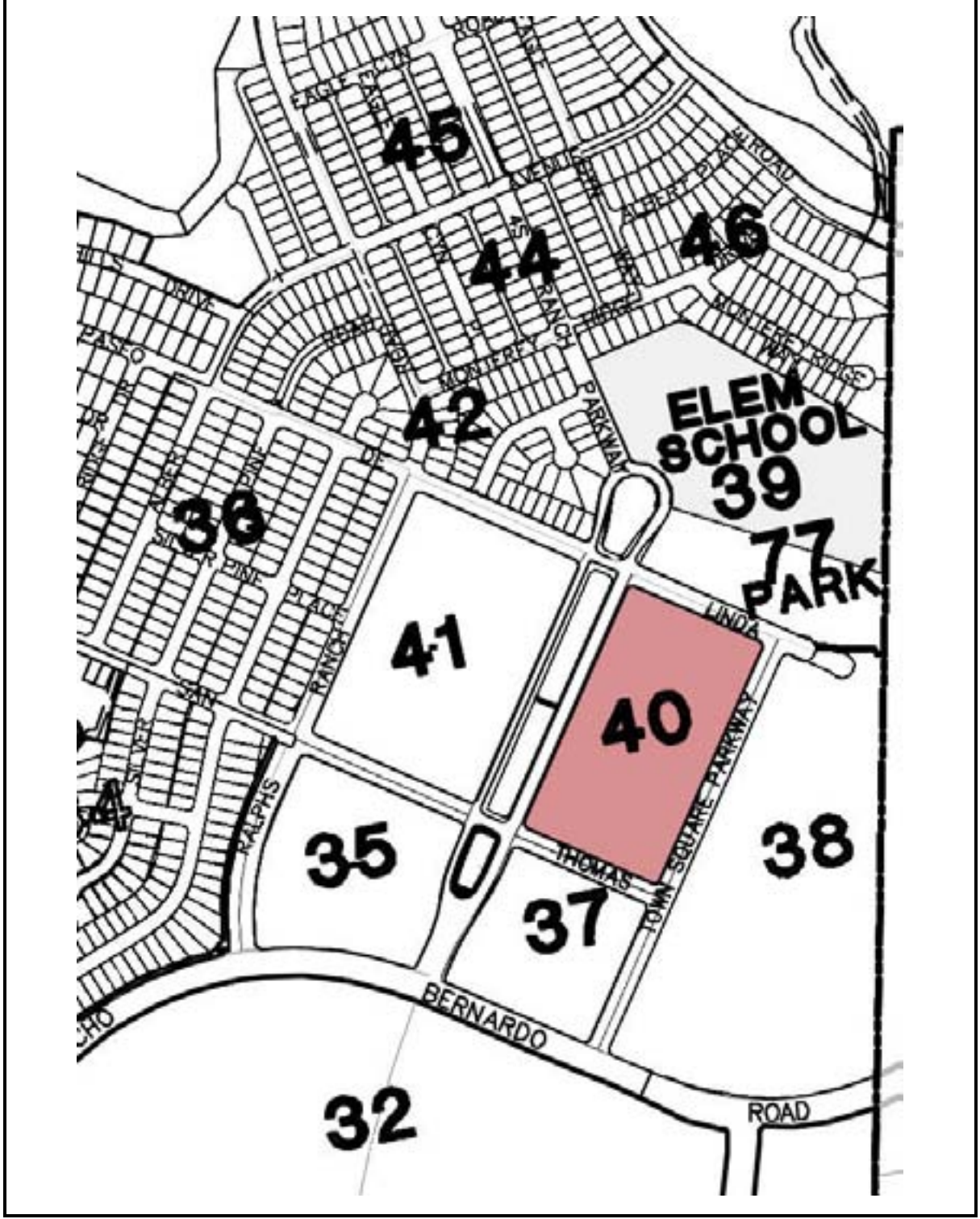
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Bridgeport tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$66,150,000

(SIXTY-SIX MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF GIANNI



GIANNI (STANDARD PACIFIC HOMES)

PROPERTY DATA

Location

This tract is located in the area bounded by Paseo de Linda at the north, 4S Ranch Parkway at the west, Town Square Parkway at the east, and Camino San Thomas along the southerly side.

Portion of Tract Included in Appraisal

Of the 206 total lots/units in this tract, and as of April 15, 2007: 63 lots had completed homes that are included in this appraisal; 77 lots/units had building permits pulled as of January 1, 2007 but were either vacant or had homes under construction and are not included in this appraisal; and 66 lots were vacant, did not have building permits pulled as of January 1, 2007, and are not included in this appraisal.

Record Owner/Ownership History

Of the 63 completed homes, 55 are owned by separate homeowners by sales from the builder, Standard Pacific Homes (who held title as Standard Pacific 4S Townhomes LLC) that have closed since December 2006. The remaining 8 homes, comprising the model/sales office complex, are still owned by the builder.

Legal Description

The units are described as Units 1 through 206 on Lot 1 of County of San Diego Tract No. 5342-1.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-638-10-01 to 55, 678-638-11-01 to 77 and 678-638-12-01 to 74; but only parcels 678-638-10-01 to 55 and 678-638-12-67 to 74 are included in this appraisal. The 77 lots/units with building permits pulled as of January 1, 2007 comprise Assessor Parcel Nos. 678-638-11-01 to 77. The assessed values for the completed homes were not available, but the assessed values for the 77 excluded parcels are all \$196,279 or a total of \$15,113,483. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was projected to be $\pm 1.5\%$ including the special taxes for the CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract will comprise a total of 206 attached residential units, thus there are not individual lots or lot sizes. On the 11.84 acre site, this indicates a density of 17.4 units per acre.

Existing Development

Of the 206 lots/units, 63 have been developed with part of the tract of attached townhomes called Gianni at 4S Ranch. There are five floor plans and the description of each plan is as follows:

Plan 1 (Bellagio): 1,211 s.f., two-story, with 2 bedrooms, 2½ baths and 1-car garage plus storage.

Plan 2 (Milan): 1,356 s.f., three-story, with 2 bedrooms, 2 baths, deck and 1-car garage plus storage with option of den at bedroom 2.

Plan 3 (Pisa): 1,389 s.f., two-story, with 3 bedrooms or 2 master suites, 2½ baths and 2-car garage.

Plan 4 (The Colosseum): 1,460 s.f., three-story, with 3 bedrooms, morning room, 3½ baths, deck and 2-car garage with option of den at bedroom 3.

Plan 5 (Grand Canal): 1,578 s.f., two-story, with 3 bedrooms, 2½ baths and 2-car garage.

VALUATION

Method of Analysis

This is the same as for previous tracts that include completed-unsold homes.

Analysis of 55 Completed-Sold Homes

The available information indicates that builder sales on 47 of the 55 homes closed from December 8, 2006 through April 17, 2007 at prices ranging from \$367,000 to \$491,000 or an average of ±\$436,000. These prices reflect any options/upgrades and premiums, as well as an incentive of up to \$15,000 if the buyer uses the builder's lender, though this incentive can only go toward options/upgrades, financing/interest rate, closing costs or association dues and not to reduce the price. Overall, the indication at an average of ±\$436,000 would tend to support a close indication for the tract at current date.

It is noted that the current builder pricing for the new homes is from \$387,900 for Plan 1, from \$397,900 for Plan 2, from \$422,900 for Plan 3, from \$449,900 for Plan 4 and from \$479,900 for Plan 5. This indicates an average of ±\$428,000 and also

VALUATION, Continuing

reflects that most of the available homes are sold out. There have been a total of 91 homes released for sale with all but 3 sold or reserved. Thus, this average also tends to support a close indication to close lower limit as an average for the completed-sold homes which would also include interior homebuyer upgrades.

I have concluded on a conservative average value at \$400,000 which results in the following:

55 completed-sold homes @ \$400,000 = \$22,000,000

Analysis of 8 Completed-Unsold Homes

These are the 8 homes comprising the 5 models, sales office and 2 production homes that are still owned by the builder. The analysis is based on the conclusion of an average of \$400,000 for the completed-sold homes, and then a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$340,000 for the 8 completed-unsold homes, as follows:

8 completed-unsold homes @ \$340,000 = \$2,720,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

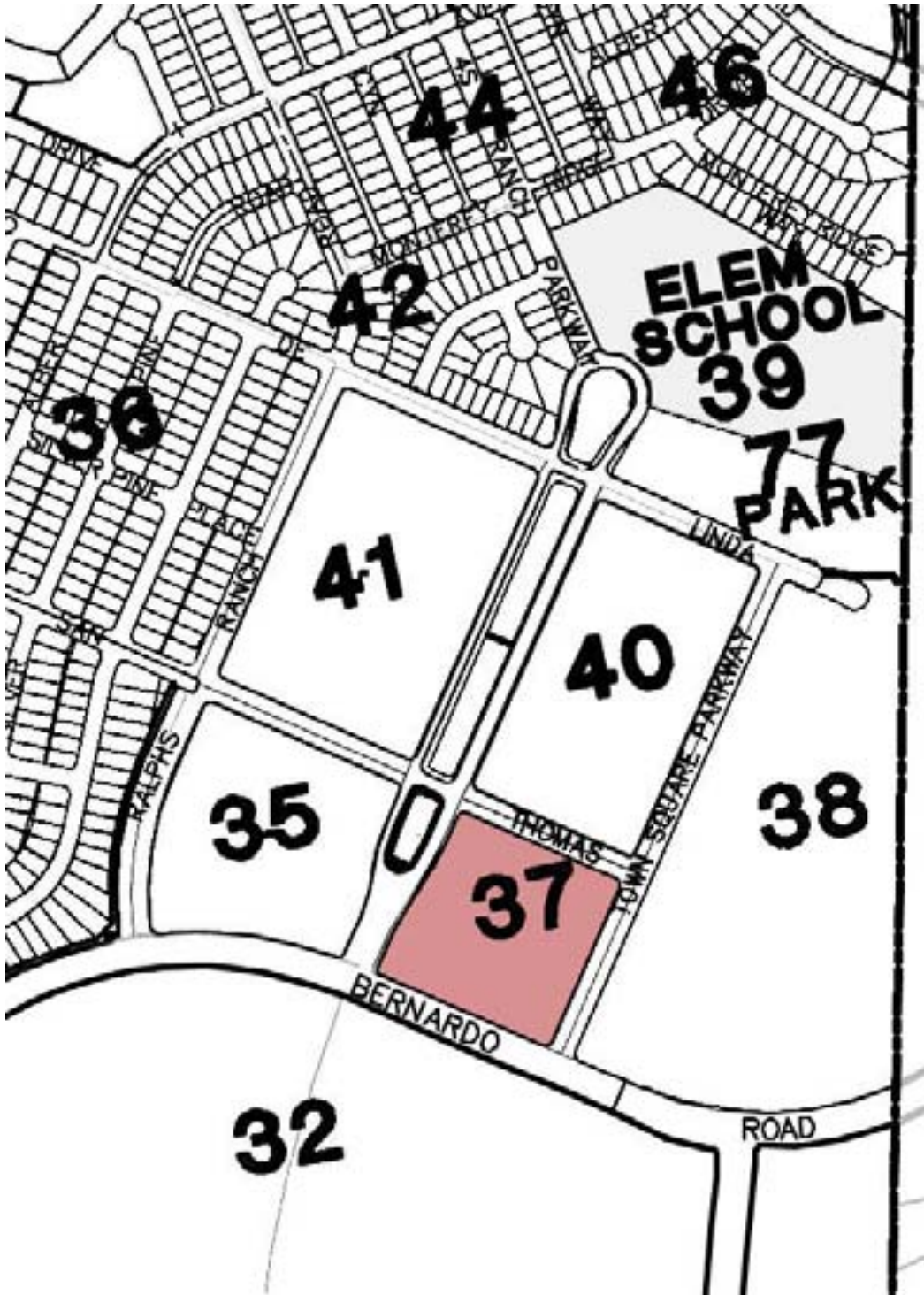
55 completed-sold homes:	\$22,000,000
8 completed-unsold homes:	<u>\$ 2,720,000</u>
Value Indication:	\$24,720,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Gianni tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$24,720,000

(TWENTY-FOUR MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS)

MAP OF SAN MORITZ



SAN MORITZ (SHEA HOMES)

PROPERTY DATA

Location

This tract is located in the area bounded by Rancho Bernardo Rd. at the south, 4S Ranch Parkway at the west, Camino San Thomas at the north and Town Square Parkway at the east.

Record Owner/Ownership History

Of the 140 completed homes, it appears that 136 are owned by separate homeowners by sales from the builder, Shea Homes (who held title as 4S Area 37 LLC) that have closed since October 2005 and the remaining 4 homes, including 2 of the models, are still owned by the builder.

Legal Description

This tract comprises Units 1 through 140 on Lot 263 of County of San Diego Tract No. 5229-1, according to Map No. 14747 recorded February 27, 2004.

Assessor Data-2006/07

This tract comprises Assessor Parcel Nos. 678-637-10-01 to 72 and 678-637-11-01 to 68. The assessed values range from \$70,168 to \$536,724 or an average of \$279,988. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be 1.55% including the special taxes for this CFD.

No. of Lots/Lot Sizes

This tract comprises a total of 140 attached residential units, thus there are not individual lots or lot sizes. On the 7.08 acre site, this indicates a density of 19.8 units per acre.

Existing Development

This site was developed from 2005 through early 2007 with a tract of 140 attached tri-level townhomes called San Moritz at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Residence 1: 1,318 s.f., three-story, with 2 bedrooms, alcove, laundry, 2½ baths and 2-car attached garage.

Residence 2: 1,394 s.f., three-story, with 2 bedrooms, den/office, laundry, 2½ baths and 2-car attached garage.

PROPERTY DATA, Continuing

Residence 3: 1,494 s.f., three-story, with 3 bedrooms, tech center, laundry, 3½ baths and 2-car attached garage.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 136 Completed-Sold Homes

The available information indicates that builder sales on 134 of the 136 homes closed from October 24, 2005 through April 10, 2007, and the sale prices ranged from \$404,500 to \$562,000 or an average of \pm \$475,000. Of these 134 sales, the 26 most recent that closed from late October 2006 through April 2007 ranged in price from \$421,000 to \$539,000 or an average of \pm \$479,000. This is slightly higher than the overall average including all sales, and reflects that price increase since the earliest sales has been more than a more recent decrease in prices.

In addition, there has been one resale in this tract which was a Plan 2 home that closed in June 2006 at a price of \$480,000. It had been upgraded on the interior, but also reflected a motivated seller who had been transferred out of state. The original builder sale closed in December 2005 at a price of \$434,500, thus the resale indicates an increase of 10%, though at least a minor downward adjustment for time would be supportable to current date.

It is also noted that there are three current listings of Plan 2 homes. The asking prices are \$475,000+, \$479,900+ and \$479,900+, all of which have at least minor upgrades. This range of \$475,000 to \$480,000 would tend to support an upper limit as an average for the overall tract since they only represent asking prices.

In summary, I have concluded on a conservative average value at \$460,000 which results in the following:

136 completed-unsold homes @ \$460,000 = \$62,560,000

Analysis of 4 Completed-Unsold Homes

These are the 4 homes comprising 2 of the models and 2 production homes that are still owned by the builder. The analysis is based on the conclusion of an average of \$460,000 for the completed-sold homes, and then a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$391,000, rounded to \$390,000 for the 4 completed-unsold homes, as follows:

4 completed-unsold homes @ \$390,000 = \$1,560,000

VALUATION, Continuing

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

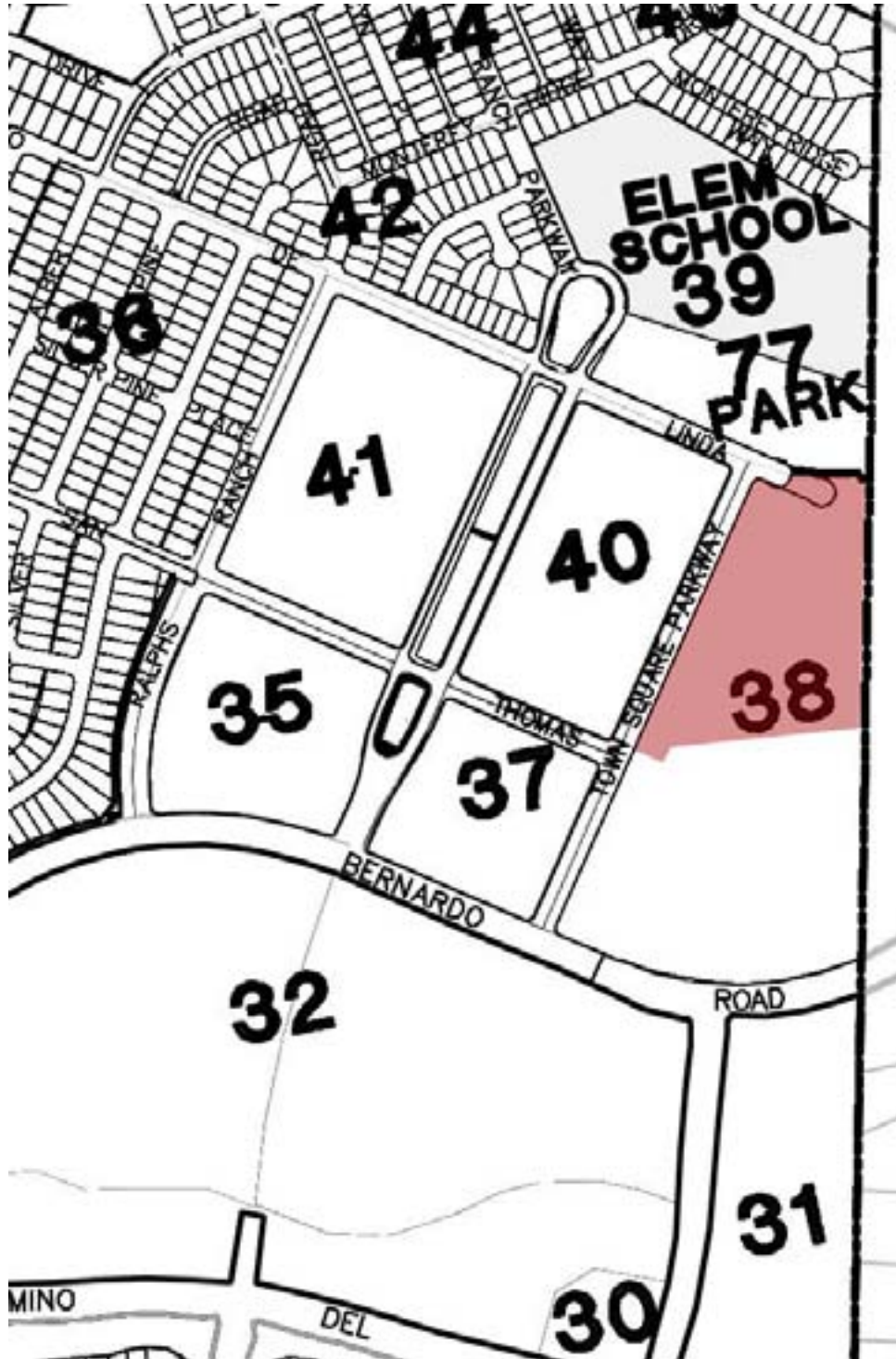
136 completed-sold homes:	\$62,560,000
4 completed-unsold homes:	<u>\$ 1,560,000</u>
Value Indication:	\$64,120,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this San Moritz tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$64,120,000

(SIXTY-FOUR MILLION ONE HUNDRED TWENTY THOUSAND DOLLARS)

MAP OF AMANTE



AMANTE (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the southeast corner of Town Square Parkway and Paseo De Linda, extending southerly to Westford Way.

Portion of Tract Included in Appraisal

Of the 127 total lots in this tract, and as of April 15, 2007: 114 lots had completed homes that are included in this appraisal; and 13 lots had building permits pulled as of January 1, 2007 but were either vacant or had homes under construction and are not included in this appraisal.

Record Owner/Ownership History

Of the 114 completed homes, 110 are owned by separate homeowners by sales from the builder, William Lyon Homes (who held title as 4S Ranch Planning Area 38 LLC) that have closed since September 2005. The remaining 4 homes are the models and are still owned by the builder.

Legal Description

This overall tract comprises the northerly portion of Lot 1 of County of San Diego Tract No. 5328-1, according to Map No. 14965, recorded February 11, 2005, and referred to as Lots or Units 1 through 127; however, Units 87 to 94 and 119 to 123 comprise the 13 lots that were vacant or had homes under construction as of April 15, 2007 and are not included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-637-05-01 to 73 and 678-637-06-01 to 54, but parcels 678-637-06-33 to 40 & 46 to 50 comprise the 13 lots that were vacant or had homes under construction as of April 15, 2007 and are not included in this appraisal. The assessed values of the 114 included parcels range from \$130,492 to \$740,550 or an average of \$460,645, and the assessed values of the 13 excluded parcels comprise a total of \$1,779,700 or an average of \$136,900. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.5\%$ to 1.6% including the special taxes for the CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract comprises a total of 127 lots in a condominium plan, with the lot sizes ranging from $\pm 2,000$ s.f. to 3,000 s.f.

Existing Development

Of the 127 total lots, 114 have been developed with part of the tract of detached courtyard-style homes called Amante at 4S Ranch. There are four floor plans and the description of each plan is as follows:

Plan 1 (Dehesa): 1,454 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths, and 2-car garage.

Plan 2 (Ladera): 1,743 s.f., two-story, with 3 bedrooms, 2½ baths, and 2-car garage.

Plan 3 (Prado): 1,825 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths, and 2-car garage.

Plan 4 (Vina): 1,914 s.f., two-story, with 3 bedrooms, loft or optional bedroom 4, 2½ baths, and 2-car garage.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 110 Completed-Sold Homes

The available information indicates that builder sales on 101 of the 110 homes closed from September 23, 2005 through February 28, 2007, with sale prices ranging from \$521,500 to \$741,000 or an average of $\pm \$617,000$. Of these 101 sales, the 20 most recent that closed from late October 2006 through February 2007 ranged in price from \$521,500 to \$718,500 or an average of $\pm \$586,000$. This is 5% lower than the overall average including all sales, thus reflecting lower pricing for the most recent sales than when including sales that closed from September 2005 through June 2006.

In addition, there has been one resale in this tract which was a Plan 4 home that closed in early April 2007 at a price of \$540,000. It had been upgraded on the interior, but also reflected a highly motivated seller, as this is a low price for a Plan 4 home. This is evident by the decrease of 16% from the original builder sale at a price of \$645,000 in December 2005.

It is also noted that there are three current listings in the tract. There are two Plan 3 homes at asking prices of \$619,000+ and \$629,900+ and a Plan 4 home at an asking

VALUATION, Continuing

price of \$620,000. These homes are landscaped and fairly typical including some upgrading. This range of ±\$620,000 to \$630,000 would support a firm upper limit as an average for the overall tract since they are of only the two larger floor plans and also only represent asking prices.

In summary, I have concluded on a conservative average value at \$550,000 which results in the following:

110 completed-sold homes @ \$550,000 = \$60,500,000

Analysis of 4 Completed-Unsold Homes

These are the 4 models that are still owned by the builder. The analysis is based on the conclusion of an average of \$550,000 for the completed-sold homes, and then a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$467,500, rounded to \$470,000 for the 4 completed-unsold homes, as follows:

4 completed-unsold homes @ \$470,000 = \$1,880,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

114 completed-sold homes:	\$60,500,000
4 completed-unsold homes:	<u>\$ 1,880,000</u>
Value Indication:	\$62,380,000

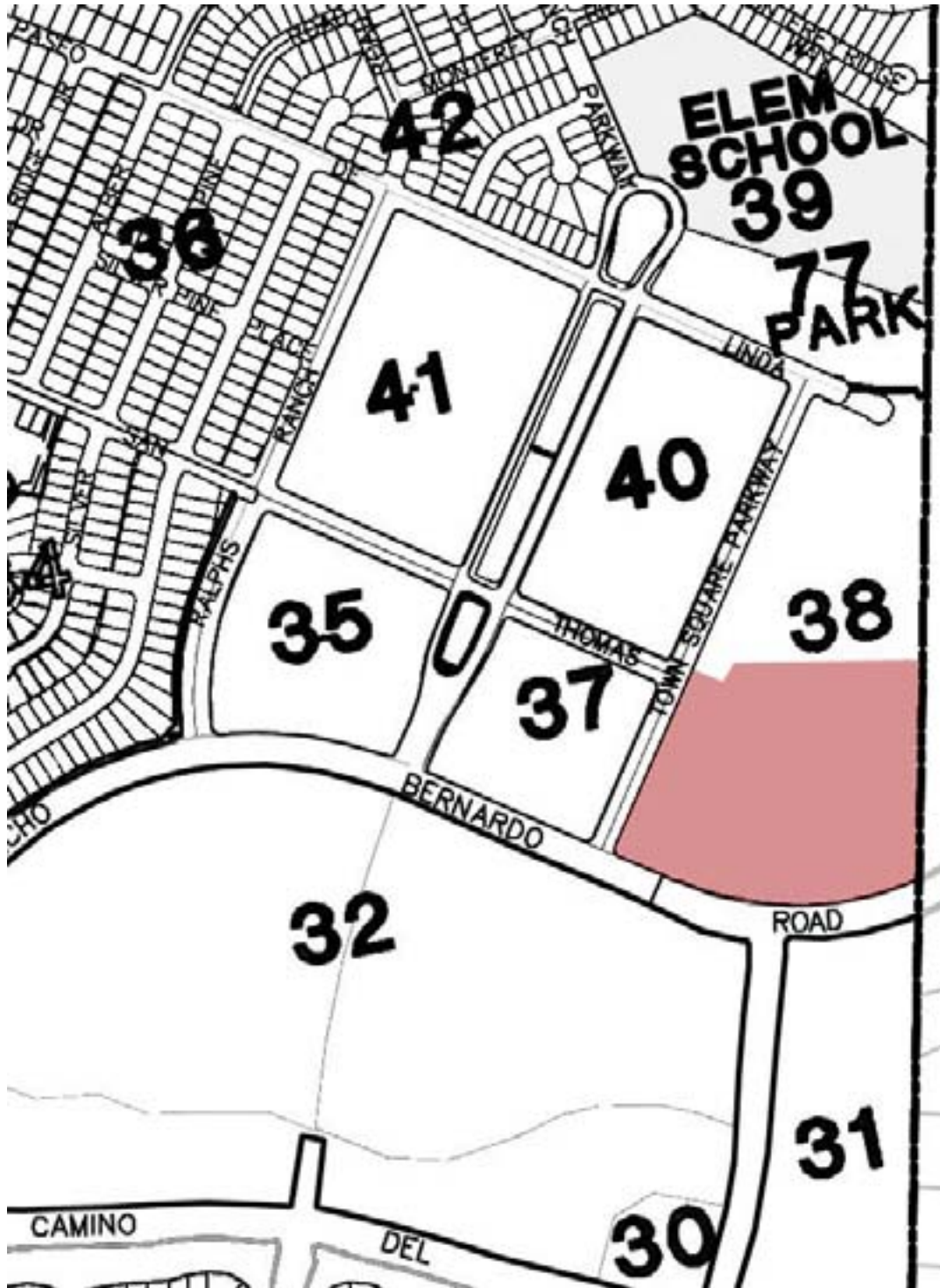
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Amante tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$62,380,000

(SIXTY-TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS)

MAP OF RAVENNA



RAVENNA (WILLIAM LYON HOMES)

PROPERTY DATA

Location

This tract is located at the northeast corner of Rancho Bernardo Rd. and Town Square Parkway, extending north to Westford Way.

Portion of Tract Included in Appraisal

Of the 199 total lots/units in this tract, and as of April 15, 2007: 169 lots/units had completed homes that are included in this appraisal; and 30 lots/units had building permits pulled as of January 1, 2007 but had homes under construction and are not included in this appraisal.

Record Owner/Ownership History

Of the 169 completed homes, 158 are owned by separate homeowners by sales from the builder, William Lyon Homes (who held title as 4S Ranch Planning Area 38 LLC) that have closed since November 2005. The remaining 11 homes (including 6 in the model/sales office complex) are still owned by the builder.

Legal Description

This overall tract comprises the southerly portion of Lot 1 of County of San Diego Tract No. 5328-1, according to Map No. 14965, recorded February 11, 2005, and referred to as Lots or Units 1 through 199; however, Units 7 through 36 comprise the 30 lots/units that had homes under construction as of April 15, 2007 and are not included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-637-07-01 to 90, 678-637-08-01 to 68 and 678-637-09-01 to 41, but parcels 678-637-07-07 to 36 comprise the 30 lots/units that had homes under construction as of April 15, 2007 and are not included in this appraisal. The assessed values of the 169 included parcels range from \$111,257 to \$539,100 or an average of \$250,024, and the assessed values of the 30 excluded parcels comprise a total of \$3,337,680 or an average of \$111,256. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the homebuyers was originally projected to be $\pm 1.5\%$ including the special taxes for the CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract comprises a total of 199 attached residential units, thus there are not individual lots or lot sizes. The density appears to be ± 14 to 16 units per acre.

Existing Development

Of the 199 total lots, 169 have been developed (which are included in this appraisal) with part of the tract of attached townhomes called Ravenna at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Plan 1 (Adriano): 1,476 s.f., two-story with mezzanine, with 2 bedrooms, loft, 2½ baths and 2-car garage.

Plan 2 (Classe): 1,405 s.f., two-story, with 3 bedrooms, 2½ baths, and 2-car garage with option of den at bedroom 3.

Plan 3 (Savio): 1,626 s.f., two-story, with 3 bedrooms, loft, 2½ baths and 2-car garage with options of den and bedroom 4.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 158 Completed-Sold Homes

The available information indicates that builder sales on 141 of the 158 homes closed from November 15, 2005 through March 21, 2007, with sale prices ranging from \$426,000 to \$567,500 or an average of $\pm \$497,000$. Of these 141 sales, the 34 most recent that closed from mid October 2006 through March 2007 ranged in price from \$426,000 to \$565,000 or an average of $\pm \$493,000$. This is fairly similar pricing to the overall average including all sales, thus reflecting fairly similar pricing for the most recent sales as for sales that closed from November 2005 through June 2006.

There have been no resales thus far in this tract, and there is only one current listing which is a Plan 3 home at an asking price of \$569,000 and reflecting some interior upgrades. While this is of interest, it is a far upper limit as an average for the overall tract since it represents only the largest floor plan and only an asking price.

Lastly, the previous analysis of the Tanglewood tract at an average of \$500,000 supports an upper limit for the subject tract due to being slightly smaller homes but superior as detached homes on small lots, and the previous analysis of the San Moritz tract at an average of \$460,000 supports a lower limit for the subject tract due to the smaller attached homes and at a higher density.

VALUATION, Continuing

In summary, I have concluded on a conservative average value at \$470,000 which results in the following:

158 completed-sold homes @ \$470,000 = \$74,260,000

Analysis of 11 Completed-Unsold Homes

These are the 11 homes that are still owned by the builder, of which 3 are the upgraded models, 3 others are part of the model/sales office complex, and 5 of which are production homes. The analysis is based on the conclusion of an average of \$470,000 for the completed-sold homes, less a discount of 15% to reflect the bulk ownership by the builder. This results in an average of \$399,500, rounded to \$400,000 for the 11 completed-unsold homes, as follows:

11 completed-unsold homes @ \$400,000 = \$4,400,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

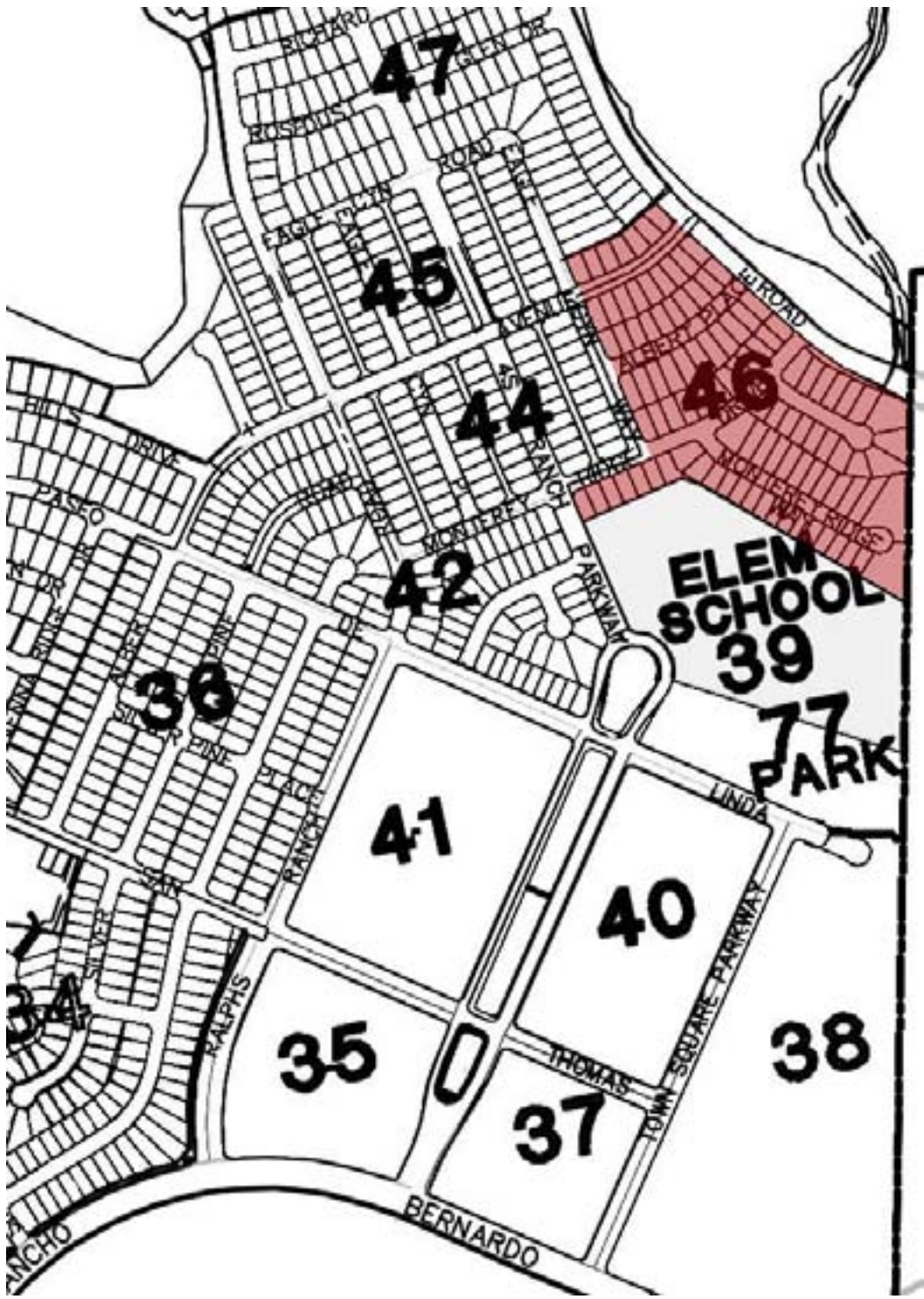
158 completed-sold homes:	\$74,260,000
11 completed-unsold homes:	<u>\$ 4,400,000</u>
Value Indication:	\$78,660,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Ravenna tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$78,660,000

(SEVENTY-EIGHT MILLION SIX HUNDRED SIXTY THOUSAND DOLLARS)

MAP OF CHANTECLAIR



CHANTECLAIR (BUIE COMMUNITIES)

PROPERTY DATA

Location

This tract is located between Eagle Canyon Way and Alva Rd., north and south from Monterey Ridge Dr. and also along the south side of Monterey Ridge Dr. easterly from 4S Ranch Pkwy.

Record Owner/Ownership History

Of the 19 completed homes, 12 are owned by separate homeowners by sales from the builder, Buie Communities (who held title as Chanteclair Development Co. LLC) that have closed since December 2006. The remaining 7 homes, including the 3 models and 4 production homes are still owned by the builder. (Note: There are 82 other lots that are part of this tract but are either vacant or have homes under construction and thus are not included in this appraisal.)

Legal Description

This overall tract comprises Lots 505 through 605 of County of San Diego Tract No. 5229-2, according to Map No. 14966 recorded February 15, 2005; however, only Lots 541, 541, 543 & 590 to 605 are included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-641-50 to 55, 678-642-01 to 46 and 678-643-01 to 49, but only parcels 678-642-31 to 33 and 678-643-34 to 49 are included in this appraisal. The assessed values of the 19 included parcels are each \$254,330 or \$254,331 for land and \$0 for improvements. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the future homebuyers is projected to be $\pm 1.6-1.7\%$ including the special taxes for this CFD.

No. of Lots/Lot Sizes

This tract comprises a total of 101 lots. The minimum lot size is $\pm 4,500$ s.f., or $\pm 45'$ by $100'$.

Existing Development

Of the 101 lots, 19 have been developed with part of the tract of homes called Chanteclair at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Plan 1 (The Gauguin): 2,687 s.f. (up to 2,901 s.f.), two story, with 3 to 5 bedrooms, formal dining room, loft, $2\frac{1}{2}$ to 3 baths, and 2-car or 3-car tandem garage.

PROPERTY DATA, Continuing

Plan 2 (The Lautrec): 2,874 s.f. (up to 3,025 s.f.), two story, with 3 to 6 bedrooms, loft, den, 3 baths, and 2-car or 3-car tandem garage.

Plan 3 (The Monet): 3,080 s.f. (up to 3,281 s.f.), two story, with 5 to 6 bedrooms, formal dining room, 3 baths, and 2-car or 3-car tandem garage.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 12 Completed-Sold Homes

The builder sales of these 12 homes closed from December 14, 2006 through March 28, 2007, with sale prices ranging from \$701,000 to \$783,500 or an average of ±\$753,000. It is noted that this pricing includes options/upgrades, lot premiums and any incentives which are typically up to \$20,000 if the buyer uses the builder's lender.

The current builder pricing is \$723,500 and \$780,840 for Plan 1 homes, \$722,245 and \$727,090 for Plan 2 homes, and \$734,300, \$738,200 and \$790,890 for Plan 3 homes. These prices indicate an average of ±\$745,000 and include pre-plotted options and lot premiums. In addition to these base prices would be other homebuyer options/upgrades that would typically be reflected in the completed-sold homes but also offset by an incentive of up to \$20,000. It is evident that the average of the sale prices of the closed homes is only slightly higher than the average of the current builder pricing.

Lastly, the previous analysis of the Silhouette tract at an average of \$700,000 supports a close lower limit for the subject due to the slightly smaller homes on slightly smaller lots, the previous analysis of the Rosemary Lane tract at an average of \$720,000 supports a close indication for the subject tract due to the similar size homes on similar size lots, and the previous analysis of the Maybeck tract at an average of \$730,000 supports a close upper limit for the subject tract due to the slightly larger homes on slightly larger lots.

In summary, I have concluded on a conservative average value at \$710,000 which results in the following:

12 completed-sold homes @ \$710,000 = \$8,520,000

Analysis of 7 Completed-Unsold Homes

These are the 7 homes that are still owned by the builder, of which 3 are the upgraded models and 4 are production homes. The analysis is based on the

VALUATION, Continuing

conclusion of an average of \$710,000 for the completed-sold homes, and then a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$603,500, rounded to \$600,000 for the 7 completed-unsold homes, as follows:

7 completed-unsold homes @ \$600,000 = \$4,200,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

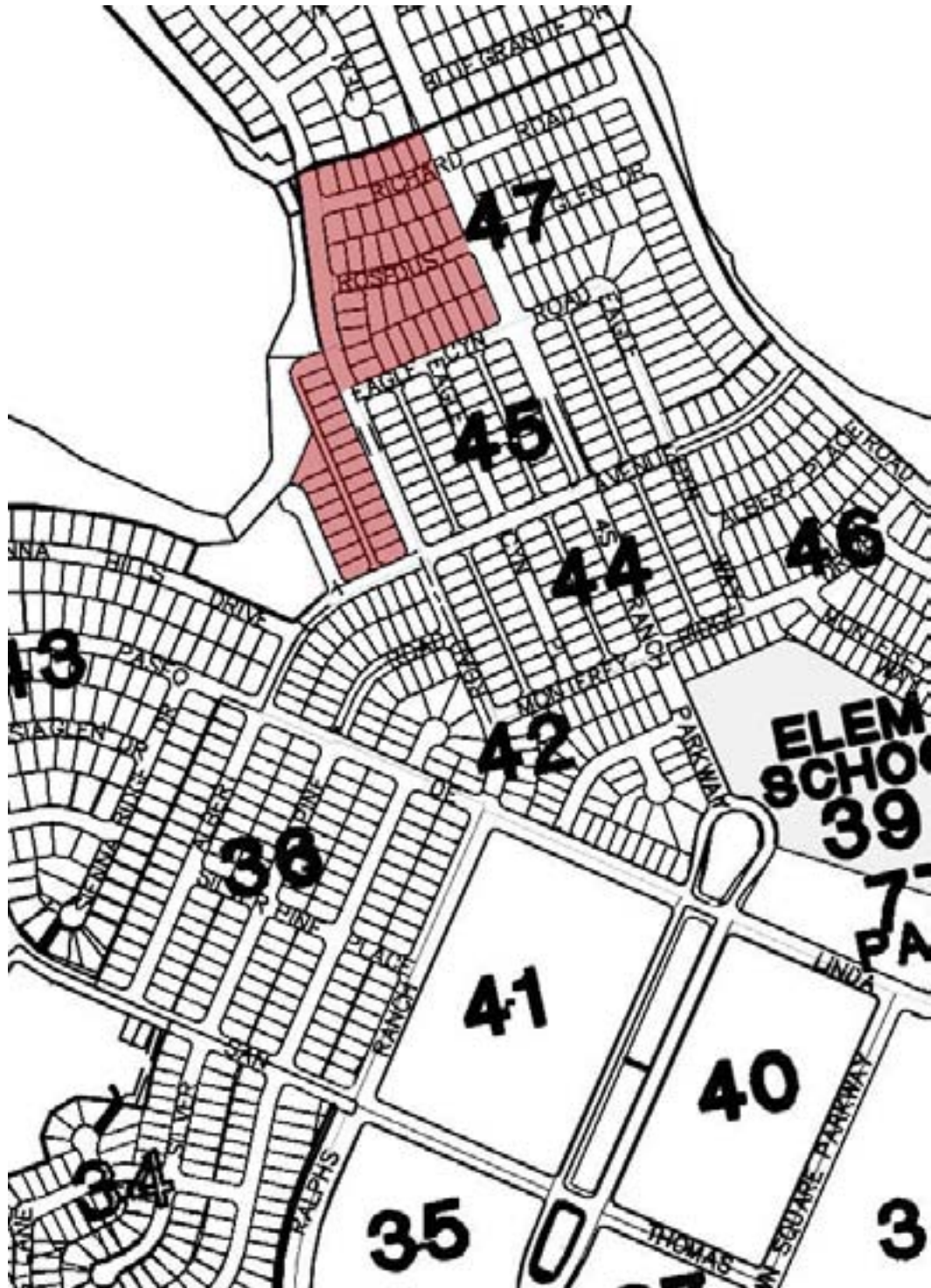
12 completed-sold homes:	\$ 8,520,000
7 completed-unsold homes:	<u>\$ 4,200,000</u>
Value Indication:	\$12,720,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Chanteclair tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$12,720,000

(TWELVE MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS)

MAP OF EVERGREEN



EVERGREEN (K. HOVNANIAN HOMES)

PROPERTY DATA

Location

This tract is located between Ralphs Ranch Rd. and Golden Wagon Ct. north from Albert Ave., and also between Ralphs Ranch Rd. and 4S Ranch Pkwy. north from Eagle Canyon Rd.

Portion of Tract Included in Appraisal

Of the 64 total lots in this tract, and as of April 15, 2007: 28 lots had completed homes that are included in this appraisal; 9 lots had building permits pulled as of January 1, 2007 but had homes under construction and are not included in this appraisal; and 27 lots were vacant, did not have building permits pulled as of January 1, 2007, and are not included in this appraisal.

Record Owner/Ownership History

Of the 28 completed homes, 25 are owned by separate homeowners by sales from the builder, K. Hovnanian Homes (who held title as K. Hovnanian at Evergreen LLC) that have closed since October 2006. The remaining 3 homes are the models that are still owned by the builder.

Legal Description

This overall tract comprises Lots 673 through 694, 771 through 790, 812 through 819 & 842 through 855 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, only Lots 678 to 694 and 771 to 781 are included in this appraisal.

Assessor Data-2006/07

This overall tract comprises Assessor Parcel Nos. 678-660-01 to 22 & 63 to 73 and 678-662-01 to 09, 20 to 27 & 50 to 64, but only parcels 678-660-06 to 22 & 63 to 73 are included in this appraisal. The 9 lots with building permits pulled as of January 1, 2007 comprise Assessor Parcel Nos. 678-662-01 to 09. The assessed values of the 28 included parcels are each \$786 for land and \$0 for improvements, and the assessed values of the 9 excluded lots that had building permits pulled as of January 1, 2007 comprise a total of \$7,074 or an average of \$786. The tax rate area is 64-105, with a current base tax rate of $\pm 1.02\%$, but the overall tax rate to the future homebuyers is projected to be $\pm 1.6\%$ including the special taxes for this CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This tract comprises a total of 64 lots. The minimum lot size is $\pm 5,000$ s.f., or $\pm 50'$ by $100'$.

Existing Development

Of the 64 lots, 28 have been developed with part of the tract of homes called Evergreen at 4S Ranch. There are three floor plans and the description of each plan is as follows:

Residence 1: 3,002 to 3,224 s.f., two story, with 3 to 5 bedrooms, $3\frac{1}{2}$ baths, family room, living room, dining room, nook, loft, and 2-car garage with flex space.

Residence 2: 3,342 to 3,550 s.f., two story, with 4 to 6 bedrooms, $3\frac{1}{2}$ baths, family room, living room, dining room, nook, loft or office, and 2-car garage with flex space.

Residence 3: 3,447 to 3,777 s.f., two story, with 4 to 6 bedrooms, $4\frac{1}{2}$ baths, family room, living room, dining room, nook, retreat, bonus room, and 3-car garage.

VALUATION

Method of Analysis

This is similar to previous analyses that include completed-unsold homes.

Analysis of 25 Completed-Sold Homes

The builder sales of these 25 homes closed from October 26, 2006 through April 17, 2007, with sale prices ranging from \$710,000 to \$966,000 or an average of $\pm \$801,000$. It is noted that this pricing includes options/upgrades, lot premiums and any incentives which are typically up to \$20,000 for upgrades but not tied to the lender that the buyer uses.

The current builder pricing is \$718,990 and \$725,990 for Plan 1 homes (and \$872,990 for the model), \$796,990 to \$831,990 for Plan 2 homes (and \$1,031,990 for the model), and \$823,990 to \$867,990 for the Plan 3 homes (and \$1,094,990 for the model). These prices indicate an average of $\pm \$806,000$, not including the pricing for the models. It is noted that these prices include pre-plotted options and lot premiums, and in addition would be other homebuyer options/upgrades that are typically reflected in the completed-sold homes but also offset by an incentive of up to \$20,000 for upgrades. It is evident that the average of the sale prices of the closed homes is slightly lower than the average of the current builder pricing.

Lastly, the previous analysis of the Maybeck tract at an average of \$730,000 supports a close lower limit for the subject due to the slightly smaller homes though on similar

VALUATION, Continuing

size lots, and the previous analysis of the SilverCrest tract at an average of \$800,000 would tend to support a close indication for the subject tract due to the similar size homes on similar size lots.

In summary, I have concluded on a conservative average value at \$760,000 which results in the following:

25 completed-sold homes @ \$760,000 = \$19,000,000

Analysis of 3 Completed-Unsold Homes

These are the 3 models that are still owned by the builder. The analysis is based on the conclusion of an average of \$760,000 for the completed-sold homes, and then a discount of 15% is made to reflect the bulk ownership by the builder. This results in an average of \$646,000, rounded to \$650,000 for the 3 completed-unsold homes, as follows:

3 completed-unsold homes @ \$650,000 = \$1,950,000

Conclusion of Value

Based on the foregoing, the total value indication is calculated as follows:

25 completed-sold homes:	\$19,000,000
3 completed-unsold homes:	<u>\$ 1,950,000</u>
Value Indication:	\$20,950,000

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Evergreen tract, subject to the Assumptions and Limiting Conditions, and as of April 15, 2007:

\$20,950,000

(TWENTY MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS)

ADDENDA

**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, 2008.

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

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

SPECIAL TAX BONDS, SERIES 2007

Summary of the Bond Indenture and the Second Supplemental Indenture

The following summary of selected provisions of the Indenture, as amended and supplemented by the Second Supplemental Indenture, is made subject to all of the provisions of each such document. This summary discussion does not purport to be a complete statement of such provisions and prospective purchasers of the Series 2007 Bonds are referred to the complete text of the Indenture and the Second Supplemental 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.

“Administrative Expense Fund” means the fund by that name established pursuant to the provisions of the Indenture.

“Administrative Expense Requirement” means an annual amount equal to \$44,163.23, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning September 2, 2008 until the defeasance or maturity thereof.

“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 Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the School District or otherwise); the costs of remitting the Special Taxes 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 Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, District or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District. Administrative Expenses shall also include Delinquency Collection Expenses.

“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.

“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 then applicable assumptions of and subject to the then applicable qualifications and limitations contained in the appraisal prepared by the Appraiser and dated May 30, 2002.

“Appraiser” means Stephen G. White, MAI.

“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 Board of Education, the Superintendent or the Deputy Superintendent and authorized to act on behalf of the District under or with respect to the Indenture and all other agreements related thereto.

“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 current or any future Bond Year.

“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.

“Bond Service Fund” means the fund created and established pursuant to the provisions of the Indenture.

“Bond Year” means, as to each Series of the Bonds, 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 thereof to the September 1 immediately following such Delivery Date.

“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 Series 2002 Bonds and any Parity Bonds authorized and issued by and at anytime Outstanding pursuant to the Indenture.

“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.

“Code” means the Internal Revenue Code of 1986, as amended.

“Costs of Issuance” means, as to each Series of the Bonds, all of costs of issuing such Series of the Bonds, including but not limited to, all printing and document preparation expenses in connection with the Indenture and any Supplemental Indenture, such Series of 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 such Series of 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 such Series 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 provisions of the Indenture.

“Delinquency Proceeds” means 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 Tax resulting from the delinquency in the payment of Special Taxes 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 each Series of the Bonds are issued and delivered to the initial purchaser thereof.

“Depository” shall mean 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 Deputy Superintendent.

“Deputy Superintendent” means the Deputy Superintendent of the School District, acting for and on behalf of the District.

“District” means Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of November 1, 2005, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture.

“Fiscal Agent” means Zions First National Bank, as successor to State Street Bank and Trust Company of California, N.A., 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.

“General Counsel” means an attorney or firm of attorneys acting as the general counsel of the Series 2007 Bonds Insurer.

“Government Obligations” means obligations described in Paragraph A of the definition of Permitted Investments.

“Gross Proceeds” has the meaning ascribed to such term in Section 148(f)(6) of the Code.

"Guaranty Agreement" means that certain Guaranty Agreement by and between the District and the 2007 Bonds Insurer delivered as part of the consideration for the execution by the 2007 Bonds Insurer of the Surety Bond.

"Guaranty Agreement Reimbursements" means any reimbursement payment required to be made by the District to the 2007 Bonds Insurer pursuant to the Guaranty Agreement.

“Indenture” means the Bond Indenture, dated as of August 1, 2002, as amended or supplemented pursuant to the terms thereof.

“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.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the provisions of the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2003 as to the Series 2002 Bonds, March 1, 2006 as to the Series 2005 Bonds, and March 1, 2008 as to the Series 2007 Bonds.

“Investment Agreement” means any investment satisfying the requirements of Paragraph 11 of the definition of Permitted Investments.

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding Series 2002 Bonds, Outstanding Parity Bonds previously issued and the Parity Bonds proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes allocable to such Taxable Property and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Legislative Body” means the Board of Education of the School District, acting as the legislative body of the District.

“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.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Special Tax Revenues” means Special Tax Revenues minus amounts applied to pay the Administrative Expense Requirement.

“Nominee” shall mean the nominee of the Depository that may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to each respective series of the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation;
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 moneys 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.

“Parity Bonds” means Bonds issued after the Series 2002 Bonds which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on a parity with the lien securing the Series 2002 Bonds.

“Participant” shall mean 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):

- A. The following obligations may be used for all purposes, including defeasance investments:
 - (1) Cash (insured at all times by the Federal Deposit Insurance Corporation).
 - (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,

- (e) Guaranteed Title XI financing,
- (f) Government National Mortgage Association (GNMA),
- (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,
 - (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP);
 - (c) senior debt obligations of the Federal Home Loan Bank System;
 - (d) senior debt obligations of other Government Sponsored Agencies approved by the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Fiscal Agent or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor

prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

- (a) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
 - (8) Investment agreements approved in writing by the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds (supported by appropriate opinions of counsel).
 - (9) Other forms of investments (including repurchase agreements) approved in writing by 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.
 - (10) Any other investment which the District is permitted by law to make as approved in writing by the 2007 Bonds Insurer, including without limitation investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

The value of any Permitted Investment shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- (3) as to any Permitted Investment not specified above: the value thereof established by prior agreement among the District, the Fiscal Agent, the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax.

“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.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent pursuant to the Indenture and approved as to form and substance by the Series 2007 Bonds Insurer, provided that all of the following requirements are met by the District at the time of delivery thereof to the Fiscal Agent:

1. the long term credit rating of such bank or insurance company is Aa or better from Moody's and AA or better from S&P;
2. such letter of credit or surety bond has a term of at least twelve (12) months;
3. such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and
4. the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" shall mean 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" means the types of facilities described in Exhibit A to Resolution No. 63-98 of the Board of Education of the School District adopted February 17, 1998.

"School Facilities Costs" means the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Act.

"School Facilities Fund" means the fund by that name established pursuant to the provisions of the Indenture.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of June 1, 2007, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture and the First Supplemental Indenture.

"Series" means any series of the Bonds issued pursuant to the Indenture.

"Series 2002 Bonds" means the \$25,000,000 Poway Unified School District Community Facilities District No. 6 Special Tax Bonds, Series 2002 issued pursuant to the Indenture

"Series 2002 Bonds School Facilities Account" means the account by that name established in the School Facilities Fund pursuant to the First Supplemental Indenture.

“Series 2005 Bonds” means the \$44,305,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2005.

“Series 2005 Bonds School Facilities Account” means the account by that name established in the School Facilities Fund pursuant to the First Supplemental Indenture.

“Series 2007 Bonds” means the \$37,910,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007.

“Series 2007 Bonds Insurance Policy” means the financial guaranty insurance policy issued by the Series 2007 Bonds Insurer insuring the payment when due of the principal of and interest on the Series 2007 Bonds as provided therein.

“Series 2007 Bonds Insurer” means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

“Series 2007 Bonds School Facilities Account” means the account by that name established in the School Facilities Fund pursuant to the Second Supplemental Indenture.

“Special Tax” means the Special Taxes authorized to be levied in the District to finance the acquisition or construction of the School Facilities pursuant to the Act and the Special Tax RMA excepting therefrom (a) the One -Time Special Tax (as defined in the Special Tax RMA) and (b) the Assigned Annual Special Tax (as defined in the Special Tax RMA) for Undeveloped Property (as defined in the Special Tax RMA) located in Zone A (as defined in the Special Tax RMA) of the District.

“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.

“Special Tax Revenues” means (a) the proceeds of the Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Special Tax RMA” means the rate and method of apportionment of the Special Tax approved at the special election held in the District on March 24, 1998, as may be modified from time to time in accordance with the Act.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Rating Services, its successors and assigns.

“State” means the State of California.

“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 thereto or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

“Surety Bond” means the surety bond issued by the Series 2007 Bonds Insurer guaranteeing certain payments into the Reserve Fund with respect to the Series 2002 Bonds, the Series 2005 Bonds, and the Series 2007 Bonds as provided therein and subject to the limitations set forth therein.

“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.

“Yield” has the meaning assigned to such term for purposes of Section 148(f) of the Code.

Establishment of Funds and Accounts

Special Tax Fund

A. The District shall, no later than the tenth (10th) Business Day after which 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 Special Tax Revenues to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Special Tax Fund.

B. With the exception of Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of paragraph C below, the Special Tax Revenues deposited in the Special Tax Fund shall be held in trust or transferred to the following other funds and accounts or disbursed 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 Special Tax Revenues 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, 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 from mandatory sinking fund payments on such date pursuant to the provisions of the Indenture.
4. On or after March 2 and September 2 of each year after making the transfer and deposits required under paragraphs 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. Subject only to the transfers pursuant to paragraphs 1 through 4 above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall make payment of any Guaranty Agreement Reimbursements due and owing the 2007 Bonds Insurer pursuant to the Guaranty Agreement;
6. On or after September 2 of each year after making the deposits and transfers required under paragraphs 1 through 5 above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request.

7. On or after September 2 of each year after making the deposits and transfers required under paragraphs 1 through 6 above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects (a) will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund and (b) the cost of which Administrative Expenses will be in excess of the Administrative Expense Requirement for such Fiscal Year.
8. If, on or after September 2 of each year, after making the deposits and transfers required under paragraphs 1 through 7 above, moneys remain in the Special Tax Fund, such moneys shall remain on deposit in the Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of 1 through 7 above, provided, however, that if the District notifies the Fiscal Agent that the levy of Special Taxes on Developed Property exceeds the Special Tax Requirement (as defined in the Special Tax RMA), then excess moneys may be paid to the School District to be used to pay for the acquisition, construction, rehabilitation and improvement of School Facilities.

C. The Fiscal Agent shall, upon receipt of Special Tax Revenues 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 provisions of the Indenture.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used for any lawful purpose under the Act.

Bond Service Fund

Interest Account. All moneys in the Interest Account 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).

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 and (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to the Indenture.

Costs of Issuance Fund

The Fiscal Agent shall, upon the written requisition 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. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance related to each Series of the Bonds have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of each Series of the Bonds shall be transferred to the School Facilities Fund.

School Facilities Fund

On the Delivery Date of the Series 2007 Bonds and prior to the deposit of the proceeds of the Series 2007 Bonds in the Series 2007 Bonds School Facilities Account of the School Facilities Fund, the Fiscal Agent shall deposit all funds then on deposit in the School Facilities Fund into the Series 2005 Bonds School Facilities Account. In disbursing moneys from the School Facilities Fund pursuant to the Indenture to pay School Facilities Costs, the Fiscal Agent shall disburse all moneys on deposit in the

Series 2005 Bonds School Facilities Account for such purpose before disbursing any moneys on deposit in the Series 2007 Bonds School Facilities Account.

The Fiscal Agent shall, from time to time, disburse moneys from the School Facilities Fund to pay School Facilities Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative, the Fiscal Agent shall pay the School Facilities Costs from amounts in the School Facilities 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 School Facilities Costs shall be paid jointly.

After the final payment or reimbursement of all School Facilities Costs as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess moneys, if any, on deposit in, or subsequently deposited in, the School Facilities Fund to the Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the provisions of the Indenture. Upon such transfer, the School Facilities 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 School Facilities Fund, 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 Special Tax Fund and the Bond Service Fund for such purpose are insufficient therefor for redeeming Bonds as described below. On the Closing Date, there shall be credited to the Reserve Fund a Surety Bond in an amount representing the incremental increase in the Reserve Requirement due to the issuance of the Series 2007 Bonds, such that as of the date of issuance, funds available in the Reserve Fund, together with the Surety Bond, aggregate the Reserve Requirement. 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 from the Special Tax Fund to the Administrative Expense Fund and the Bond Service Fund 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 moneys in the Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. All cash and investments in the Reserve Fund, if any, shall be transferred for payment of debt service on the Bonds before any draw may be made on the Surety Bond and/or other Qualified Reserve Fund Credit Instrument included within the Reserve Fund. Notwithstanding the foregoing, draws on the Surety Bond may not be used to pay debt service on any Bonds other than the Series 2002 Bonds, Series 2005 Bonds, or Series 2007 Bonds without the prior written consent of the Series 2007 Bonds Insurer. 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, the Fiscal Agent shall transfer such excess to the Interest Account of the Bond Service Fund. In connection with any optional redemption of the Bonds, 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 Series 2007 Bonds pursuant to written instructions of the District executed by an Authorized Representative.

As long as the Surety Bond shall be in full force and effect, the District and the Fiscal Agent agree to comply with the following provisions:

- (i) In the event and to the extent that moneys on deposit in the Revenue Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (A) one (1) day after receipt by the General Counsel of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Fiscal Agent certifying that payment due under the Indenture has not been made to the Fiscal Agent; or (B) the payment date of the Bonds as specified in the Demand for Payment presented by the Fiscal Agent to the General Counsel, the 2007 Bonds Insurer will make a deposit of funds in an account with the Fiscal Agent or its successor, in New York, New York, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent under the Indenture (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under an additional Qualified Reserve Fund Credit Instrument, draws on the Surety Bond and the additional Qualified Reserve Fund Credit Instrument shall be made on a pro rata basis to fund the insufficiency.
- (ii) The Fiscal Agent shall, after submitting to the 2007 Bonds Insurer the Demand for Payment as provided in (i) above, make available to the 2007 Bonds Insurer all records relating to the Funds and Accounts maintained under the Indenture.
- (iii) The Fiscal Agent shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand of Payment.
- (iv) The Reserve Fund shall be replenished in the following priority: (A) principal and interest on the Surety Bond and on any additional Qualified Reserve Fund Credit Instrument shall be paid on a pro rata basis from the first available Net Special Tax Revenues; (B) after all amounts as described in (A) are paid in full, amounts necessary to fund the Reserve Fund to the required level on a pro rata basis, after taking into account the amounts available under the Surety Bond and any additional Qualified Reserve Fund Credit Instrument shall be deposited from next available Special Tax Revenues.

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 Special Tax RMA, 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 to the Redemption Fund to be applied, on the next succeeding interest payment date, to the payment and redemption, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the 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.

Rebate Fund

The District shall calculate Excess Investment Earnings as defined in, and in accordance with, the Tax Certificate, and shall, in writing, direct the Fiscal Agent to transfer funds to the Rebate Fund from funds furnished by the District as provided for in the Indenture and the Tax Certificate.

Administrative Expense Fund

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to 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 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.

Redemption Fund

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the provisions of the Indenture. Such moneys shall be set aside and used solely for the purpose of paying the principal of, premium, if any, and interest on Bonds subject to optional or extraordinary mandatory redemption and the written instructions of an Authorized Representative given in accordance with the provisions of the Indenture. Any moneys remaining on deposit in the Redemption Fund following the redemption of any such Bonds shall remain on deposit therein and shall be used for the purposes provided for in this paragraph.

Investment of Funds

Unless otherwise specified in the Indenture, moneys in the Special Tax Fund, the Bond Service Fund, the School Facilities 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). Moneys 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.

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 moneys 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.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the 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 moneys 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 authorized, in making or disposing of any authorized investment, 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.

Parity Bonds

Subject to the satisfaction of the specific conditions set forth below, the District may at any time after the issuance and delivery of the Series 2002 Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture (other than in the Rebate Fund and the Administrative Expense Fund) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the Bonds or any Parity Bonds then outstanding.

The issuance of any Series of Parity Bonds shall be subject to the following additional specific conditions, which are conditions precedent to the issuance of such Parity Bonds:

1. The aggregate principal amount of the Series 2002 Bonds, the Series 2005 Bonds, the Series 2007 and all other Parity Bonds issued may not exceed \$130,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.
2. The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.
3. The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:
 - A. The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of financing additional School Facilities Costs or refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding;

- B. The authorized principal amount of such Parity Bonds;
 - C. The date and the maturity date or dates of such Parity Bonds; provided that (1) each maturity date shall fall on a September 1, (2) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (3) fixed serial maturities or mandatory sinking fund payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;
 - D. The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;
 - E. The denominations and method of numbering of such Parity Bonds;
 - F. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;
 - G. The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Fund to increase the amount therein to the Reserve Requirement;
 - H. The form of such Parity Bonds; and
 - I. Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.
4. There shall have been received by the Fiscal Agent the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):
- A. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;
 - B. A written request of the District as to the delivery of such Parity Bonds;
 - C. An opinion of Bond Counsel to the effect that (1) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (2) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (3) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures;
 - D. A further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes

of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

- E. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;
- F. A certificate of an Authorized Representative certifying that:
 - (1) The District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that (a) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Developed Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; provided, however, there shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making such certifications, the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel, and the underwriter of the proposed Parity Bonds; and
 - (2) Except in the case of the issuance of Parity Bonds to refund Outstanding Bonds or Parity Bonds, the District has received an Appraisal indicating that the aggregate appraised value of all Developed Property within the District is not less than three (3) times the aggregate amount of Land Secured Debt allocable to such Developed Property; and
- G. Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

Amendments or 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:

- 1. 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 Bondowners;
- 2. 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;
- 3. to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners;

4. 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; or
5. to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures provided for in the paragraph above, 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 Special Tax Revenues 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 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 provided for 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, 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

If any Bond shall become mutilated, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor, date and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if an indemnity satisfactory to the Fiscal Agent shall be given, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same.

Covenants

General. As long as the Bonds are Outstanding and unpaid, the School 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 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 Special Tax levied in such Fiscal Year to determine the amount of such Special Tax actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to such Special Tax is delinquent in the payment of such Special Taxes in the aggregate of \$5,000 or more or (b) any single parcel or parcels under common ownership subject to such Special Tax are delinquent in the payment of such Special Taxes 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 the Indenture and for which such Special Taxes remain

delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of such Special Taxes 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 the Indenture and for which such Special Taxes 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.

Limitation on Senior or Parity Liens. Except for the issuance of Parity Bonds pursuant to and as provided for in the Indenture, the District will not issue any other obligations payable, principal or interest, from the Special Taxes which have, or purport to have, any lien upon such Special Taxes superior to or on a parity with the lien of the Bonds. 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 such Special Taxes 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 Special Taxes. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, as applicable. Prior to July 1 of each year, the District shall ascertain the parcels on which such Special Taxes 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 such Special Tax in accordance with the 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 Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of such Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to tax bills to such property owners not later than the date on which the Auditor/Tax Collector of the County of San Diego annually mails the property tax bills.

To the maximum extent that the law permits it to do so, the District covenants, that it shall not initiate proceedings to reduce the Maximum Special Tax (as defined in the Special Tax RMA, as applicable), 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, such Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA, as applicable) 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 Board of Education, acting as the legislative body of the District, 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 of the District which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Special Tax RMA or to limit the power or authority of the District to levy Special Taxes, pursuant to the Special Tax RMA, 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 such Special Taxes pursuant to such Special Tax RMA.

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 Special Tax Revenues and other funds provided for by 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 the Code. To that end, the District will comply with all requirements 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 moneys 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 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.

Notwithstanding any provision of this covenant, 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 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 of the Bonds. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

Adoption of Policy Regarding Tender of Bonds. The District covenants that it will not adopt any policy pursuant to the Act permitting tender of Bonds in full payment or partial payment of any Special Taxes, as applicable, unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient 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 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, 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 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 the preceding paragraph (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 by the Indenture 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 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

Events of Default.

The following events shall be Events of Default under the Indenture:

1. 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;
2. default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable;
3. 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
4. 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.

Except as to moneys on deposit in the Improvement Fund, 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 the 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:

1. 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;
2. By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
3. 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 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 applicable 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.

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 the Indenture 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 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, 2007, by and among the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) (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 Dolinka Group, Inc., in its capacity as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the “2007 Bonds”);

WITNESSETH:

WHEREAS, pursuant to the Bond Indenture, dated as of August 1, 2002 (the “Original Bond Indenture”), as amended and supplemented by the First Supplemental Indenture (the “First Supplemental Indenture”), dated as of August 1, 2005, and as amended and supplemented by the Second Supplemental Indenture, dated as of June 1, 2007 (the “Second Supplemental Indenture” and together with the Original Bond Indenture and the First Supplemental Indenture, “the Bond Indenture”), each by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2007 Bonds in the aggregate principal amount of \$37,910,000; and

WHEREAS, the 2007 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. The Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the 2007 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 the Poway Unified School District Community Facilities District No. 6 (4S Ranch).

“Disclosure Representative” shall mean the Associate Superintendent, Business Support Services of the School District.

“Dissemination Agent” shall mean Dolinka Group, 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.

“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.

“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.

“School District” shall mean the Poway Unified School District.

“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, 2008, 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 the 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 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 Continuing 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 2007 Bonds and any parity bonds:

- (i) Principal amount of 2007 Bonds and any parity bonds outstanding as of a date within 30 days preceding the date of the Annual Report;
- (ii) Balance in the 2007 Bond Service Fund as of a date within 30 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 30 days preceding the date of the Annual Report;
- (iv) Balance in the 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 the Community Facilities District and by the 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 the Community Facilities District 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 2007 Bonds and any parity bonds of the Community Facilities District and all other debt secured by a tax or assessments levied on parcels within the Community Facilities District.

- (vi) Information regarding the annual special taxes levied in the Community Facilities District, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;
- (vii) Status of foreclosure proceedings of parcels within the Community Facilities District 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 on the property within the Community Facilities District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
- (ix) Concerning delinquent parcels as of the immediately preceding August 15:
 - number of parcels in the Community Facilities District delinquent in payment of Special Tax,
 - total of such delinquency and percentage of delinquency in relation to total Special Tax levy,
 - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within the Community Facilities District;
- (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 the Community Facilities District as of the immediately preceding October 31 required under State law;
- (xii) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District approved or submitted to the qualified electors of the Community Facilities District for approval prior to the filing of the Annual Report; and

(xiii) With respect to any improvement area (each an “Improvement Area”) created within the Community Facilities District, the following information:

- The amount of bonds authorized for the Improvement Area,
- The amount of bonds issued for the Improvement Area,
- The date of issuance of such bonds, and
- A description of the use of the proceeds of bonds issued with respect to such Improvement Area.

(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 2007 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 unscheduled 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 each National Repository or to the Municipal Securities Rulemaking Board, and to the appropriate state information 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 each National Repository or with the Municipal Securities Rulemaking Board, and with the appropriate state information repository, if any, 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 2007 Bonds pursuant to the 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 2007 Bonds, (ii) prior redemption of the 2007 Bonds or (iii) payment in full of all the 2007 Bonds. If such determination occurs prior to the final maturity of the 2007 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dolinka Group, 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 2007 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 2007 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 2007 Bonds in the manner provided in the Bond Indenture for amendments to the 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 2007 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 2007 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2007 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 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 the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the 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 2007 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 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 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 2007 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 2007 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 2007 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: Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
13626 Twin Peaks Road
Poway, California 92064-3034
Telephone: (858) 679-2501
Telecopier: (858) 513-0967
Attention: Deputy Superintendent

If to the Dissemination Agent: Dolinka Group, Inc.
1301 Dove Street, Suite 700
Newport Beach, California 92660
Telephone: (949) 250-8300
Telecopier: (949) 250-8301

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

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 the Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Fiscal Agent

By: _____
Authorized Officer

DOLINKA GROUP, INC.,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO EACH NATIONAL REPOSITORY OR THE MUNICIPAL SECURITIES
RULEMAKING BOARD, AND TO THE APPROPRIATE STATE INFORMATION
REPOSITORY, IF ANY, OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

Name of Bond Issue: Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Special Tax Bonds, Series 2007

Date of Issuance: July 26, 2007

NOTICE IS HEREBY GIVEN that Poway Unified School District Community Facilities District No. 6 (4S Ranch) (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, 2007, by and among the Community Facilities District, Zions First National Bank, as Fiscal Agent, and Dolinka Group, Inc., as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Dolinka Group, Inc., as Dissemination Agent, on
behalf of the Community Facilities District

cc: Community Facilities District No. 6 (4S Ranch)
Stone & Youngberg LLC
Zions First National Bank

EXHIBIT B

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 for list of current NRMSIRs and SIDs

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):

\$37,910,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2007

Provide nine-digit CUSIP® numbers* if available, to which the information relates:

<u>Maturity</u> <u>(September 1)</u>	<u>CUSIP®</u> <u>No.</u>	<u>Maturity</u> <u>(September 1)</u>	<u>CUSIP®</u> <u>No.</u>
2008	738855RP2	2019	738855SA4
2009	738855RQ0	2020	738855SB2
2010	738855RR8	2021	738855SC0
2011	738855RS6	2022	738855SD8
2012	738855RT4	2023	738855SE6
2013	738855RU1	2024	738855SF3
2014	738855RV9	2025	738855SG1
2015	738855RW7	2029	738855SK2
2016	738855RX5	2030	738855SH9
2017	738855RY3	2035	738855SJ5
2018	738855RZ0		

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 _____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

July 26, 2007

Board of Education
Poway Unified School District
13626 Twin Peaks Road
Poway, CA 92064-3098

\$37,910,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6
(4S RANCH)
SPECIAL TAX BONDS, SERIES 2007

BOND OPINION

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 6 (4S Ranch) (the "District") of the Poway Unified School District (the "School District") of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 in the aggregate principal amount of \$37,910,000 (the "Series 2007 Bonds"). The Series 2007 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), Resolution No. 81-2007 adopted by the Board of Education of the School District, acting in its capacity as the Legislative Body of the District, on May 14, 2007, and the Bond Indenture, dated as of August 1, 2002 (the "Indenture"), and entered into by and between the District and State Street Bank & Trust Company of California, N.A., as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2005 (the "First Supplemental Indenture"), entered into by and between the District and Zions First National Bank, as fiscal agent (the "Fiscal Agent"), as successor to State Street Bank & Trust Company of California, N.A., and as further amended and supplemented by the Second Supplemental Indenture, dated as of June 1, 2007 (the "Second Supplemental Indenture"), by and between the District and the Fiscal Agent. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture or the First Supplemental 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 School District on behalf of itself and the District 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 Series 2007 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 Indenture, the First Supplemental Indenture, the Second Supplemental 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 Series 2007 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 Series 2007 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.

It is to be understood that the rights and obligations under the Series 2007 Bonds, the Indenture, the First Supplemental Indenture and the Second Supplemental 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 Series 2007 Bonds. The Series 2007 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 Net Special Tax Revenues to the owners of the Series 2007 Bonds on a parity with the Series 2002 Bonds and the Series 2005 Bonds (as such terms are defined in the Indenture and the First Supplemental Indenture, respectively). The Series 2007 Bonds are limited obligations of the District payable solely from and secured on a parity with the Series 2002 Bonds and the Series 2005 Bonds by a pledge of the Net Special Tax Revenues, and from certain other funds and accounts pursuant to the Indenture, the First Supplemental Indenture and the Second Supplemental Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than the District).

2. The Indenture, the First Supplemental Indenture and the Second Supplemental Indenture have been duly and validly authorized, executed and delivered by, and constitute valid and binding obligations of, the District.

3. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Series 2007 Bonds for the interest on the Series 2007 Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Series 2007 Bonds to be subject to federal income taxation retroactive to the date of issuance of the Series 2007 Bonds. Pursuant to the Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Series 2007 Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Series 2007 Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Series 2007 Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

The difference between the issue price of a Series 2007 Bond (the first price at which a substantial amount of the Series 2007 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2007 Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Series 2007 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Although interest on the Series 2007 Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Series 2007 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax

consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by actions which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

We express no opinion as to any matter other than as expressly set forth above.

Respectfully Submitted,

BEST BEST & KRIEGER LLP

APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2007 Bonds, payment of principal of and interest on the 2007 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2007 Bonds, confirmation and transfer of beneficial ownership interests in the 2007 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2007 Bonds is based solely on information furnished by DTC to the School District which the School District believes to be reliable, but the School District, the Community Facilities 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, New York, will act as securities depository for the 2007 Bonds. The 2007 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 2007 Bond will be issued for each maturity of the 2007 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 and www.dtc.org.

Purchases of 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2007 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 2007 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 2007 Bonds, except in the event that use of the book-entry system for the 2007 Bonds is discontinued.

To facilitate subsequent transfers, all 2007 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 2007 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 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007 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 2007 Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2007 Bonds documents. For example, Beneficial Owners of the 2007 Bonds may wish to ascertain that the nominee holding the 2007 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 2007 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 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School 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 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2007 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 School 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 School 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 School

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 2007 Bonds at any time by giving reasonable notice to the School District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2007 Bond certificates are required to be printed and delivered.

The School 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 2007 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 School District believes to be reliable, but the School 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 2007 Bonds, or (b) the School District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the School District will discontinue the Book-Entry System with DTC for the 2007 Bonds. If the School District determines to replace DTC with another qualified securities depository, the School District will prepare or direct the preparation of a new single separate, fully-registered 2007 Bond for each maturity of the 2007 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the School District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2007 Bonds, then the 2007 Bonds shall no longer be restricted to being registered in the 2007 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 2007 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2007 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2007 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2007 Bonds will be transferable and exchangeable as provided in the Indenture.

The School 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 2007 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 2007 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 2007 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2007 Bonds or the Indenture. The School 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 2007 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 School 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 2007 Bonds or any error or delay relating thereto.

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President




Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative

APPENDIX I

BOUNDARY MAP OF THE COMMUNITY FACILITIES DISTRICT

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PROPOSED BOUNDARIES OF
 POWAY UNIFIED SCHOOL DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 6
 (45 Ronen)
 SAN DIEGO COUNTY
 STATE OF CALIFORNIA

(1) Filed in the office of the Secretary to the Board of Education on the 14th day of February, 1974.

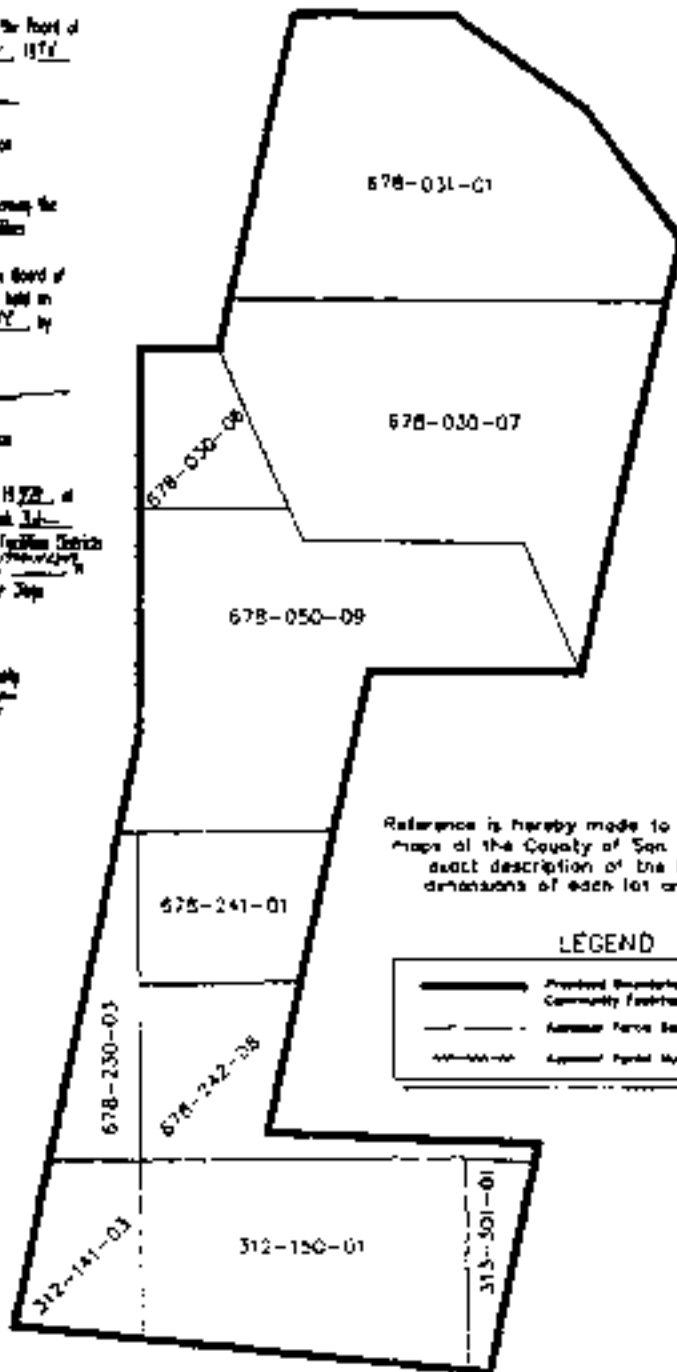
[Signature]
 Dr. Robert Reeves
 Secretary of the Board of Education

(2) I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 6, San Diego County, State of California, was approved by the Board of Education at a regular meeting thereof, held on the 17th day of February, 1974 by its Resolution No. 67-985.

[Signature]
 Dr. Robert Reeves
 Secretary of the Board of Education

(3) That the 1972 day of December, 1972, at the name of Lot 26 of Block 2, in Block 2, of Maps of Assessorial and Community Facilities Districts of page 2, and as instructed, the in the office of the County Recorder of San Diego County, State of California.

[Signature]
 County Recorder of San Diego County
 Thomas S. ... Deputy



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