NEW ISSUE — BOOK-ENTRY ONLY

RATING: S&P: BBB+
(See "RATING" herein.)

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 2010 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, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS — Tax Exemption" herein.

$5,775,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2010

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

The Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2010 (the "2010 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 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 Indenture, dated as of November 1, 2005, by and between the Community Facilities District and the Fiscal Agent (the "First Supplemental Indenture"), 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 as amended and supplemented by the Third Supplemental Indenture, dated as of October 1, 2010, by and between the Community Facilities District and the Fiscal Agent (the "Third Supplemental Indenture" and together with the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"). The 2010 Bonds are being issued on a parity with the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2002 (the "2002 Bonds"), the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2005 (the "2005 Bonds") and the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the "2007 Bonds") and any additional parity bonds issued under the Indenture.

The 2010 Bonds are being issued (i) to finance, either directly or indirectly, the planning, design and construction of certain school facilities (the "School Facilities"), (ii) to pay the costs of issuing the 2010 Bonds and (iii) to fund the amount necessary to increase the amount on deposit in the Reserve Fund to the Reserve Requirement applicable to the Bonds. Upon issuance of the 2010 Bonds, the Reserve Fund will be funded with cash in an amount equal to the Reserve Requirement, without taking into account funds available under a reserve surety acquired in connection with the issuance of the 2007 Bonds in the amount of $2,958,469.44. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2010 BONDS" herein.

Interest on the 2010 Bonds is payable on March 1, 2011, and semiannually thereafter on each March 1 and September 1. The 2010 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The 2010 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 2010 Bonds as described herein under "THE 2010 BONDS — Book-Entry and DTC."

The 2010 Bonds are subject to optional redemption, mandatory redemption from prepayment of Special Taxes and mandatory redemption as described herein.

THE 2010 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2010 BONDS ARE NOT AN INDEBTEDNESS OF THE POWAY UNIFIED SCHOOL DISTRICT (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 2010 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 2010 BONDS. NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2010 BONDS. THE 2010 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 2010 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 2010 Bonds.

The 2010 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. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2010 Bonds, in book-entry form, will be available for delivery through the services of DTC on or about October 27, 2010.

STONE & YOUNGBERG LLC

Dated: October 13, 2010

MATURITY SCHEDULE

$5,775,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2010

Base CUSIP® No. 738855†

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2011	$590,000	1.200%	1.200%	TA3	2024	$95,000	4.625%	4.680%	TP0
2012	10,000	1.850	1.850	TB1	2025	110,000	4.625	4.750	TQ8
2013	10,000	2.125	2.125	TC9	2026	120,000	4.750	4.820	TR6
2014	20,000	2.500	2.500	TD7	2027	135,000	4.875	4.875	TS4
2015	25,000	2.750	2.750	TE5	2028	145,000	4.875	4.950	TT2
2016	30,000	3.125	3.125	TF2	2029	160,000	5.000	5.000	TU9
2017	35,000	3.375	3.375	TG0	2030	175,000	5.000	5.080	TV7
2018	45,000	3.700	3.700	TH8	2031	195,000	5.000	5.150	TW5
2019	55,000	4.000	3.850(1)	TJ4	2032	210,000	5.125	5.200	TX3
2020	60,000	4.000	4.100	TK1	2033	230,000	5.250	5.250	TY1
2021	65,000	4.250	4.300	TL9	2034	250,000	5.250	5.300	TZ8
2022	75,000	4.375	4.500	TM7	2035	270,000	5.250	5.350	UA1
2023	85,000	4.500	4.600	TN5	2036	2,575,000	5.375	5.375	UB9

(1) Priced to optional par call date of September 1, 2015.

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

SUPERINTENDENT

John P. Collins, Ed.D, *Superintendent*

BOND COUNSEL AND GENERAL COUNSEL TO THE COMMUNITY FACILITIES DISTRICT AND THE SCHOOL DISTRICT

Best Best & Krieger LLP
San Diego, California

DISCLOSURE COUNSEL

McFarlin & Anderson LLP
Lake Forest, California

APPRAISER

Stephen G. White, MAI
Fullerton, California

SPECIAL TAX CONSULTANT & ADMINISTRATOR

Dolinka Group, LLC
Irvine, 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 2010 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 2010 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 2010 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 2010 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 overallot or effect transactions which stabilize or maintain the market price of the 2010 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 2010 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2010 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 2010 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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(San Diego County, California)

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POWAY UNIFIED SCHOOL DISTRICT

Community Facilities District No. 6
(4S Ranch) Special Tax Bonds, Series 2010

OFFICIAL STATEMENT

$5,775,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX BONDS, SERIES 2010

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 2010 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 2010 (the "2010 Bonds").

The 2010 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of August 1, 2002 (the "Original 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"), 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 as amended and supplemented by the Third Supplemental Indenture, dated as of October 1, 2010, by and between the Community Facilities District and the Fiscal Agent (the "Third Supplemental Indenture," and together with the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"). See "THE 2010 BONDS – Authority of Issuance" herein. The Community Facilities District 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 $24,160,000 were outstanding as of October 1, 2010, $44,305,000 aggregate principal amount of the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2005 (the "2005 Bonds") on November 22, 2005, of which $43,700,000 were outstanding as of October 1, 2010 and $37,910,000 aggregate principal amount of the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the "2007 Bonds") on July 26, 2007, of which $37,345,000 were outstanding as of October 1, 2010, pursuant to the provisions of the Indenture. The Community Facilities District may issue additional bonds totaling up to $17,010,000 payable on a parity with the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2010 Bonds. The 2002 Bonds, 2005 Bonds, 2007 Bonds, 2010 Bonds, and any parity bonds issued under the Indenture are referred to herein as the "Bonds." .See "SECURITY FOR THE 2010 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 25 elementary schools, six middle schools, five 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 2010-11 academic year is approximately 32,641.

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"). The Community Facilities District may issue additional bonds totaling up to $17,010,000 payable on a parity with the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2010 Bonds.

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.

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 and public library improvements and additional school 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	14,000,000	-0-	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, 2005 Bonds and 2007 Bonds and intends to issue the 2010 Bonds in the amounts and on the date set forth below:

Bonds	Issued Aggregate Principal Amount	Date of Issuance	Aggregate Amount Outstanding as of Issuance of the 2010 Bonds
2002 Bonds	$25,000,000	October 10, 2002	$24,160,000
2005 Bonds	44,305,000	November 22, 2005	43,700,000
2007 Bonds	37,910,000	July 26, 2007	37,345,000
2010 Bonds	5,775,000	October 27, 2010	5,775,000
Total	$112,990,000		$110,980,000

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, Improvement Area B Rate and Method of Apportionment of Special Tax and Improvement Area C Rate and Method. No cross-collateralization exists between bonds of the Community Facilities District (i.e., the 2002 Bonds, the 2005 Bonds, the 2007 Bonds and the 2010 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, the 2007 Bonds and the 2010 Bonds. See "SECURITY FOR THE 2010 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 2010-11 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, the 2007 Bonds and the 2010 Bonds. The School District will use such Special Taxes and a portion of the proceeds of the 2010 Bonds and any Parity Bonds for the construction, rehabilitation and improvement of the School Facilities. The 2010 Bonds are secured by or payable from the Special Tax levied to finance the School Facilities. The 2010 Bonds will only finance School Facilities and will not finance Infrastructure Improvements. The 2010 Bonds will not be secured by or payable from the special tax pursuant to the Improvement Area A Rate and Method of Apportionment of Special Tax, Improvement Area B Rate and Method of Apportionment of Special Tax and Improvement Area C Rate and Method authorized to be levied to finance the Infrastructure Improvements.

The Community Facilities District is contiguous. 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 still-developing area in the northern unincorporated portion of the County, just under 2 miles west of the 15 Freeway. 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 500 net acres) proposed for approximately 4,500 residential units. As of January 1, 2010, approximately 3,543 residential units were classified as Developed Property, of which 2,780 are single-family detached units and 763 are single-family attached units. In addition, approximately 141 units are expected to be affordable dwelling units (120 in Neighborhood One and 21 in Neighborhood Four), which affordable units ("Affordable Units") are not subject to the levy of the Special Tax. 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 an additional 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. A mixed use district in the central portion of the Community Facilities District is referred to in the master development plan as being part of Neighborhood 4. As described below, sales to merchant builders commenced in Neighborhood One in 2000, in Neighborhood Two in 2002 and in Neighborhood Three in 2004. Residential land within Neighborhood Four is currently under development. There is also a 53-acre mixed-use district called 4S Commons Town Center that includes tenants such as World Market, Ralph's, Bed Bath & Beyond, CVS Pharmacy, Ace Hardware, Blockbuster, Wells Fargo, Chase Bank, and various other stores and fast food restaurants. In addition, there is a nearby L.A. Fitness, and a separate and smaller Subway, Chevron gas station with car wash, various other stores and additional construction underway. The commercial properties are not subject to the levy of the Special Tax.

The property within the Community Facilities District was primarily owned by 4S Kelwood General Partnership, a California general partnership ("4S Kelwood"). 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 467 net acres originally owned by 4S Kelwood of the approximately 500 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 within the Community Facilities District 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. In addition to the approximately 763 Attached Units subject to the Special Tax levy, there are approximately 519 units which are a portion of a 540-unit apartment complex completed on a site zoned for commercial use in a part of a mixed use district which is separate from the four neighborhoods. 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. Finally, there are 120 Affordable Units completed in Neighborhood 1 which are not subject to the Special Tax levy.

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 a 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, the 2007 Bonds and the 2010 Bonds and Administrative Expenses which are approximately $46,866.38 for the bond year ending September 1, 2011, it is estimated that 3,543 building permits issued prior to January 1, 2010 (the cutoff date for Developed Property pursuant to the Rate and Method), are sufficient for the Fiscal Year 2010-11 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 43 lots for which building permits were issued as of January 1, 2010, some of which had homes under construction as of August 2, 2010, 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 August 13, 2010, the Appraisal (as defined below) indicates that the completed homes as of August 2, 2010, including completed-sold homes (closed sales from a Merchant Builder to a homeowner – 3,490 homes) and completed -unsold homes (still owned by a Merchant Builder – 10 model homes) aggregate approximately 3,500 residential units (approximately 2,737 Detached Units and 763 Attached Units (and excluding 120 Affordable Units, completed in Neighborhood 1 which are not subject to the Special Tax levy).

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 2010 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 2010 BONDS," "SECURITY FOR THE 2010 BONDS – Rate and Method – *Community Facilities District Rate and Method*" and "COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)" herein.

Sources of Payment for the 2010 Bonds

The 2010 Bonds are secured by and payable from a first pledge of "Net Special Tax Revenues," which is defined in the 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 Indenture) not to exceed $46,866.38 for Fiscal Year 2010-11 and subject to escalation by 2% each year. "Special Taxes" are defined in the 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 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 2010 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 2010 BONDS – Rate and Method" and "BONDOWNERS' RISKS – Exempt Properties."

The 2010 Bonds are secured on a parity with all Bonds by a first pledge of all moneys deposited in the Reserve Fund. See "SECURITY FOR THE 2010 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 and with the acquisition of a Surety Bond (the "2007 Surety Bond") in connection with issuance of the 2007 Bonds. The 2007 Surety Bond constitutes a "Qualified Reserve Fund Credit Instrument" under the Indenture, but due to the downgrading of the long term credit rating of Ambac Assurance Corporation subsequent to the issuance of the 2007 Bonds and due to questions as to allocations of moneys on deposit in the Reserve Fund and moneys derived from a draw on the 2007 Surety Bond among the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2010 Bonds, the 2007 Surety Bond would not constitute a Qualified Reserve Fund Credit Instrument if acquired at this time. In light of the changed circumstances in connection with the issuance of the 2010 Bonds, the Community Facilities District will deposit from available moneys into the Reserve Fund an amount equal to the amount which may be drawn under the 2007 Surety Bond. In addition, on the date of issuance of the 2010 Bonds, there shall be credited to the Reserve Fund proceeds of the 2010 Bonds in an amount representing the incremental increase in the Reserve Requirement due to the issuance of the 2010 Bonds so that as of the date of issuance of the 2010 Bonds, funds available in the Reserve Fund (without taking into account the amounts available from the 2007 Surety Bond) equal the Reserve Requirement. If at a date in the future the 2007 Surety Bond would constituted a Qualified Reserve Fund Credit Instrument if acquired as of such date, the Community Facilities District may treat the 2007 Surety Bond as a Qualified Reserve Fund Credit Instrument at that time and withdraw moneys from the Reserve Fund. See "SECURITY FOR THE 2010 BONDS – Reserve Fund – *2007 Surety Bond*."

The 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 2010 BONDS – Reserve Fund."

The Community Facilities District has also covenanted in the 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 2010 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 2010 BONDS. OTHER THAN THE SPECIAL TAXES OF THE COMMUNITY FACILITIES DISTRICT, NO TAXES ARE PLEDGED TO THE PAYMENT OF 2010 BONDS. THE 2010 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.

Appraisal

An MAI appraisal of only the completed homes within the Community Facilities District dated August 13, 2010 (the "Appraisal"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Appraiser") in connection with the issuance of the 2010 Bonds. The purpose of the appraisal was to estimate the market value of only the properties with the Community Facilities District that consisted of completed homes as of August 2, 2010, as segregated into the 34 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 August 2, 2010, 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 (3,490 homes) and completed unsold homes (10 model homes) was $2,205,110,000. 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 2010 Bonds will not be includable in gross income for federal income tax purposes nor is in included in adjusted current earnings when calculating corporate alternative minimum taxable income. Also in the opinion of Bond Counsel, interest on the 2010 Bonds will be exempt from State personal income taxes. See "LEGAL MATTERS – Tax Exemption" herein.

Risk Factors Associated with Purchasing the 2010 Bonds

Investment in the 2010 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 2010 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 2010 Bonds and will perform the functions required of it under the Indenture for the payment of the principal of and interest and any premium on the 2010 Bonds and all activities related to the redemption of the 2010 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 2010 Bonds. McFarlin & Anderson LLP, Lake Forest, California, is acting as Disclosure Counsel. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel.

The appraisal work was done by Stephen G. White, MAI of Fullerton, California. Dolinka Group, LLC, Irvine, 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 2010 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 and the rating agency is contingent upon the sale and delivery of the 2010 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 2010 Bonds, certain sections of the Indenture, security for the 2010 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 2010 Bonds, the 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 2010 Bonds, the 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 Director of Planning 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 2010 Bonds, to provide certain financial information and operating data relating to the Community Facilities District and the 2010 Bonds by not later than January 31 in each year commencing on January 31, 2011 (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, LLC, as Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access System (the "EMMA System"), 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 MSRB through the EMMA System, 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 MSRB through the EMMA System. 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 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 2010 Bonds will be deposited into the following respective accounts and funds established by the School District under the Indenture, as follows:

SOURCES	
Principal Amount of 2010 Bonds	$5,775,000.00
Less: Original Issue Discount	(19,247.30)
Less: Underwriter's Discount	(115,500.00)
Total Sources	$5,640,252.70
USES	
Deposit into Costs of Issuance Fund[(1)]	$185,893.04
Deposit into School Facilities Fund[(2)]	5,000,000.00
Deposit into Reserve Fund[(3)]	454,359.66
Total Uses	$5,640,252.70

(1) Includes, among other things, 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.

(2) See "SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2010 BONDS" below.

(3) Deposit of the amount necessary to increase the moneys on deposit in the Reserve Fund (without taking into account amounts which may be drawn under the 2007 Surety Bond) to an amount equal to the Reserve Requirement with respect to the Bonds as of the date of delivery of the 2010 Bonds.

SCHOOL FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2010 BONDS

A portion of the proceeds from the sale of the 2010 Bonds will be used, together with other available moneys, to finance the planning and construction of eligible school facilities. School Facilities Costs, as defined in the Indenture, include the cost of planning, design and construction of school facilities and all costs relating thereto.

THE 2010 BONDS

Authority for Issuance

The 2010 Bonds will be issued pursuant to the Act and the Indenture.

General Provisions

The 2010 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, 2011 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2010 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 2010 Bonds. Ownership interests in the 2010 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 2010 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2010 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2010 Bonds in accordance with the procedures adopted by DTC. See "THE 2010 BONDS – Book-Entry and DTC."

The 2010 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 2010 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 February 15, 2011, in which event interest shall be payable from the date of such 2010 Bonds; *provided, however*, that if at the time of authentication of a 2010 Bond, interest is in default, interest on that 2010 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 2010 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 2010 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 2010 Bonds are transferred to a new Owner. The principal of the 2010 Bonds and any premium on the 2010 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 2010 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 2010 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 2010 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2011	$590,000	$228,669.22	$818,669.22
2012	10,000	263,712.50	273,712.50
2013	10,000	263,527.50	273,527.50
2014	20,000	263,315.00	283,315.00
2015	25,000	262,815.00	287,815.00
2016	30,000	262,127.50	292,127.50
2017	35,000	261,190.00	296,190.00
2018	45,000	260,008.76	305,008.76
2019	55,000	258,343.76	313,343.76
2020	60,000	256,143.76	316,143.76
2021	65,000	253,743.76	318,743.76
2022	75,000	250,981.26	325,981.26
2023	85,000	247,700.00	332,700.00
2024	95,000	243,875.00	338,875.00
2025	110,000	239,481.26	349,481.26
2026	120,000	234,393.76	354,393.76
2027	135,000	228,693.76	363,693.76
2028	145,000	222,112.50	367,112.50
2029	160,000	215,043.76	375,043.76
2030	175,000	207,043.76	382,043.76
2031	195,000	198,293.76	393,293.76
2032	210,000	188,543.76	398,543.76
2033	230,000	177,781.26	407,781.26
2034	250,000	165,706.26	415,706.26
2035	270,000	152,581.26	422,581.26
2036	2,575,000	138,406.26	2,713,406.26
	$5,775,000	$5,944,234.38	$11,719,234.38

Redemption

Optional Redemption. The 2010 Bonds may be redeemed at the option of the Community Facilities District prior to maturity, as a whole or in part on any Interest Payment Date on and after March 1, 2011, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the 2010 Bonds to be redeemed), together with accrued interest to the date of redemption.

Redemption Date	Redemption Price
Any Interest Payment Date through March 1, 2014	102%
September 1, 2014 and March 1, 2015	101
September 1, 2015 and any Interest Payment Date thereafter	100

Whenever provision is made for the optional redemption of less than all of the 2010 Bonds, the Fiscal Agent shall select the 2010 Bonds to be redeemed, among maturities as directed in writing by an Authorized Representative, who shall specify the 2010 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Outstanding 2010 Bonds following such redemption as was in effect prior to such redemption. The Fiscal Agent shall select 2010 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Extraordinary Mandatory Redemption of 2010 Bonds. The 2010 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 prepayments. Such extraordinary mandatory redemption of the 2010 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2010 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
Any Interest Payment Date through March 1, 2014	102%
September 1, 2014 and March 1, 2015	101
September 1, 2015 and any Interest Payment Date thereafter	100

Whenever provision is made for the extraordinary mandatory redemption of less than all of the 2010 Bonds, the Fiscal Agent shall select the 2010 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2010 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

In the event of a partial redemption of the 2010 Bonds pursuant to the Indenture, each of the remaining mandatory sinking fund payments for such 2010 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 2010 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 2010 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 Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least 30 days but not more that 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 2010 Bonds at the addresses appearing on the 2010 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 2010 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 2010 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 2010 Bonds to be redeemed, and in the case of 2010 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however,* that whenever any call includes all 2010 Bonds of a maturity, the numbers of the 2010 Bonds of such maturity need not be stated; (d) state that such 2010 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2010 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2010 Bonds as originally issued; (g) state the rate of interest borne by each 2010 Bond being redeemed; and (h) state that any other descriptive information needed to identify accurately the 2010 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 Indenture, and when the amount necessary for the redemption of the 2010 Bonds called for redemption has been set aside for that purpose in the Redemption Fund as to 2010 Bonds subject to optional redemption or the 2010 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2010 Bonds at the place specified in the notice of redemption, said 2010 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2010 Bonds or portions of 2010 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2010 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2010 Bonds or portions of 2010 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 2010 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 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 2010 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 2010 Bond or Bonds shall be authenticated and delivered in exchange for such 2010 Bond, in the name of the transferee, of any denomination or denominations authorized by the Indenture, and in an aggregate principal amount equal to the principal amount of such 2010 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) 2010 Bonds for a period of 15 days next preceding the date of any selection of the 2010 Bonds for redemption, or (ii) any 2010 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 2010 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2010 Bond.

Book-Entry and DTC

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2010 Bonds. The 2010 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 2010 Bond certificate will be issued for each maturity of the 2010 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[(1)]	2002 Bonds Debt Service	2005 Bonds Debt Service	2007 Bonds Debt Service	2010 Bonds Debt Service	Debt Service Coverage[(1)]
2011	$8,026,866	$1,579,150	$2,470,256	$2,141,548	$818,669	115%
2012	8,187,404	1,612,490	2,513,994	2,185,798	273,713	124%
2013	8,351,152	1,643,540	2,570,394	2,227,348	273,528	124%
2014	8,518,175	1,677,210	2,617,844	2,271,198	283,315	124%
2015	8,688,538	1,708,175	2,672,369	2,319,798	287,815	124%
2016	8,862,309	1,741,335	2,727,989	2,365,598	292,128	124%
2017	9,039,555	1,776,345	2,784,319	2,410,223	296,190	124%
2018	9,220,346	1,812,845	2,835,959	2,460,223	305,009	124%
2019	9,404,753	1,850,460	2,893,519	2,507,023	313,344	124%
2020	9,592,848	1,888,800	2,951,519	2,559,713	316,144	124%
2021	9,784,705	1,927,460	3,009,231	2,610,963	318,744	124%
2022	9,980,400	1,961,020	3,075,231	2,661,688	325,981	124%
2023	10,180,008	2,004,320	3,130,231	2,716,938	332,700	124%
2024	10,383,608	2,042,395	3,194,481	2,771,438	338,875	124%
2025	10,591,280	2,085,245	3,257,231	2,824,938	349,481	124%
2026	10,803,105	2,127,320	3,323,231	2,882,188	354,394	124%
2027	11,019,168	2,167,000	3,389,825	2,941,913	363,694	124%
2028	11,239,551	2,210,240	3,458,475	2,999,988	367,113	124%
2029	11,464,342	2,256,480	3,523,669	3,061,175	375,044	124%
2030	11,693,629	2,300,160	3,600,150	3,120,000	382,044	124%
2031	11,927,501	2,346,000	3,671,894	3,180,500	393,294	124%
2032	12,166,051	2,393,440	3,743,644	3,247,250	398,544	124%
2033	12,409,372	1,921,920	4,339,888	3,309,500	407,781	124%
2034	12,657,560	-	6,383,206	3,377,000	415,706	124%
2035	12,910,711	-	6,512,494	3,444,000	422,581	124%
2036	13,168,925	-	-	-	2,713,406	485%
Total	**$270,271,864**	**$45,033,350**	**$84,651,041**	**$68,597,940**	**$11,719,234**	

(1) Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC. Special Taxes on parcels which are delinquent in the payment of Special Taxes have been excluded from the calculation of the Net Special Tax Revenues that may be levied pursuant to the Rate and Method. See "SECURITY FOR THE 2010 BONDS – Parity Bonds."

SECURITY FOR THE 2010 BONDS

General

The 2010 Bonds and all Parity 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 Indenture, in the applicable Special Tax Fund. Pursuant to the Act and the 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 Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund, as well as (i) credit or liquidity fees on the Bonds, (ii) facilities construction, (iii) escrow costs, (iv) lease payments for facilities,(v) other payments permitted by law and (vi) 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 Indenture) are pledged to the payment of the principal of, and interest and any premium on, the Bonds as provided in the 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 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 Bonds. The School Facilities constructed and acquired with the proceeds of the Bonds are not in any way pledged to pay the debt service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the debt service on the Bonds.

Special Taxes

The Community Facilities District has covenanted in the 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 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 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 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 BONDS. OTHER THAN THE SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE 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 were proposed within the Community Facilities District (of which approximately 141 will be Affordable Units), most of which have been completed. Approximately 519 of the Attached Units and approximately 21 of the Affordable Units are located in a 540-unit apartment complex in a mixed use district separate from the four neighborhoods. 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, the 2005 Bonds were issued on November 22, 2005, the 2007 Bonds were issued on July 26, 2007, and the 2010 Bonds are being issued to fund the School Facilities and are secured by any annual Special Tax levied pursuant to the Community Facilities District Rate and Method. The 2010 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. Upon issuance of the 2010 Bonds and until issuance of

Parity Bonds, the terms of the Rate and Method allow the levy of the Special Tax through Fiscal Year 2035-36. 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 Superintendent or his designee 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, the 2007 Bonds and the 2010 Bonds, applicable to the Community Facilities District, and 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 2010 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, the 2010 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 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 2010 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 2010-11 is $1,293.61 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' 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' Parcel when classified as Developed Property in any following Fiscal Year.

In Fiscal Year 2010-11 the average Assigned Annual Special Tax is $2,574.75 for Detached Units and $1,200.00 for Attached Units. Affordable Units are not subject to the Special Tax. Each July 1, 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' 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 Superintendent or his designee 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

$8,073,732.82 in Special Taxes were levied on 3,543 parcels within the Community Facilities District for Fiscal Year 2010-11. All of the foregoing Special Taxes were levied on Developed Property as defined in the Rate and Method. As of January 1, 2010, based on the assessor roll, the largest single owner of taxable property in the Community Facilities District in Fiscal Year 2010-11, is estimated to be responsible for approximately $83,327.70 of the Special Taxes within the Community Facilities District, which represents approximately 1.03% of the total Special Tax levy for Fiscal Year 2010-11. 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 2010-11 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 2010-11 Special Tax Levy

Land Use	Average Fiscal Year 2010-11 Applied Tax Rate	Units Levied[(1)]	Special Taxes Levied[(2)]	Fiscal Year 2010-11 Levy as Percent of Total
Single Family Detached Units	$2,574.75	2,780	$7,157,793.48	88.66%
Single Family Attached Units	1,200.44	763	915,939.34	11.34%
Total		3,543	$8,073,732.82	100.00%

(1) Includes 43 units under construction or vacant lots for which building permits were issued as of January 1, 2010, which will be subject to the Special Tax levy in Fiscal Year 2010-11. Based on the Appraisal, approximately 38 additional building permits have been issued since January 1, 2010.
(2) Totals may not add due to rounding. No Special Tax is levied on Affordable Units.

Source: Dolinka Group, LLC.

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 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 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 Bonds by the Indenture.

Special Tax Fund

Pursuant to the 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 Bonds. Pending disbursement, moneys in the Special Tax Fund will be subject to a lien in favor of the Bondowners of the Bonds as established under the 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 2010 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) without taking into account the amounts available from the 2007 Surety Bond until such time, if any, as the 2007 Surety Bond then constitutes a Qualified Reserve Fund Credit Instrument; (iv) amounts required to reimburse Ambac Assurance Corporation for any draws on the 2007 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 in defined in the 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 Bonds the principal, interest and any premium then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments or a redemption of the 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 Indenture.

Reserve Fund

Due to issues relating to the 2007 Surety Bond described below, in connection with the issuance of the 2010 Bonds, the Community Facilities District will deposit from available moneys into the Reserve Fund an amount equal to the amount which may be drawn under the 2007 Surety Bond. In addition, on the date of issuance of the 2010 Bonds, there shall be credited to the Reserve Fund proceeds of the 2010 Bonds in an amount representing the incremental increase in the Reserve Requirement due to the issuance of the 2010 Bonds, so that as of the date of issuance, funds available in the Reserve Fund (without taking into account moneys which may be drawn under the 2007 Surety Bond), equal the Reserve Requirement. The aggregate amount is equal to $10,156,997.49. See APPENDIX D – "Summary of Certain Provisions of the Indenture."

The Indenture authorized the Fiscal Agent to obtain the 2007 Surety Bond in place of fully funding the Reserve Fund and the Indenture requires Ambac Assurance Corporation to consent to draws on the 2007 Surety Bond to pay debt service on any Bonds other than the 2002 Bonds, the 2005 Bonds or the 2007 Bonds. Ambac Assurance Corporation has not agreed to a method for allocating cash on deposit in the Reserve Fund used to pay debt service on outstanding Bonds among the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2010 Bonds, and as a result, prior to issuance of the 2010 Bonds, the Community Facilities District will deposit additional moneys in the Reserve Fund in an amount equal to the amounts which may be drawn under the 2007 Surety Bond.

Provisions of the Indenture regarding the 2007 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 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 2010 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 2010 Bonds to be redeemed and the original principal of such 2010 Bonds) will be applied to the redemption of such 2010 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 Indenture" for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

2007 Surety Bond. The Indenture authorizes the Obligor (as defined in the Financial Guaranty Insurance Policy) to a surety bond in place of fully funding the Reserve Fund. Accordingly, the 2007 Surety Bond was obtained at the time of issuance of the 2007 Bonds in the amount of $2,958,469.44 for the purpose of funding a portion of the Reserve Fund (see APPENDIX C – "Summary of Certain Provisions of the Indenture" herein).

Under the Indenture, any draw on the 2007 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, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument") such as the 2007 Surety Bond, draws on the 2007 Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the 2007 Surety Bond and on any 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 2007 Surety Bond and the Additional Funding Instrument, shall be deposited from next available Revenues.

The 2007 Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Fiscal Agent or the Paying Agent. In addition, the Indenture authorized the Fiscal Agent to obtain the 2007 Surety Bond in place of fully funding the Reserve Fund and the Indenture requires Ambac to consent to draws on the 2007 Surety Bond to pay debt service on any Bonds other than the 2002 Bonds, the 2005 Bonds or the 2007 Bonds.

The 2007 Surety Bond constitutes a "Qualified Reserve Fund Credit Instrument" under the Indenture, but due to the downgrading of the long term credit rating of Ambac Assurance Corporation subsequent to the issuance of the 2007 Bonds and due to questions as to allocations of moneys on deposit in the Reserve Fund and moneys derived from a draw on the 2007 Surety Bond among the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2010 Bonds,[1] the 2007 Surety Bond would not constitute a Qualified Reserve Fund Credit Instrument if acquired at this time. In light of the changed circumstances in connection with the issuance of the 2010 Bonds, the Community Facilities District will deposit from available moneys into the Reserve Fund an amount equal to the amount which may be drawn under the 2007 Surety Bond. In addition, on the date of issuance of the 2010 Bonds, there shall be credited to the Reserve Fund proceeds of the 2010 Bonds in an amount representing the incremental increase in the Reserve Requirement due to the issuance of the 2010 Bonds so that as of the date of issuance of the 2010 Bonds, funds available in the Reserve Fund (without taking into account the amounts available from the 2007 Surety Bond) equal the Reserve Requirement. If at a date in the future the 2007 Surety Bond would constituted a Qualified Reserve Fund Credit Instrument if treated as acquired as of such date, the Community Facilities District may treat the 2007 Surety Bond as a Qualified Reserve Fund Credit Instrument at that time and withdraw moneys from the Reserve Fund.

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 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 2010 Bonds.

School Facilities Fund

The Fiscal Agent will deposit proceeds of the 2010 Bonds in the 2010 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 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 Bonds.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the 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 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"

[1] As indicated above, the 2007 Surety Bond is drawn after moneys in the Reserve Fund have been expended. The agreement between the Community Facilities District and Ambac Assurance Corporation provides that the 2007 Surety Bond covers the 2002 Bonds, 2005 Bond and 2007 Bonds, but requires Ambac Assurance Corporation's consent before the 2007 Surety Bond covers the 2010 Bonds. Ambac Assurance Corporation has indicated to the Community Facilities District that it cannot consent at this time to the 2007 Surety Bond covering the 2010 Bonds.

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 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 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 2010 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 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 2010 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 $17,010,000.

The 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 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;

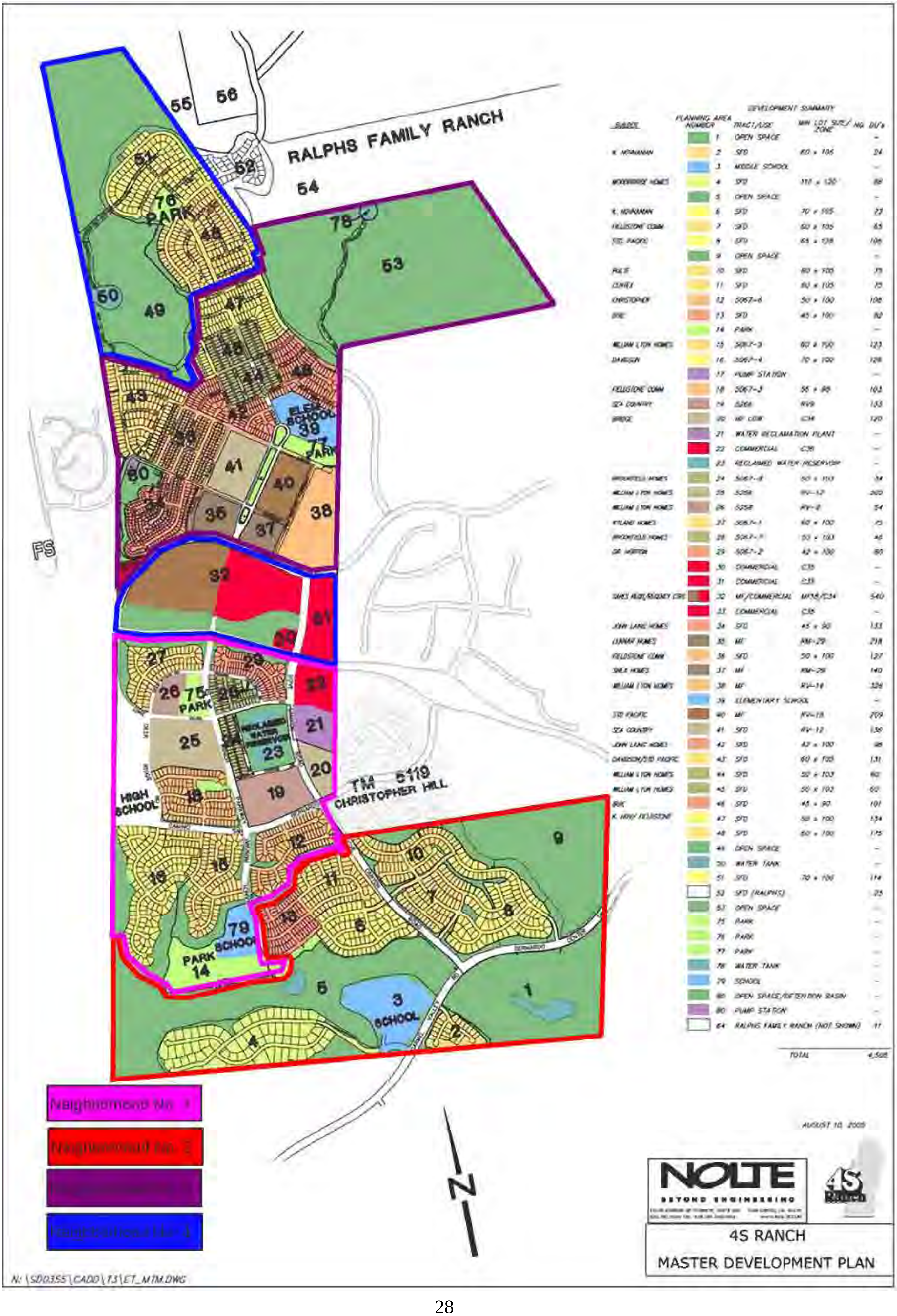
c. Except in the case of the issuance of Parity Bonds to refund Outstanding Bonds or Parity Bonds, the Community Facilities District has received an Appraisal indicating that (a) the aggregate appraised value of all Taxable Property within the Community Facilities District is not less than three (3)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

See APPENDIX D – "Summary of Certain Provisions of the 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.


RALPHS FAMILY RANCH
DEVELOPMENT SUMMARY
TM 5119
CHRISTOPHER HILL
HIGH SCHOOL
FS
Neighborhood No. 1
Neighborhood No. 2
AUGUST 10, 2005
NOLTE
BEYOND ENGINEERING
4S RANCH
MASTER DEVELOPMENT PLAN
N:\SD0355\CADD\T3\ET_MTM.DWG

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 (approximately 500 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 serves 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. The mixed-use district is part of Neighborhood Four as described in the master development plan. Rancho Bernardo Road, Ralphs Ranch 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 August 2, 2010, 565 detached units have been completed and sold in Neighborhood Two.

- *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 August 2, 2010, 1,062 Detached Units and 763 Attached Units have been completed in Neighborhood Three, of which 3 Detached Units are owned by a merchant builder.

- *Neighborhood Four* is the northern portion of Improvement Area C located north of Neighborhood Three. 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 (described below as Andalusia) proposed for approximately 175 single-family units. As of August 2, 2010, 28 Detached Units have been completed in Neighborhood Four, of which 7 Detached Units are owned by merchant builders.

- T*he mixed use district located in the central portion of the community* is the southern portion of Improvement Area C and is located south of Neighborhood Three and north of Neighborhood Two. The mixed use district 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.

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 are 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 2010 Bonds are issued pursuant to the Act and the 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 2010 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 2010 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 2010 Bonds: On August 30, 2010, the Board of Education adopted Resolution No. 05-2011, approving issuance of the 2010 Bonds.

Special Tax Collections

The Special Tax on Developed Property authorized for the 2009-10 Fiscal Year in the Community Facilities District was $7,559,391.32 which was levied against 3,380 parcels. Of those parcels, 110 were delinquent as of June 30, 2010. For the Fiscal Year 2009-10, no Special Taxes were levied on Undeveloped Property. The Special Tax on Developed Property authorized for the 2010-11 Fiscal Year in the Community Facilities District was $8,073,732.82 which was levied against 3,543 parcels.

According to the Special Tax collection data provided by the County, as of June 30, 2010, delinquencies in the payment of Fiscal Year 2009-10 special taxes and *ad valorem* taxes for the Community Facilities District generally were comparable to the Fiscal Year 2006-07 delinquencies, and lower than Fiscal Year 2007-08 and Fiscal Year 2008-09 delinquencies.

The School District is not aware of the causes for the increased delinquencies in the payment of property taxes for Fiscal Year 2009-10, 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 2005-06 through 2009-10, 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)

	Subject Fiscal Year					June 30, 2010		
Fiscal Year Ending June 30	**Aggregate Special Tax**	**Total Special Taxes Collected**	**Parcels Delinquent**	**Fiscal Year Amount Delinquent**	**Fiscal Year Delinquency Rate**	**Remaining Parcels Delinquent**	**Remaining Amount Delinquent**	**Remaining Delinquency Rate**
2006	$3,603,560.90	$3,520,216.75	53	$83,344.15	2.31%	0	$0.00	0.00%
2007	5,256,326.64	5,112,505.86	90	143,820.78	2.74%	7	9,289.42	0.18%
2008	6,652,933.90	6,371,257.89	172	281,676.01	4.23%	14	23,070.17	0.35%
2009	7,412,148.40	7,145,058.61	155	267,089.79	3.60%	39	70,168.71	0.95%
2010	7,559,391.32	7,352,168.38	110	207,222.94	2.74%	110	207,222.94	2.74%

(1) Delinquency information is provided to the School District by the County of San Diego as of June 30, 2010.

Source: Dolinka Group, LLC.

Property Ownership

Based on the Appraisal, as of August 2, 2010, there were approximately 3,500 homes completed. In addition, a portion of the Developed Property levy will relate to 43 lots for which building permits were issued as of January 1, 2010, some of which had homes under construction as of August 2, 2010. 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 2010-11.

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 2010-11

Merchant Builder and/or Property Owner Name[(1)]	Total Special Tax Amount	Number of Parcels	Percent Share of Total Special Taxes[(2)]
EJL Homes LLC	$83,327.70	29	1.03%
CWV 94 LLC	80,470.88	28	1.00%
Chanteclair Development LLC	60,272.28	21	0.75%
ORA Maybeck 69 LLC	31,405.38	11	0.39%
Silvercrest Ventures LLC	17,243.76	6	0.21%
Lone Bluff LLC	17,074.54	7	0.21%
Hickerson Family Revocable Living 1998 Trust	7,960.20	3	0.10%
Casadona Scott A & Nancy A	5,521.72	2	0.07%
Chu Jeffrey Hao & Ming See Chin	5,511.90	2	0.07%
Gao Yan & Han Yumei	5,313.18	2	0.07%
Situ Longshou & Nie Zhe	5,313.18	2	0.07%
Ni Shouzhong & Li Xiaofang	5,309.14	2	0.07%
Almazan Diosdado M & Perla F	5,295.30	2	0.07%
Borna Ray & Fardideh	5,117.22	2	0.06%
FCJR Family Trust 12-16-06	5,117.22	2	0.06%
Jong Ka Mi	5,117.22	2	0.06%
Le Diana	5,117.22	2	0.06%
Luangviseth Ty & Talisa	5,117.22	2	0.06%
PNC Mortgage	5,117.22	2	0.06%
Razon Family Trust	5,117.22	2	0.06%
Total[(3)]	**$365,839.70**	**131**	**4.53%**

(1) Ownership information is based on Assessor Roll Data as of January 1, 2010.
(2) The Fiscal Year 2010-11 Special Tax levy is $8,073,732.82.
(3) Totals may not add due to rounding.

Source: Dolinka Group, LLC.

Appraised Property Values

An MAI appraisal of only the completed homes within the Community Facilities District, dated August 13, 2010 (the "Appraisal"), was prepared by Stephen G. White, MAI of Fullerton, California (the "Appraiser") in connection with issuance of the 2010 Bonds. The purpose of the appraisal was to estimate the market value of only the properties with the Community Facilities District that consisted of completed homes as of August 2, 2010, as segregated into the 34 different tracts of homes.

The Appraisal values only completed homes. The Appraisal does not value approximately 43 lots for which building permits were issued as of January 1, 2010, some of which had homes under construction as of August 2, 2010. The Appraisal also does not value the property developed with 120 Affordable Units in Neighborhood One, which are part of a 540-unit apartment complex in the mixed use district in the central portion of the Community Facilities District (of which Special Taxes were prepaid with respect to 519 units and 21 units are Affordable Units which are not subject to the Special Tax).

The Appraisal is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of August 2, 2010, the Appraiser estimated that the market value of the completed homes within the Community Facilities District (subject to the lien of the Special Taxes), was as follows:

Neighborhood/ Merchant Builder[1]	Planning Area/Status	Tract Name	No. of Completed Homes[2]	Market Value
Neighborhood One				
Ryland Homes	Built out	Ryland Heritage	75	$61,500,000
William Lyons Homes	Built out	Summerwood	95	50,350,000
William Lyons Homes	Built out	Tanglewood	161	74,060,000
D.R. Horton	Built out	Cedar Creek	80	51,200,000
Brookfield Homes	Built out	Amherst	80	57,600,000
Fieldstone Communities	Built out	Homestead	103	75,190,000
Sea Country Homes	Built out	Garden Gate	133	75,810,000
Davidson Communities	Built out	Talavera	126	105,840,000
William Lyon Homes	Built out	Providence	122	102,480,000
Christopher Homes	Built out	Legacy	107	75,970,000
Sub-Total			1,082	$730,000,000
Neighborhood Two				
Buie Communities	Built out	Belle Rive	82	$55,760,000
Centex Homes	Built out	Canyon Ridge	75	57,750,000
K. Hovnanian	Built out	Palomino	97	85,360,000
Pulte Homes	Built out	Avery Lane	75	62,250,000
Fieldstone Communities	Built out	Cambridge	65	48,100,000
Standard Pacific Homes	Built out	Terreno	105	87,150,000
Woodbridge Homes	Built out	Ivy Gate	66	81,180,000
Sub-Total			565	$477,550,000
Neighborhood Three				
Davidson Communities	Built out	Reunion	66	$51,480,000
Standard Pacific Homes	Built out	Travata	65	47,450,000
Fieldstone Communities	121 of 127 homes completed	SilverCrest	121	85,910,000
John Laing Homes	Built out	Rosemary Lane	133	86,450,000
John Laing Homes	68 of 96 homes completed	Silhouette	68	44,200,000
William Lyon Homes	Built out	Maybeck	120	84,000,000
Sea Country Homes	Built out	Garden Walk	136	74,800,000
Lennar Homes	Built out	Bridgeport	218	71,940,000
Standard Pacific Homes	Built out	Gianni	206	82,400,000
Shea Homes	Built out	San Moritz	140	50,400,000
William Lyon Homes	Built out	Amante	127	63,500,000
William Lyon Homes	Built out	Ravenna	199	81,590,000
Buie Communities	92 of 101 homes completed	Chanteclair	92[2]	59,800,000
K. Hovnanian Homes	Built out	Evergreen	64	45,440,000
Fieldstone Communities	Built out	Pienza	70	49,000,000
Sub-Total			1,825	$978,360,000
Neighborhood Four				
California West Communities	16 of 94 homes completed	Andalusia	16 [2]	$10,560,000
California West Communities	12 of 63 homes completed	Monteluz	12 [2]	8,640,000
Sub-Total			28	$19,200,000
Total Neighborhoods One through Four:			3,500	$2,205,110,000

(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.

(2) Of the 3,500 completed homes, 10 homes were owned by Merchant Builders in Chanteclair (3 model homes), Andalusia (4 model homes) and Monteluz (3 model homes).

The Appraisal reports an aggregate market value of $2,205,110,000 for the 3,500 completed homes valued in the Appraisal. Using the assessed values as of January 1, 2010, for the 3,500 completed homes valued in the Appraisal plus the assessed value from the County's Assessor's roll for the 43 parcels still under construction (an aggregate total assessed value of $2,079,508,295) results in an estimated value-to-lien ratio of 13.06 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 2010 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, 2010, the Community Facilities District did not levy a Special Tax in Fiscal Year 2010-11 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 $17,010,000. (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. One or more subsequent series of bonds for School Facilities aggregating 17,010,000 by the Community Facilities District are estimated to be issued in the future.

See "SECURITY FOR THE 2010 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

Because the Appraisal data is not available on a lot by lot basis, Tables 6 and 7 below set forth Value-to-Lien category ranges for the 3,543 parcels utilizing the assessed values of $2,079,508,295 as of January 1, 2010, which value includes the 3,500 completed homes valued in the Appraisal plus the assessed value for the 43 parcels still under construction.

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

					CFD No. 6[3]						
Neighborhood	Impr. Area	Number of Parcels	FY 2010-11 Special Taxes[1]	Total Estimated Assessed Value[2]	Existing Debt	Proposed Debt	CFD No. 6 IA A	CFD No. 6 IA B	Additional Land Secured Debt[4]	Total Lien	Value-to-Lien[5]
One	NA	1,082	$2,636,634	$659,916,247	$32,128,651	$1,763,633	$0	$0	$291,530	$34,183,814	19.30:1
Two	IA A	565	1,405,376	463,591,835	16,776,976	920,936	17,675,000	0	152,232	35,525,143	13.05:1
Three	IA B	1,868	3,951,251	948,399,613	55,467,948	3,044,793	0	29,585,000	503,308	88,601,048	10.70:1
Four	IA C	28	80,471	7,600,600	831,425	45,639	0	0	7,544	884,609	8.59:1
Total[6]	NA	3,543	$8,073,733	$2,079,508,295	$105,205,000	$5,775,000	$17,675,000	$29,585,000	$954,614	$159,194,614	13.06:1

(1) The Special Taxes shown reflect Developed Property as of January 1, 2010, as confirmed by Dolinka Group, LLC with the County of San Diego.
(2) Source: County Assessor's Roll dated January 1, 2010.
(3) Debt has been allocated based on current development, actual allocation may vary based on future development.
(4) Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2009-10 assessment. The Additional Land Secured Debt amount excludes $1,673,641, which is based on the exclusion of parcels classified as Exempt or Undeveloped Property in Fiscal Year 2009-10.
(5) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.
(6) Total may not sum due to rounding.

Source: Dolinka Group, LLC.

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

Value-to-Lien Category	Number of Parcels(1)	Combined Overlapping Liens(2)	Fiscal Year 2010-11 Taxable Property Assessed Value(3)	Combined Value-to-Lien Burden Ratio	Fiscal Year 2010-11 Special Tax	Percentage Share of Special Tax
20:1 and above	405	$14,058,632	$319,617,268	22.73:1	$983,743	12.18%
10:1 to 20:1	2,835	127,901,272	1,631,959,618	12.76:1	6,265,852	77.61%
5:1 to 10:1	218	12,045,147	108,090,151	8.97:1	585,814	7.26%
3:1 to 5:1	56	3,451,911	15,233,390	4.41:1	159,294	1.97%
3:1 and below(4)	29	1,737,769	4,607,868	2.65:1	79,030	0.98%
Total(5)	3,543	$159,194,731	$2,079,508,295	13.06:1	$8,073,733	100.00%

(1) The Special Taxes shown reflect Developed Property as of January 1, 2010, as confirmed by Dolinka Group, LLC with the County of San Diego.
(2) See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2010 Bonds.
(3) Source: County Assessor's Roll as of January 1, 2010.
(4) These 29 parcels are comprised of (i) 23 units that are still under construction, (ii) five (5) units where the property tax base was transferred from a previous parcel pursuant to Proposition 13, and (iii) one (1) unit that has an assessed value of $0 because it was owned by the California Housing Finance Agency as of January 1, 2010, but was levied upon by the Community Facilities District for Fiscal Year 2010-11 because of a subsequent change in ownership.
(5) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

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 2010 (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

Detailed Direct and Overlapping Debt

I. Assessed Value

2010-2011 Secured Roll Assessed Value **$3,465,501,919[1]**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic Levy	PROP13	959,714	$3,705,485,109	0.62421%	3,838	$23,130,028.54
Voter Approved Debt	VOTER	959,505	295,475,096	0.10113	3,838	298,800.09
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	50,090	1,348,426	7.69067	3,312	103,703.00
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSPACE	4,920	487,185	75.93352	3,767	369,936.90
County of San Diego Street Lighting, Zone A	LLMD	95,887	725,097	3.85777	3,196	27,972.56
County of San Diego Vector Control, Zone B	VECTOR	359,611	749,706	1.16660	3,836	8,746.08
County of San Diego Vector Disease Control	VECTOR	945,654	5,286,916	0.36822	3,836	19,467.62
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,743	422,104	10.11344	3,528	42,689.22
Metropolitan Water District of Southern California Standby Charge	STANDBY	19,100	310,528	0.00370	1	11.50
Olivenhain Municipal Water District AD No. 96-1	1915	23,020	1,439,545	15.61649	3,834	224,806.40
Olivenhain Municipal Water District Sewer Charge	SEWER	4,418	3,719,362	67.73536	3,472	2,519,323.42
Olivenhain Municipal Water District Water Standby Charge	STANDBY	362	40,300	89.33002	360	36,000.00
Palomar Pomerado Health GOB 2004	GOB	188,707	10,611,456	3.86903	3,838	410,560.33
Poway Unified School District CFD No. 6	CFD	3,953	7,559,391	100.00000	3,380	7,559,391.32
Poway Unified School District CFD No. 6, Impv Area A	CFD	565	1,383,477	100.00000	565	1,383,476.78
Poway Unified School District CFD No. 6, Impv Area B	CFD	1,755	2,266,165	100.00000	1,755	2,266,164.62
Poway Unified School District CFD No. 6, Impv Area C	CFD	7	14,202	100.00000	7	14,201.66
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,282	243,533	22.59247	3,835	55,020.00
San Diego County Water Authority Standby Charge	STANDBY	24,966	368,815	10.90597	3,838	40,222.80
2009-2010 TOTAL PROPERTY TAX LIABILITY						**$38,510,522.84**
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2009-2010 ASSESSED VALUATION						**1.11%**

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Olivenhain Municipal Water District AD No. 96-1	1915	$22,530,000	$16,830,000	15.61649%	3,834	$2,628,255
Poway Unified School District CFD No. 6	CFD	107,215,000	105,930,000	100.00000	3,380	105,930,000
Poway Unified School District CFD No. 6, Impv Area A	CFD	18,000,000	17,790,000	100.00000	565	17,790,000
Poway Unified School District CFD No. 6, Impv Area B	CFD	30,000,000	29,745,000	100.00000	1,755	29,745,000
Poway Unified School District CFD No. 6, Impv Area C	CFD	0	0	100.00000	7	0
TOTAL LAND SECURED BOND INDEBTEDNESS [1]						**$156,093,255**
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS [1]						**$156,093,255**

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	$850,000,000	$255,075,000	0.16651%	3,838	$424,725
Palomar Community College District GOB 2006	GOB	160,000,000	149,845,000	3.87505	3,838	5,806,575
Palomar Pomerado Health GOB 2004	GOB	431,083,318	413,598,319	5.71188	3,838	23,624,222
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS [1]						**$29,855,522**
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS [2]						**$29,855,522**

(1) In addition to the assessed value of the 3,543 parcels referenced in Table 7, includes the assessed value of all the property within the Community Facilities District.
(2) 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 2010-11 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 2010-11 Tax Rates
(Detached Units with 3,137 sq. ft.)

Assessed Valuations and Property Taxes			
Estimated Assessed Valuation [1]	$671,227		
Homeowner's Exemption	(7,000)		
Net Assessed Value [2]	$664,227		
***Ad Valorem* Property Taxes**		Percent of Total AV	Projected Amount [3]
General Purposes		1.00000%	$6,642.27
Ad Valorem Tax Overrides[3]			
Palomar Pomerado Debt Service		0.01775%	$117.90
Palomar Community College Debt Service		0.00862%0	$57.25
Metropolitan Water District Debt Service		0.00430%	$28.56
Total *Ad Valorem* Property Taxes		1.03067%	$6,845.98
Assessments, Special Taxes and Parcel Charges[3][4]			
Poway Unified School District CFD No. 6[5]			$2,452.32
Poway Unified School District CFD No. 6 Imp. Area A[5]			$1,920.18
Olivenhain Municipal Water District Sanitation (4S Ranch)			$435.00
County of San Diego CSA 83 Zone A Park Maintenance			$107.64
Olivenhain Municipal Water District Assessment District No. 96-1			$67.38
County of San Diego CSA 17 Emergency Ambulance Service			$26.12
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
San Diego County Street Light Zone A			$6.48
County of San Diego Mosquito/Disease Control			$5.92
County of San Diego Mosquito/Rat Control			$2.28
Total Assessment Special Taxes and Parcel Charges			$5,057.32
Projected Total Property Taxes			$11,903.30
Projected Total Effective Tax Rate			1.77%

(1) Fiscal Year 2010-11 assessed valuation for a single family detached residential unit with 3,137 building square feet, selected to represent the median effective tax rate for a Detached Unit within the Community Facilities District.
(2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
(3) These amounts are based on Fiscal Year 2009-10 charges, Fiscal Year 2010-11 data will not be available until October 2010, unless otherwise noted.
(4) All charges and special assessments are based on a Lot size of less than one (1) acre.
(5) This amount is based on Fiscal Year 2010-11 changes.

Source: Dolinka Group, LLC.

Table 10 below sets forth estimated Fiscal Year 2010-11 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 2010-11 Tax Rates
(Attached Units with 1,494 sq. ft.)

Assessed Valuations and Property Taxes			
Estimated Assessed Valuation [1]	$360,000		
Homeowner's Exemption	(7,000)		
Net Assessed Value [2]	$353,000		
***Ad Valorem* Property Taxes**		Percent of Total AV	Projected Amount [3]
General Purposes		1.00000%	$3,530.00
Ad Valorem Tax Overrides[3]			
Palomar Pomerado Debt		0.01775%	$62.65
Palomar Community College Debt Service		0.00862%	$30.42
Metropolitan Water District Debt Service		0.00430%	$15.17
Total *Ad Valorem* Property Taxes		1.03067%	$3,638.24
Assessments, Special Taxes and Parcel Charges[3][4]			
Poway Unified School District CFD No. 6[5]			$1,178.70
Poway Unified School District CFD No. 6, IA B[5]			$614.84
Olivenhain Municipal Water District Sanitation (4S Ranch)			$389.00
County of San Diego CSA 83 Zone A Park Maintenance			$75.34
Olivenhain Municipal Water District Assessment District No. 96-1			$41.82
County of San Diego CSA 17 Emergency Ambulance Service			$26.12
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
San Diego County Street Lighting Zone A			$5.18
County of San Diego Mosquito/Disease Control			$4.14
County of San Diego Mosquito/Rat Control			$2.28
Total Assessments, Special Taxes and Parcel Charges			$2,371.42
Projected Total Property Taxes			$6,009.66
Projected Total Effective Tax Rate			1.67%

(1) Fiscal Year 2010-11 assessed valuation for a single family attached residential unit with 1,494 building square feet, selected to represent the median effective tax rate for an Attached Unit within the Community Facilities District.
(2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
(3) These amounts are based on Fiscal Year 2009-10 charges, Fiscal Year 2010/2011 data will not be available until October 2010, unless otherwise noted.
(4) All charges and special assessments are based on a Lot size of less than an acre.
(5) These amounts are based on Fiscal Year 2010-11 charges.

Source: Dolinka Group, LLC.

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 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 2010 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 2010 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 2010 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 2010 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, fires 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 from approximately 2002 to 2006 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Since 2006, home developers, appraisers and market absorption consultants have reported 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) increasing mortgage defaults and foreclosures, (v) a growing supply of new and existing homes available for purchase; (vi) increase in competition for new homes orders; (vii) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; and (viii) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts, (ix) more stringent credit qualification requirements by home loan providers and (x) increased unemployment levels. Any such factors may affect the willingness or ability of taxpayers to pay their Special Tax payment prior to delinquency.

Economic Uncertainty

The 2010 Bonds are being issued at a time of economic uncertainty and volatility. Unemployment rates have increased to approximately 6.3% for the Poway area as of June 2010 (not seasonally adjusted) as compared to 5.8% for calendar year 2009 and approximately 10.5% (not seasonally adjusted) for San Diego County as compared to 9.7% for calendar year 2009. The Community Facilities District cannot predict how long these conditions will last or whether to what extent they may affect the ability of homeowners to pay Special Taxes or the marketability of the Series 2010 Bonds.

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 2010 Bonds have been issued.

The 2010 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2010 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 2010 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 Community Facilities 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.

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 2010 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 2010 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 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 2010 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 2010 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 2010 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 2010 BONDS – Special Taxes" and " – Rate and Method" herein, the 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 2010 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 2010 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE 2010 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 2010 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 2010 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 2010 BONDS – Reserve Fund" herein). Funds in the Reserve Fund (excluding amounts which may be drawn under the 2007 Surety Bond may be used to pay principal of and interest on the Bonds, including the 2010 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 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 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 2010 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" herein.

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.

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 the 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 may 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 2010 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 2010 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 2010 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 2010 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 2010 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 Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

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

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

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

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

Payments by FDIC and Other Federal Agencies

The ability of the Community Facilities 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 Corporation (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 Community Facilities 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 2010 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 2010 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 Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2010 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 2010 Bonds do not contain a provision allowing for the acceleration of the 2010 Bonds in the event of a payment default or other default under the terms of the 2010 Bonds or the Indenture. Pursuant to the 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 Indenture" herein). So long as the 2010 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 XIIIA") to the California Constitution. Section 4 of Article XIIIA, 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 XIIIA, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a "special tax" for purposes of Article XIIIA.

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 2010 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 2010 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 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 2010 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 2010 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 2010 BONDS – Proceeds of Foreclosure Sales."

Right to Vote on Taxes Act

An initiative measure, Proposition 218, 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 XIIIC ("Article XIIIC") and Article XIIID 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 as they may relate to community facilities districts are subject to interpretation by the courts.

Among other things, Section 3 of Article XIIIC 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 was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> "Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights 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 2010 Bonds.

It may be possible, however, for voters of the Community Facilities District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2010 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 2010 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 2010 Bonds as well as the market for the 2010 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 2010 Bonds or, if a secondary market exists, that such 2010 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 2010 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 2010 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2010 Bonds as a result of future 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 Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2010 Bonds, the Community Facilities District has covenanted in the 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 2010 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2010 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 Indenture. See "THE 2010 BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2010 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2010 Bonds might be affected as a result of such an audit of such 2010 Bonds (or by an audit of similar bonds or securities).

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 2010 Bonds or to preserve the tax-exempt status of the 2010 Bonds. See "Payments by FDIC and other Federal Agencies," "No Acceleration Provisions" and "Billing of Special Taxes" herein.

LEGAL MATTERS

Legal Opinion

The legal opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2010 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 2010 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

General. 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 2010 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 nor is such interest included in adjusted current earnings when calculating corporate alternative minimum taxable income.

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 2010 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 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 2010 Bonds.

In the further opinion of Bond Counsel, interest on the 2010 Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the 2010 Bonds is less than the amount to be paid at maturity of such 2010 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010 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 2010 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 2010 Bonds is the first price at which a substantial amount of such maturity of the 2010 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 2010 Bonds accrues daily over the term to maturity of such 2010 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 2010 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010 Bonds. Owners of the 2010 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2010 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2010 Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Bonds is sold to the public.

The 2010 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 2010 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2010 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 2010 Bonds other than as expressly described above.

Should the interest on the 2010 Bonds become includable in gross income for federal income tax purposes, the 2010 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 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 2010 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 2010 Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the 2010 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 2010 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 2010 Bonds.

It is possible that subsequent to the issuance of the 2010 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 2010 Bonds or the market value of the 2010 Bonds. No assurance can be given that subsequent to the issuance of the 2010 Bonds such changes or interpretations will not occur.

IRS Audit Program. The IRS had initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2010 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2010 Bonds might be affected as a result of such an audit of the 2010 Bonds (or an audit of another series of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, that Congress or the IRS might change the Code (or interpretation thereof) subsequent to the delivery of the 2010 Bonds to the extent that it adversely affects the exclusion from gross income of interest with respect to the 2010 Bonds or the market value of the 2010 Bonds.

It is possible that subsequent to the delivery of the 2010 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 2010 Bonds or the market value of the 2010 Bonds. No assurance can be given that subsequent to the delivery of the 2010 Bonds such changes or interpretations will not occur.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2010 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 2010 Bonds or in any way contesting or affecting the validity of the 2010 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, on behalf of the Community Facilities District, will be delivered to the Underwriter simultaneously with the delivery of the 2010 Bonds.

No General Obligation of School District or Community Facilities District

The 2010 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 2010 Bonds, including amounts in the Reserve Fund, Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the 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 2010 Bonds shall be limited to the Special Taxes to be collected within the Community Facilities District.

RATING

Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., is expected to assign a rating of “BBB+” to the 2010 Bonds. Such rating reflects only the views of such organization and any explanation of the significance of such rating 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. 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 such rating will continue for any given period of time or that such rating will not be revise downward or withdrawn entirely by the 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 2010 Bonds are being purchased by the Stone & Youngberg LLC at a purchase price of $5,640,252.70 (which represents the aggregate principal amount of the 2010 Bonds of $5,775,000.00, less an original issue discount of $19,247.30 and less an underwriter’s discount of $115,500.00).

The purchase agreement relating to the 2010 Bonds provides that the Underwriter will purchase all of the 2010 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 2010 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, Nossaman LLP, as Underwriter's Counsel, 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 2010 Bonds. The fees of Dolinka Group, LLC, as Special Tax Consultant, are in part contingent upon the issuance of the 2010 Bonds. The fees of Stephen G. White, MAI, as Appraiser, are not contingent upon the issuance of the 2010 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 2010 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, 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 2010 Bonds, and the 2010 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: Director of Planning.

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") and includes the City of Poway and portions of the City and County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Poway, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz and Torrey Highlands. The School District currently operates 25 (K-5) elementary schools, six (6-8) middle schools, five comprehensive high schools (9-12), one continuation high school and one (1) adult school. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2009-10 academic year is approximately 33,270 (estimate). As of January 1, 2009 (the most recent date the School District has estimated information available for), the estimated population within the School District's boundaries was approximately 195,315. The School District's had approximately 33,720 students enrolled at CBEDS for the Fiscal Year 2009-10 and estimates approximately 33,720 of students enrolled during Fiscal Year 2010-11.

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 three Associate Superintendents.

From Fiscal Year 2004-05 through Fiscal Year 2009-10 the School District's enrollment has been stable. The demographics of the School District reflect an increasing trend in the high school population and a decreasing trend in the elementary and middle school population. Experience shows that the east side of the School District is nearly built out and west and south areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

Poway Unified School District
Student Enrollment

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2004-05	33,915	31,797	4,809
2005-06	32,645	31,590	5,125
2006-07	32,873	31,817	5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	6,110
2009-10	33,720	32,641	5,202
2010-11	33,720*	32,641*	5,182*

* Estimated.

Source: California Department of Education and the School District.

Labor Relations

As of August 18, 2010, the School District employed approximately 1,582 certificated professionals and approximately 1,702 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

Labor Organization	Approximate Number of Employees In Organization	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,388	6/30/12
Service Employees International Union	437	6/30/13
California Schools Employees Association	1,176	6/30/10*

* Pursuant to State law, the status quo remains in effect until a new agreement is signed.

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 2006-07 was $11,013,784, in Fiscal Year 2007-08 was $11,588,843, in Fiscal Year 2008-09 was $11,570,502 and in Fiscal Year 2009-10 was approximately $9,688,720. The School District’s contribution to STRS for Fiscal Year 2010-11 is estimated to be approximately $9,563,338. 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 2006-07 was $5,598,960, in Fiscal Year 2007-08 was $6,158,527, in Fiscal Year 2008-09 was $6,244,809 and in Fiscal Year 2009-10 budget was $5,499,804. The School District's contribution to PERS for Fiscal Year 2010-11 is estimated to be approximately $5,411,768.

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, 2007, was $942,340, for the Fiscal Year ending June 30, 2008, was $1,134,471 and for Fiscal Year ending June 30, 2009, was $1,353,447 and $1,571,614 for Fiscal Year 2009-10. The School District estimates that is contributions for these benefits will be approximately $1,893,711 for Fiscal Year 2010-11. 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.

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 $5,000 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 membership in a joint powers authority, the Southern California Regional Liability Excess Fund ("SCR"). SCR provides general liability coverage up to $25,000,000 per occurrence (minus the $50,000 retention) and property loss coverage up to $250,000,000 per occurrence (minus the $5,000). The relationship between the School District and the JPA is such that the JPA are not a component unit of the School District.

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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 (vii) 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 l 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. <u>Undeveloped Property</u>

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. <u>Special Tax Requirement</u>

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:

August 2, 2010

SUBMITTED TO:

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

DATE OF REPORT:

August 13, 2010

SUBMITTED BY:

Stephen G. White, MAI
1370 N. Brea Blvd., Suite 255
Fullerton, CA 92835

Stephen G. White, MAI

Appraisal Institute MAI

Real Estate Appraiser

1370 N. BREA BLVD., SUITE 255 · FULLERTON, CALIFORNIA 92835-4173
(714) 738-1595 · FAX (714) 738-4371

August 13, 2010

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, 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 August 2, 2010. This includes completed-sold homes (closed sales from builder to homeowner and possible subsequent resales) and completed-unsold homes (still owned by the builder). There are a total of 34 tracts that have completed homes, of which 29 tracts are fully built and sold-out, and 5 tracts that have active construction.

The purpose of this appraisal is to estimate the market value on a mass appraisal basis of the completed homes within these 34 separate tracts. This appraisal also reflects the existing and proposed public bond financing, as well as the effective tax rates ranging from ±1.4% to 1.9% based on the estimated home values, including the special taxes for this CFD and other overlapping debt.

Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

Neighborhood One: **Tract Name (Builder)**	**No.** **Homes**	**Min. Market Value**
Ryland Heritage (Ryland Homes)	75	$ 61,500,000
Summerwood (William Lyon Homes)	95	$ 50,350,000
Tanglewood (William Lyon Homes)	161	$ 74,060,000
Cedar Creek (D.R. Horton)	80	$ 51,200,000
Amherst (Brookfield Homes)	80	$ 57,600,000
Homestead (Fieldstone Communities)	103	$ 75,190,000
Garden Gate (Sea Country Homes)	133	$ 75,810,000
Talavera (Davidson Communities)	126	$105,840,000
Providence (William Lyon Homes)	122	$102,480,000
Legacy (Christopher Homes)	107	$ 75,970,000
Sub-Total	1,082	$730,000,000

Neighborhood Two: Tract Name (Builder)	No. Homes	Min. Market Value
Belle Rive (Buie Communities)	82	$ 55,760,000
Canyon Ridge (Centex Homes)	75	$ 57,750,000
Palomino (K. Hovnanian)	97	$ 85,360,000
Avery Lane (Pulte Homes)	75	$ 62,250,000
Cambridge (Fieldstone Communities)	65	$ 48,100,000
Terreno (Standard Pacific Homes)	105	$ 87,150,000
Ivy Gate (Woodbridge Homes)	66	$ 81,180,000
Sub-Total	565	$477,550,000

Neighborhood Three: Tract Name (Builder)	No. Homes	Min. Market Value
Reunion (Davidson Communities)	66	$ 51,480,000
Travata (Standard Pacific Homes)	65	$ 47,450,000
SilverCrest (Fieldstone Communities)	121	$ 85,910,000
Rosemary Lane (John Laing Homes)	133	$ 86,450,000
Silhouette (John Laing Homes)	68	$ 44,200,000
Maybeck (William Lyon Homes)	120	$ 84,000,000
Garden Walk (Sea Country Homes)	136	$ 74,800,000
Bridgeport (Lennar Homes)	218	$ 71,940,000
Gianni (Standard Pacific Homes)	206	$ 82,400,000
San Moritz (Shea Homes)	140	$ 50,400,000
Amante (William Lyon Homes)	127	$ 63,500,000
Ravenna (William Lyon Homes)	199	$ 81,590,000
Chanteclair (Buie Communities)	92	$ 59,800,000
Evergreen (K. Hovnanian Homes)	64	$ 45,440,000
Pienza (Fieldstone Communities)	70	$ 49,000,000
Sub-Total	1,825	$978,360,000

Neighborhood Four: Tract Name (Builder)	No. Homes	Min. Market Value
Andalusia (Calif. West Communities)	16	$10,560,000
Monteluz (Calif. West Communities)	12	$ 8,640,000
Sub-Total	28	$19,200,000
Total	3,500	$2,205,110,000

(TWO BILLION TWO HUNDRED FIVE MILLION ONE HUNDRED TEN THOUSAND DOLLARS)

The following is the balance of this 160-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: 10021

TABLE OF CONTENTS

CERTIFICATION

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

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

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

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

4. I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.

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

6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

8. I have made a personal but general inspection of the properties that are the subject of this report.

9. No one provided significant professional assistance to the person signing this report, other than data research by my associate, Kirsten Patterson.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

Stephen G. White

Stephen G. White, MAI
(State Certified General Real Estate
Appraiser No. AG013311)

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal has been based upon the following assumptions and limiting conditions:

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

2. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the property.

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

7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.

8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value 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 properties described and that there are no encroachments or trespasses unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the properties, but the values estimated in

this appraisal are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

12. 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 Preliminary Official Statement and 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/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value on a mass appraisal basis 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 August 2, 2010, as segregated into the 34 different tracts of homes. It is intended that this Summary Appraisal Report is to be used by the client, the financing team and others as required in the CFD 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 a general 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 from a variety of sources; obtaining of comparable sales from a variety of sources; and analysis of all of the data to the conclusions of aggregate market value.

DATE OF VALUE

The date of value for this appraisal is August 2, 2010.

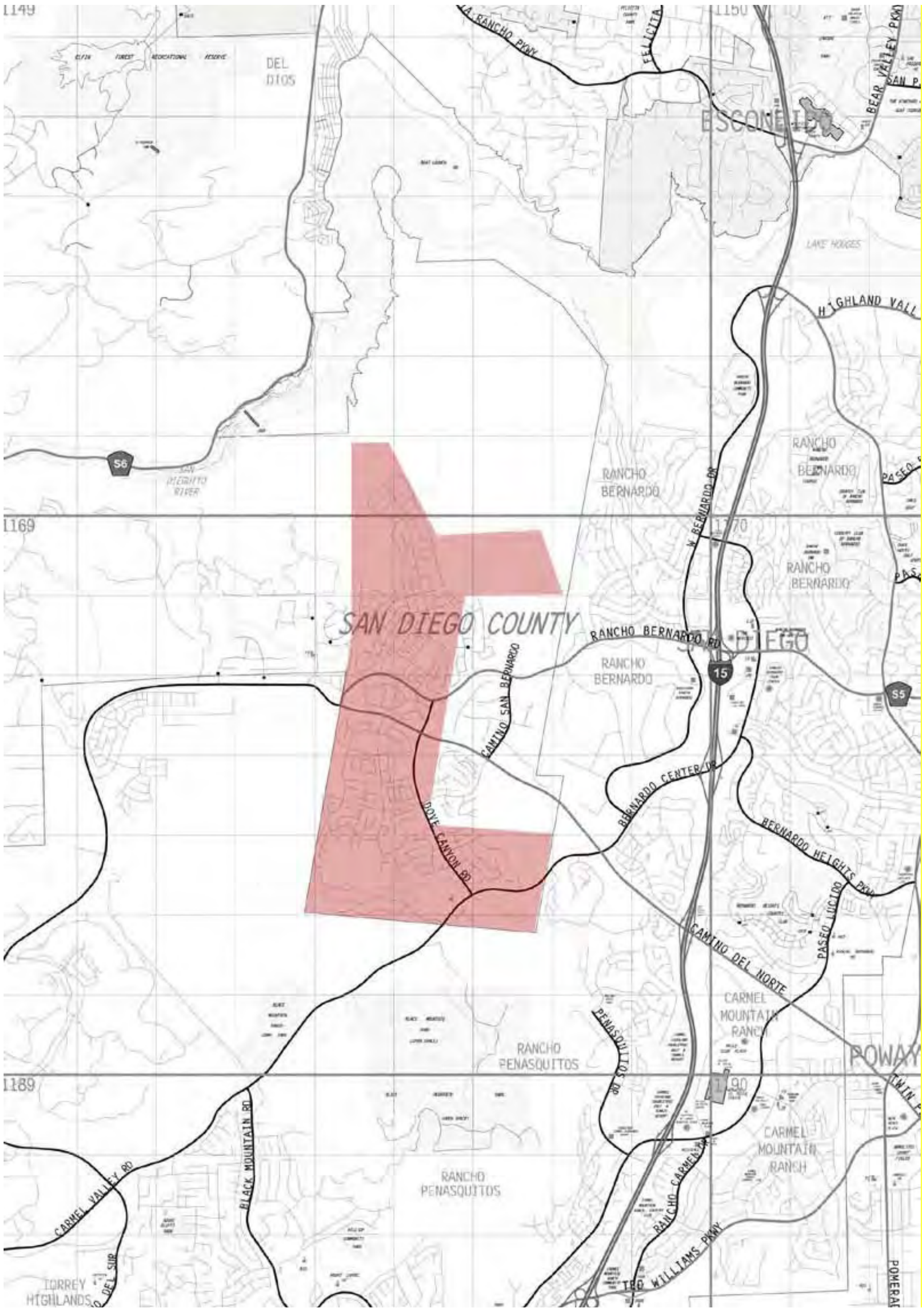
PROPERTY RIGHTS APPRAISED

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.

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 still-developing area in unincorporated San Diego County, just under 2 miles west of the 15 Freeway, but with a San Diego mailing address.

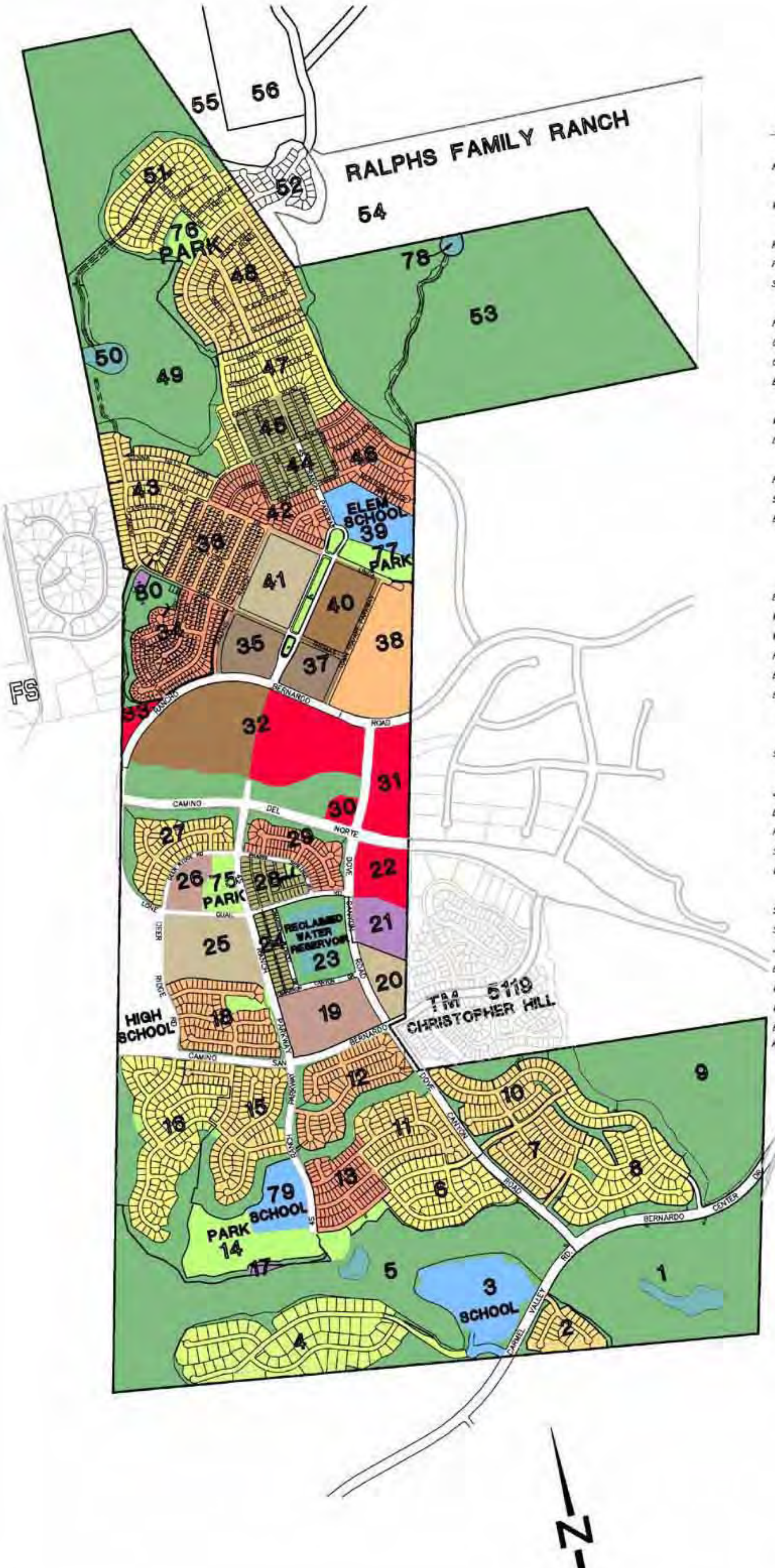
GENERAL AREA DESCRIPTION

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 Peñasquitos. To the west and southwest is the recently developing community of Del Sur, which is part of the overall Black Mountain Ranch project. This community is planned for a total of ±3,000 dwelling units, including ±200 affordable apartment units. Home construction started in late 2005 and thus far approximately 700 homes have been completed and sold. In addition, the community will include some commercial space.

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. Many stores, restaurants and commercial services are available in the commercial areas in the center of the community, and there are 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

BUILDER	PLANNING AREA NUMBER	TRACT/USE	MIN LOT SIZE/ ZONE	NO. DU's
	1	OPEN SPACE		–
K. HOVNANIAN	2	SFD	60 x 105	24
	3	MIDDLE SCHOOL		–
WOODBRIDGE HOMES	4	SFD	110 x 120	66
	5	OPEN SPACE		–
K. HOVNANIAN	6	SFD	70 x 105	73
FIELDSTONE COMM	7	SFD	60 x 105	65
STD. PACIFIC	8	SFD	65 x 125	105
	9	OPEN SPACE		–
PULTE	10	SFD	60 x 105	75
CENTEX	11	SFD	60 x 105	75
CHRISTOPHER	12	5067–6	50 x 100	108
BUIE	13	SFD	45 x 100	82
	14	PARK		–
WILLIAM LYON HOMES	15	5067–5	60 x 100	123
DAVIDSON	16	5067–4	70 x 100	126
	17	PUMP STATION		–
FIELDSTONE COMM	18	5067–3	56 x 98	103
SEA COUNTRY	19	5266	RV9	133
BRIDGE	20	MF LOW	C34	120
	21	WATER RECLAMATION PLANT		–
	22	COMMERCIAL	C36	–
	23	RECLAIMED WATER RESERVOIR		–
BROOKFIELD HOMES	24	5067–8	50 x 103	34
WILLIAM LYON HOMES	25	5256	RV–12	202
WILLIAM LYON HOMES	26	5258	RV–9	54
RYLAND HOMES	27	5067–1	60 x 100	75
BROOKFIELD HOMES	28	5067–7	50 x 103	46
DR. HORTON	29	5067–2	42 x 100	80
	30	COMMERCIAL	C35	–
	31	COMMERCIAL	C35	–
SARES REGIS/REGENCY CTRS	32	MF/COMMERCIAL	MF18/C34	540
	33	COMMERCIAL	C35	–
JOHN LAING HOMES	34	SFD	45 x 90	133
LENNAR HOMES	35	MF	RM–29	218
FIELDSTONE COMM	36	SFD	50 x 100	127
SHEA HOMES	37	MF	RM–29	140
WILLIAM LYON HOMES	38	MF	RV–14	326
	39	ELEMENTARY SCHOOL		–
STD PACIFIC	40	MF	RV–18	209
SEA COUNTRY	41	SFD	RV–12	136
JOHN LAING HOMES	42	SFD	42 x 100	96
DAVIDSON/STD PACIFIC	43	SFD	60 x 105	131
WILLIAM LYON HOMES	44	SFD	50 x 103	80
WILLIAM LYON HOMES	45	SFD	50 x 103	60
BUIE	46	SFD	45 x 90	101
K. HOV/ FIELDSTONE	47	SFD	50 x 100	134
	48	SFD	60 x 100	175
	49	OPEN SPACE		–
	50	WATER TANK		–
	51	SFD	70 x 100	114
	52	SFD (RALPHS)		25
	53	OPEN SPACE		–
	75	PARK		–
	76	PARK		–
	77	PARK		–
	78	WATER TANK		–
	79	SCHOOL		–
	80	OPEN SPACE/DETENTION BASIN		–
	80	PUMP STATION		–
	64	RALPHS FAMILY RANCH (NOT SHOWN)		11
			TOTAL	4,505

AUGUST 10, 2005

NOLTE
BEYOND ENGINEERING

4S RANCH

MASTER DEVELOPMENT PLAN

N:\SD0355\CADD\T3\ET_MTM.DWG

DESCRIPTION OF 4S RANCH

Overview

4S Ranch is a mixed-use master planned community that contains a total of ±2,900 acres. The community is planned 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, Chase Bank, Chile's restaurant (recently vacated), and various other stores and fast food restaurants. In addition, there is a nearby L.A. Fitness, and a separate and smaller commercial center called 4S Ranch Village that includes Union Bank, Starbucks, Subway, Chevron gas station with car wash, various other stores and additional construction underway.

Community amenities include four schools (two elementary schools, a middle school and a 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 29 built-out/sold-out tracts of homes and 5 other tracts of homes that are either close to build-out or with construction currently ongoing. Future tracts of homes are planned for development in Neighborhood Four at the northerly end of the community.

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 southwesterly from Camino Del Norte. 4S Ranch Parkway extends north-south through the overall community providing access to Neighborhoods One through Four.

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

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 Four have recorded tract maps.

Drainage/Flood Hazard

Drainage is within master-planned facilities that have been constructed 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.

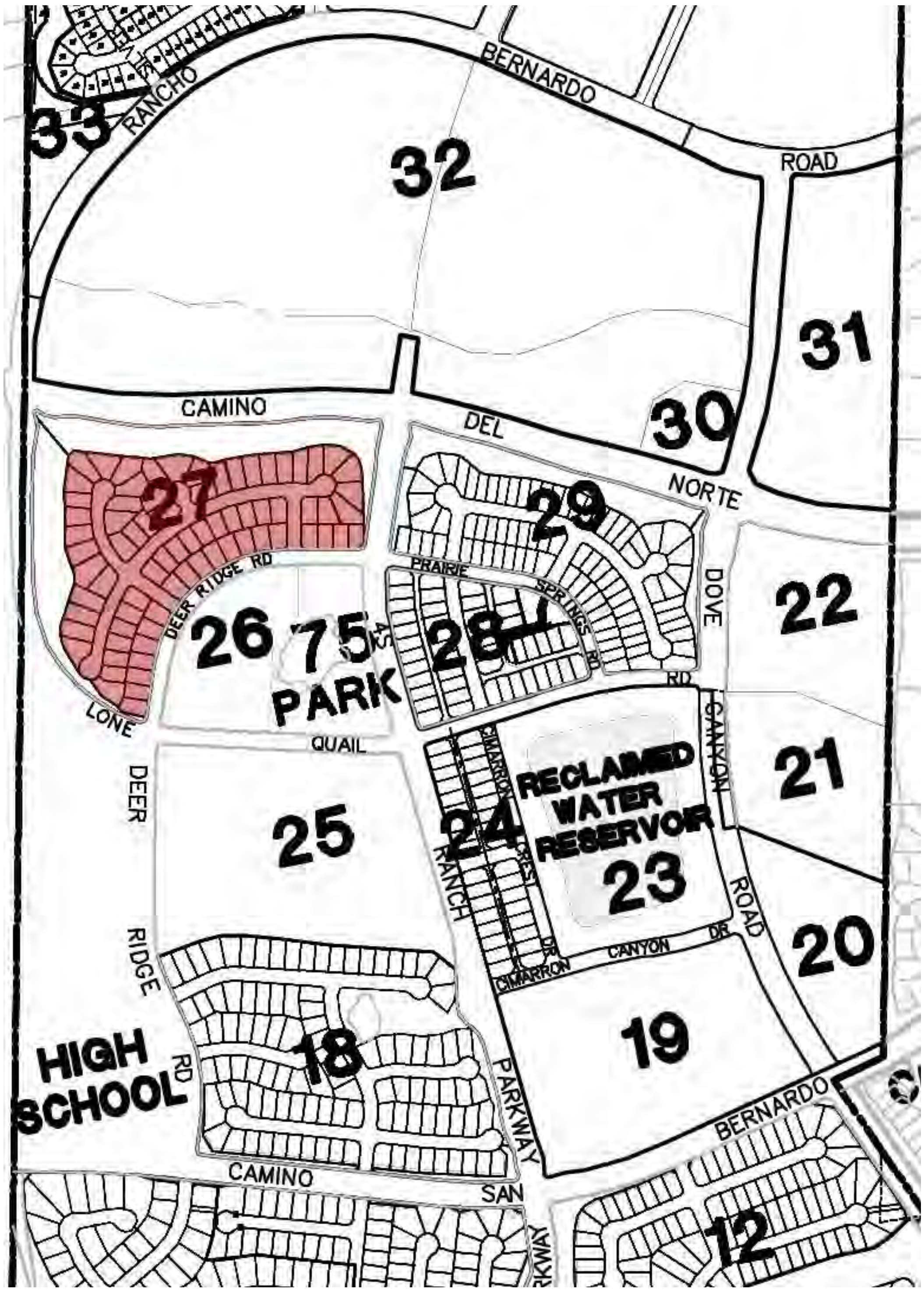
Soil/Geologic Conditions

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

Environmental Conditions

This appraisal has assumed that all necessary environmental permits and approvals have been obtained for continued 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-2009/10

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 \$40,866 to \$1,190,672, or an average of \$751,836. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

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

> Plan 1 (±22): 3,643 s.f., two-story, with 4 bedrooms, loft, office, family room, breakfast nook, 4½ baths and 2-car garage with options of master retreat, bonus room and bedroom 5.
>
> Plan 2 (±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

> Plan 3 (±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.

Per Assessor data, the homes in this tract range in size from 3,643 s.f. to 4,316 s.f. or an average of 3,874 s.f.

VALUATION

Method of Analysis

All of the homes in this tract are categorized as completed-sold, having been completed and sold by the builder about 8 to 9 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 sales of homes from within the subject tract as well as sales from other tracts of similar homes in 4S Ranch. Information on type of sale (conventional, short, or lender sale) and property condition was obtained from the Multiple Listing Service, broker/agent interviews and/or Assessor data.

Analysis of 75 Completed-Sold Homes

The pertinent sales data from the subject tract is tabulated as follows:

No.	Address	Rec. Date	Price	Home Size	Remarks
1	9853 Falcon Bluff	2/13/09	$825,000	4,285	Conventional sale; good condition
2	16794 Deer Ridge	3/12/09	$838,100	4,268	Short sale; former model; good condition
3	16690 Deer Ridge	12/24/09	$725,000	3,643	Lender sale; avg. condition
4	9838 Falcon Bluff	1/15/10	$805,000	3,824	Short sale; avg. condition; pool & spa; view
5	16754 Falcon Bluff	6/22/10	$830,000	4,034	Conventional sale; good condition
6	16714 Summit Vista	8/3/10	$875,000	4,069	Short sale; average cond.; pool; view
			$816,000	4,021	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, only 2 of the 6 sales were conventional sales, with the other 4 being short sales or lender sales which tend to result in conservative prices due to the distressed conditions of sale as well as the average condition of the home with deferred maintenance. It is also noted that 2 of the sales took place well over a year ago, however our investigation indicates that prices since early 2009 have been at least stable to slightly increasing. This is reflected by the greater demand in the current market than there had been 6 to 12 or more months ago, as well as fewer short sale and lender sale situations.

The low end of the range is indicated by Data No. 3, which is the smallest floor plan, and also reflected a lender sale of a home in average condition. The upper end of the range is indicated by Data Nos. 1, 2, 5 and 6 which are the larger homes, two of which were conventional sales, and three of which were in good condition.

The data indicates an average price of $816,000 for an average home size of 4,021 s.f. which is larger than the average of 3,874 s.f. for the overall tract. However, the larger average size is offset by the distressed conditions of sale affecting 4 of the 6 sales. It is also noted that if considering only the four most recent sales (Data Nos. 3 through 6), the average price indication is slightly lower at $809,000, but the average size is much lower at 3,893 s.f. or closer in size to the average of the overall tract. However, 3 of these 4 sales were short sales or lender sales. Thus, the indications at $809,000 and $816,000 tend to support firm lower limits as averages for the overall tract.

It is also noted that there is one current listing in this tract at 16682 Deer Ridge Rd. with an asking price of $770,000 for a 3,824 s.f. home in good condition, but a less desirable location and a short sale situation. The home is smaller than the average size for the overall tract, and the location and short sale situation would tend to result in a conservative price. Thus, the indication at $770,000 would tend to support a firm lower limit as an average for the overall tract.

Lastly, the later analyses of the Providence and Avery Lane tracts would tend to support close indications to close lower limits for the subject tract at averages of $840,000 and $830,000 due to the smaller homes on similar size to slightly larger lots; and the later analysis of the Talavera tract would tend to support a close indication to close upper limit for the subject tract at an average of $840,000 due to the similar size homes but on larger lots and with superior views.

In summary, I have concluded on an average value for the subject tract at $820,000 which results in the following:

75 homes @ $820,000 = $61,500,000

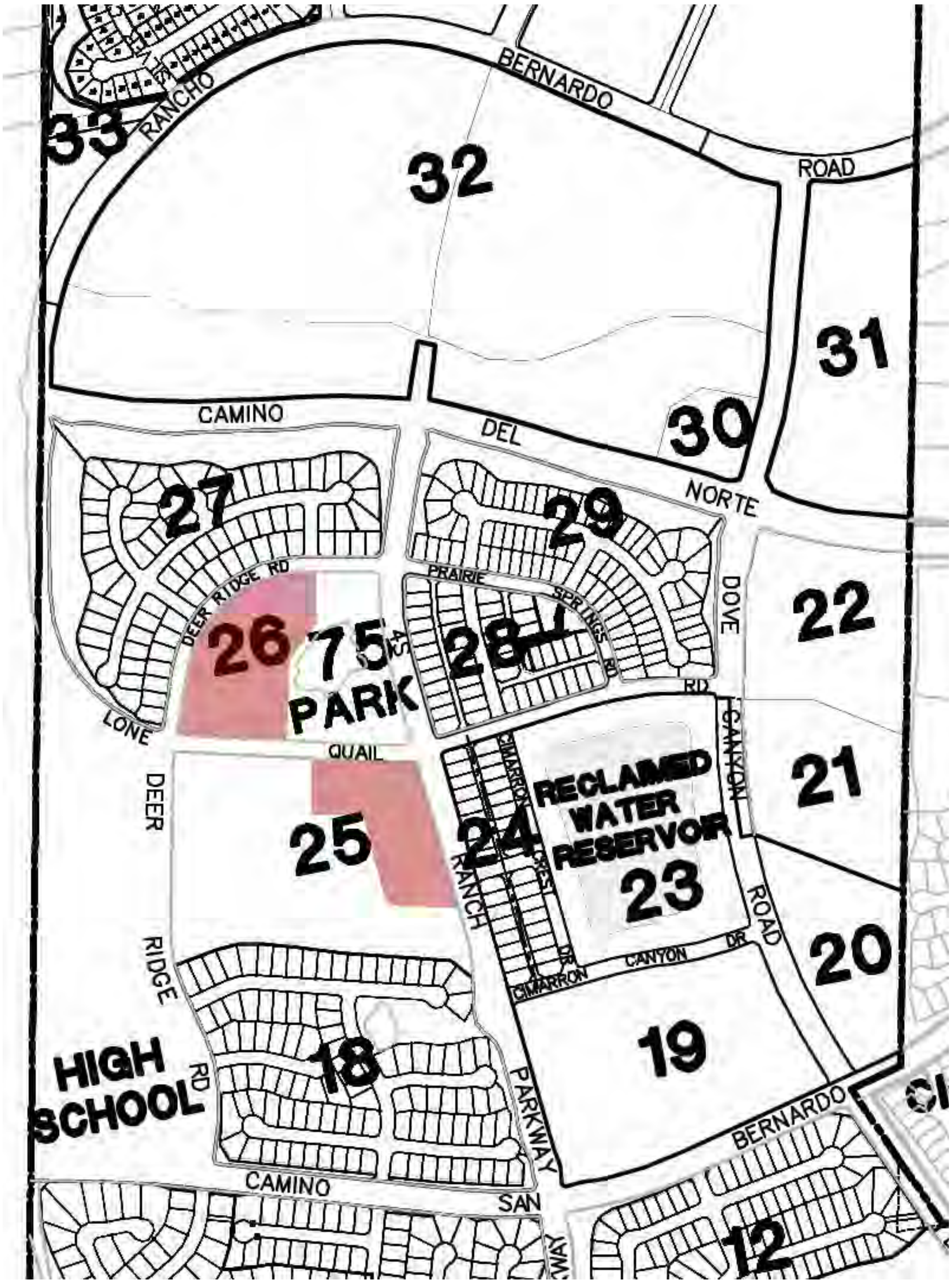
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Ryland Heritage tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$61,500,000

(SIXTY-ONE MILLION FIVE HUNDRED 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 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-2009/10

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 $255,648 to $545,000 or an average of $476,922. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.6% including special taxes and based on the estimated average current home value for this tract.

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.

PROPERTY DATA, Continuing

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.

Per Assessor data, the homes in this tract range in size from 1,644 s.f. to 2,043 s.f. or an average of 1,885 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16584 Manassas	3/17/10	$495,000	1,644	Conventional sale; good condition
2	16547 Manassas	4/14/10	$555,000	1,931	Conventional sale: good condition
3	9910 Stockbridge	5/12/10	$500,000	1,931	Short sale; avg. condition
4	16567 Manassas	5/14/10	$580,000	2,043	Conventional sale; good condition
5	16551 Manassas	6/4/10	$499,000	1,644	Conventional sale; good condition
6	16588 Manassas	6/11/10	$575,000	2,043	Conventional sale; good condition
			$534,000	1,873	(Avg.)

This data reflects all sales that have taken place thus far in 2010. As indicated, 5 of the 6 sales were conventional sales that reflected homes in good condition and fairly representative of the overall tract, with only one sale being a short sale that was a home in average condition. These are also fairly recent sales, with all having closed within the past four months. Other than the short sale, the variance in prices is fairly consistent with the variance in the home size, and there are an even mix of floor plans represented by the six sales. Thus, it is evident that the short sale reflected a relatively low price when considering the home size, which is due to the distressed conditions of sale as well as the generally inferior condition.

The indicated average of $534,000 reflects an average home size of 1,873 s.f. which is slightly smaller than the average of 1,885 s.f. for all 95 homes in the tract. For this reason, as well as due to one of the sales being a short sale and a relatively lower price, the indication at $534,000 would tend to support a lower limit as an average for the overall tract.

It is also noted that there were 8 closed sales that took place in 2009, with closing dates of March 30 through November 30. The sale prices ranged from $440,000 to $548,000 or an average of $496,500 with an average home size of 1,887 s.f. Of these 8 sales, 4 were conventional sales and 4 were short sales or lender sales. It is noted that the change from 2009 to 2010, or from an average of $496,500 to an average of $534,000, reflects a price increase of 7.6%. While part of this increase is likely due to the greater percentage of short sales and lender sales, at least a part of the increase also reflects the superior market conditions in 2010.

The average of $496,500 from the 2009 sales is a far lower limit as an average for the overall tract at current date to the date of sales as well as the greater percentage of short sales and lender sales. In addition, the overall average of $513,000 for all 14 sales that closed in 2009 and 2010 supports a closer but firm lower limit as an average for the overall tract at current date, considering dates and conditions of sale.

It is also noted that there is one current listing in this tract at 16616 Honeybrook with an asking price of $550,000 for a 2,043 s.f. home in average condition, and with a short sale situation. It is evident that this price is slightly lower than the sale prices for similar size homes, which is reflective of the distressed conditions of sale.

Lastly, the next analysis of the Tanglewood tract supports a far lower limit for the subject tract at an average of $460,000 due to the much smaller homes and on smaller lots, and the later analysis of the Garden Gate tract supports a close but firm upper limit for the subject tract at an average of $570,000 due to the slightly larger homes and on slightly larger lots.

In summary, I have concluded on an average value of $530,000 for the subject tract which results in the following:

95 homes @ $530,000 = $50,350,000

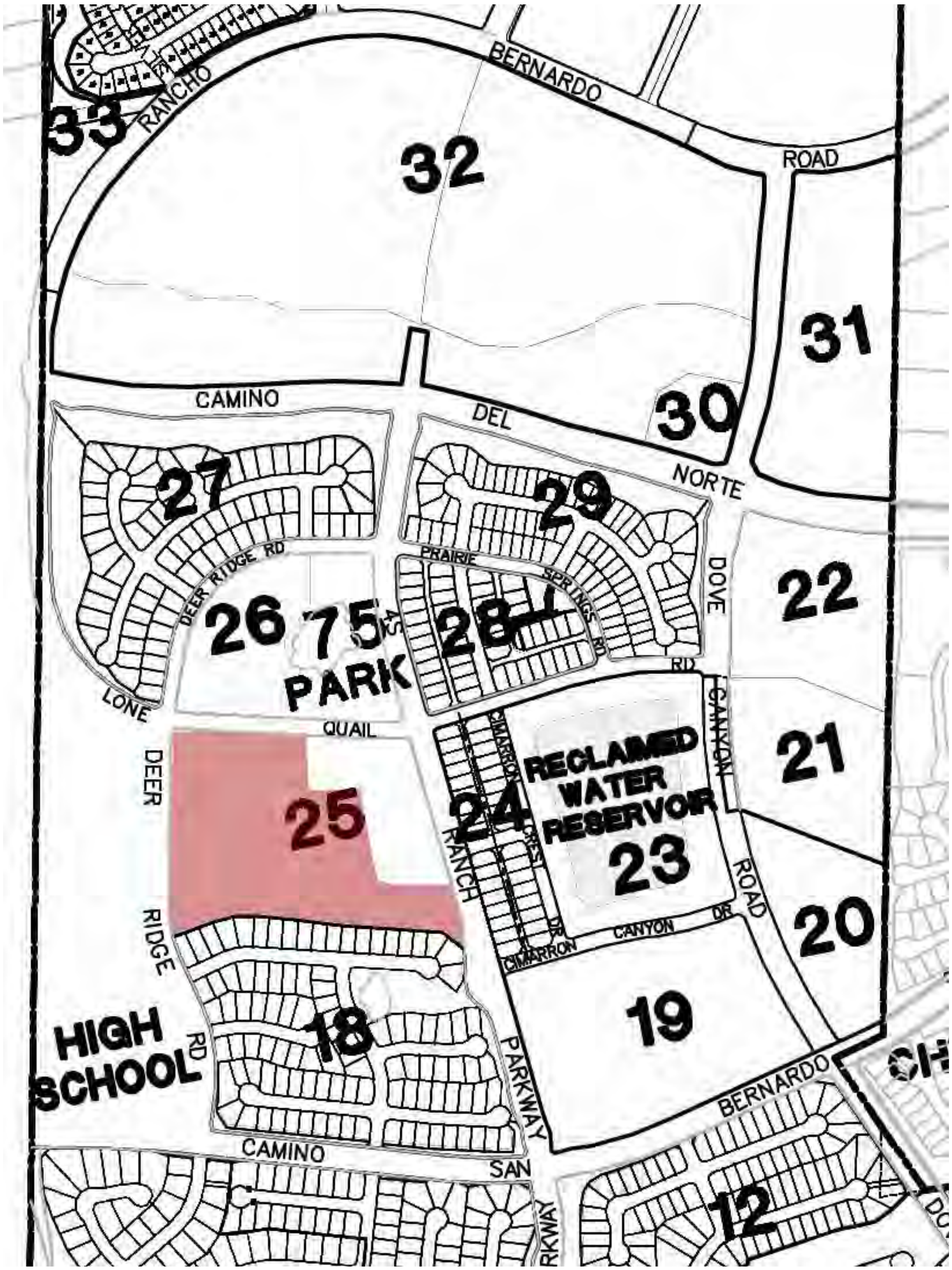
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Summerwood tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$50,350,000

(FIFTY MILLION THREE 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-2009/10

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 $145,704 to $645,883 or an average of $425,002. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

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.

Per Assessor data, the homes in this tract range in size from 1,310 s.f. to 1,690 s.f. or an average of 1,514 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	9865 Fieldthorn	2/8/10	$469,000	1,581	Conventional sale; good condition
2	9869 Fieldthorn	2/10/10	$431,500	1,310	Conventional sale; good condition
3	9838 Fieldthorn	2/19/10	$465,000	1,410	Conventional sale; good condition
4	9903 Fieldthorn	4/21/10	$440,000	1,410	Short sale; avg. condition
5	9917 Fieldthorn	5/11/10	$480,000	1,410	Conventional sale
6	10079 Fieldthorn	6/30/10	$470,000	1,581	Conventional sale; good condition
7	9841 Fieldthorn	Escrow	±$489,000	1,581	Conventional sale; good condition
8	9805 Fieldthorn	Pending	$435,000	1,410	Lender sale; good condition
			±$460,000	1,462	(Avg.)

This data reflects all sales (closed and pending) that have taken place thus far in 2010. As indicated, 6 of the 8 sales were conventional sales with homes in good condition (the condition of one was unknown) and fairly representative of the overall tract. The other 2 sales were a short sale of a home in average condition and a pending lender sale of a home in good condition. All 8 of these sales are fairly recent and thus fairly reflective of current market conditions. Overall, considering that 2 of the sales reflect distressed conditions of sale with one home being only in average condition, and also that the average size of 1,462 s.f. is slightly smaller than the average of 1,514 s.f. for the overall tract, the indication at ±$460,000 tends to support a close lower limit as an average for the overall tract.

VALUATION, Continuing

It is noted that there were 11 closed sales that took place in 2009, with prices ranging from $375,000 to $480,000 or an average of $428,000 with an average home size of 1,496 s.f. While this reflects an increase of 7.5% from 2009 to 2010, at least part of this increase would be due to the factor of at least 8 (and possibly 10) of the 11 sales in 2009 being either short sales or lender sales. Thus, the indication at $428,000 supports a far lower limit as an average for the overall tract.

It is also noted that there are 5 current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	10059 Fieldthorn	6/18/10	$415,000	1,310	Short sale; good condition
2	16588 Gettysburg	6/30/10	$415,000	1,310	Short sale; average condition
3	10051 Fieldthorn	5/13/10	$435,000-$475,000	1,581	Short sale; good condition
4	9929 Fieldthorn	3/6/10	$475,000	1,690	Short sale; average condition
5	10055 Fieldthorn	6/30/10	$499,000-$539,000	1,690	Conventional sale; good condition
			±$465,000	1,516	(Avg.)

It is noted that 4 of these 5 listings are short sale situations, and the asking prices generally are slightly lower than conventional sales of similar floor plans. In addition, 2 of the short sale listings are homes in average condition with deferred maintenance. Overall, and considering that the average home sizes of the listings is similar to the average of the overall tract, the indication at an average of $465,000 would tend to support a close indication as an average for the overall tract.

Lastly, the previous analysis of the Summerwood tract supports a far upper limit for the subject tract at an average of $530,000 due to the much larger homes that are on larger lots.

In summary, I have concluded on an average value of $460,000 for the subject tract which results in the following:

161 homes @ $460,000 = $74,060,000

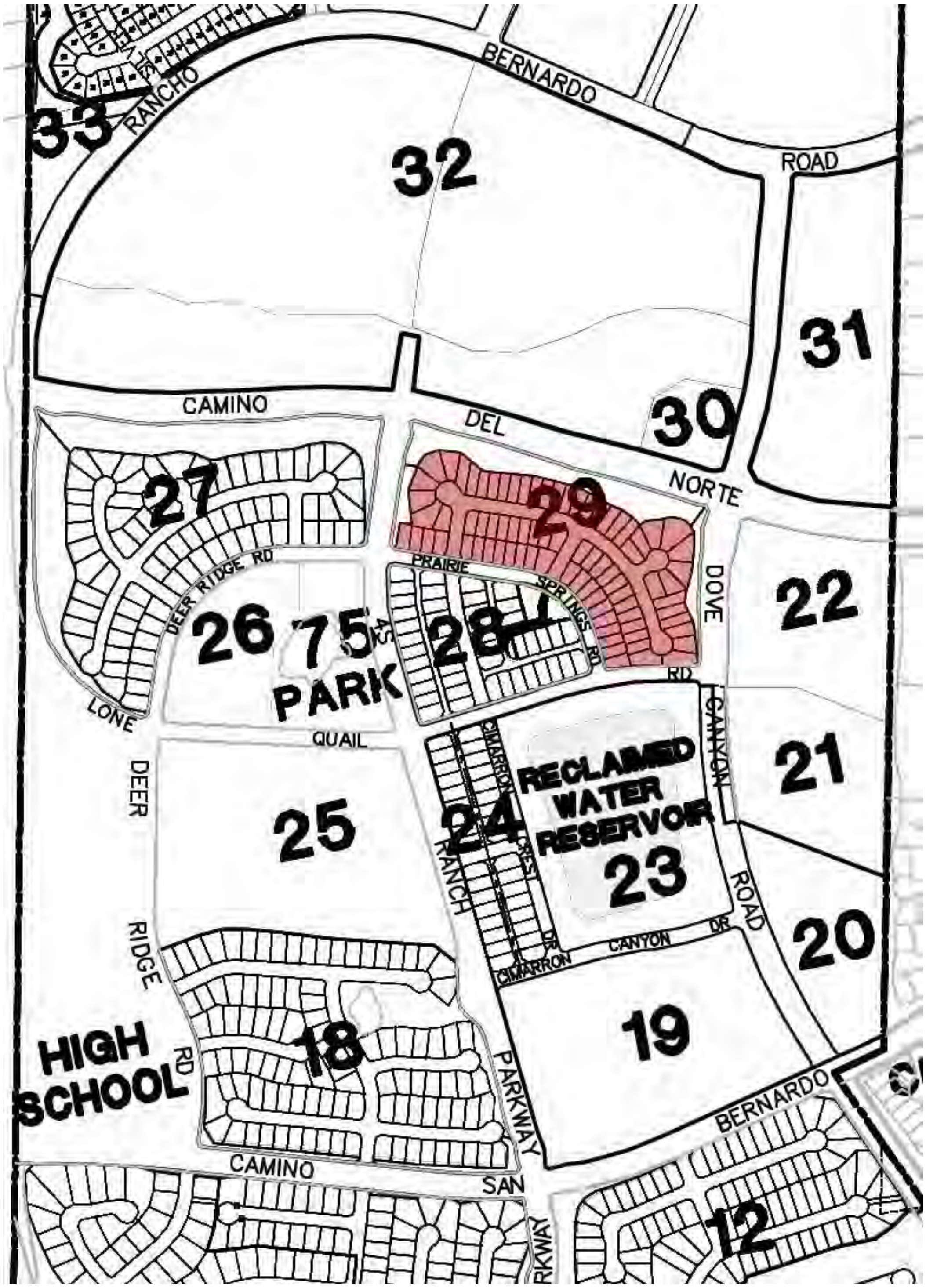
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Tanglewood tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$74,060,000

(SEVENTY-FOUR MILLION SIXTY 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-2009/10

This tract comprises Assessor Parcel Nos. 678-540-02 to 41 and 678-541-01 to 40. The assessed values range from $469,079 to $689,696, or an average of $567,802. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 80 lots. The minimum lot size is 4,200 s.f., or ±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 room in lieu of bedroom 4 and bath 3.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 2,166 s.f. to 2,690 s.f. or an average of 2,436 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10157 Prairie Fawn	10/22/09	$605,000	2,166	Conventional sale; good condition
2	10258 Prairie Springs	11/17/09	$610,000	2,344	Conventional sale; good condition
3	10270 Prairie Fawn	12/23/09	$675,000	2,690	Conventional sale; good condition; view
4	16746 Prairie Fawn	4/6/10	$737,500	2,690	Conv. sale; good cond.; large lot; view
5	10126 Prairie Fawn	5/6/10	$714,500	2,529	Conv. sale; good cond.; pool/spa; view
6	16758 Cimarron Crest	6/28/10	$575,000	2,344	Short sale; good condition
			$653,000	2,461	(Avg.)

This data reflects all sales that have taken place from the fourth quarter of 2009 and thus far in 2010. As indicated, 5 of the 6 sales were conventional sales with homes in good condition, and also with 3 of the homes having views, and 2 of those having an oversized lot or pool/spa. While the one short sale is a partially offsetting factor, these 6 sales would tend to be slightly superior to what would be considered to be typical for the overall tract on average. In addition, the average size of 2,461 s.f. indicated by these sales is slightly larger than the average of 2,436 s.f. for the overall tract. Thus, the indication at an average of $653,000 is considered to support a close but firm upper limit as an average for the overall tract.

It is noted that there were 5 additional closed sales that took place earlier in 2009, with closing dates from January 23 through August 21. The prices ranged from $510,000 to $684,000 or an average of $582,000 with an average home size of 2,342 s.f. However, it is also noted that the low end of the range was from a highly motivated lender sale in which the tenant was being evicted and the interior could not be inspected by a prospective buyer, thus the price was significantly below market. Deleting this sale, the other 4 sales indicate an average price of $599,500 with an average size of 2,386 s.f., though one of those sales was also a short sale.

Considering the conditions of sale and the smaller average home sizes than the average size for the overall tract, the indications at $582,000 and $599,500 support far lower limits as averages for the overall tract.

Lastly, the later analysis of the Garden Gate tract supports a far lower limit for the subject tract at an average of $570,000 due to the much smaller homes and on smaller lots, and the later analysis of the Belle Rive tract supports a firm upper limit for the subject tract at an average of $680,000 due to the much larger homes and on slightly larger lots.

In summary, I have concluded on an average value of $640,000 for the subject tract which results in the following:

80 homes @ $640,000 = $51,200,000

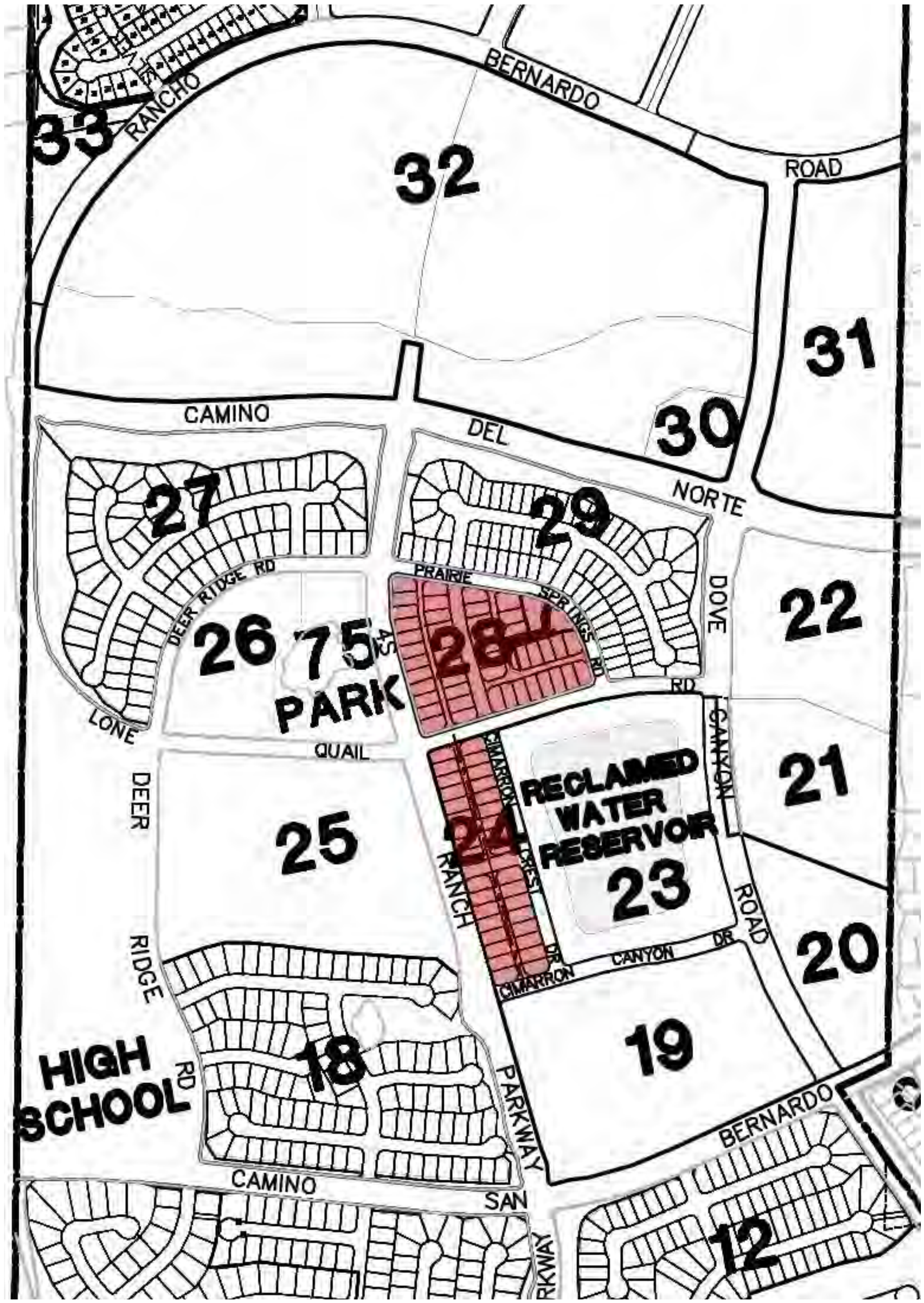
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Cedar Creek tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$51,200,000

(FIFTY-ONE MILLION TWO 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-2009/10

This tract comprises Assessor Parcel Nos. 678-580-01 to 46 and 678-590-01 to 34. The assessed values range from $517,804 to $809,900, or an average of $612,756. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated average current home value for this tract.

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 ±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 1 (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 2 (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 3 (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.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 2,902 s.f. to 3,444 s.f. or an average of 3,236 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16508 Cimarron Crest	6/25/09	$703,000	3,182	Conventional sale; good condition
2	16520 Cimarron Crest	6/29/09	$675,000	3,112	Conventional sale; good condition
3	16556 Cimarron Crest	7/29/09	$680,000	2,902	Conventional sale; good condition
4	16629 Cimarron Crest	9/29/09	$750,000	3,444	Conventional sale; good condition
5	10128 Lone Quail	11/17/09	$655,000	3,112	Short sale; average condition
6	16628 Cimarron Crest	12/8/09	$700,000	3,182	Conventional sale; good condition
7	16691 4S Ranch Pkwy	3/17/10	$708,000	3,182	Conventional sale; good condition
8	10253 Prairie Springs	4/23/10	$750,000	3,444	N/A
			$703,000	3,195	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, 6 of the 8 sales were conventional sales of homes that were in good condition, or fairly representative of the overall tract. However, Data No. 5 was a short sale of a home in average condition or below the typical condition for the overall tract, and reflected a significantly discounted price relative to other prices. In addition, the conditions of sale for Data No. 8 are not known since it was not on the Multiple Listing Service. It may have been a direct sale by owner which likely resulted in a conservative price, though public records appear to indicate that it was a conventional sale.

It is also noted that 6 of the sales took place from mid to late 2009 thus these sale prices could be slightly conservative at current date. Lastly, it is noted that the average size of the sales at 3,195 s.f. is smaller than the average of 3,236 s.f. for the overall tract.

Thus, considering the conditions of sale of one or two of the sales, the dates of sale of 6 of the sales, and the smaller average size, the indication at $703,000 supports a firm lower limit as an average for the overall tract. Deleting Data No. 5, which appears to be a heavily discounted price, the revised average of $709,000 supports a closer but still firm lower limit as an average for the overall tract.

It is also noted that there had been two listings that were recently withdrawn: $725,000 for a 3,112 s.f. home in good condition with a short sale situation; and $759,000 for a 3,322 s.f. home in good condition with a conventional sale situation. While these are only general indications, the asking prices would tend to support that the average of the sale prices at $703,000 to $709,000 is very conservative.

Lastly, the following analysis of the Homestead tract tends to support a close indication to close lower limit for the subject at an average of $730,000 due to being similar size homes but on slightly smaller lots; the later analysis of the Cambridge tract supports a close indication to close upper limit for the subject tract at an average of $740,000 due to being fairly similar size homes but on larger lots; and the later analysis of the Canyon Ridge tract supports a far upper limit for the subject tract at an average of $770,000 due to being larger homes and on larger lots.

In summary, I have concluded on an average value of $720,000 for the subject tract which results in the following:

80 homes @ $720,000 = $57,600,000

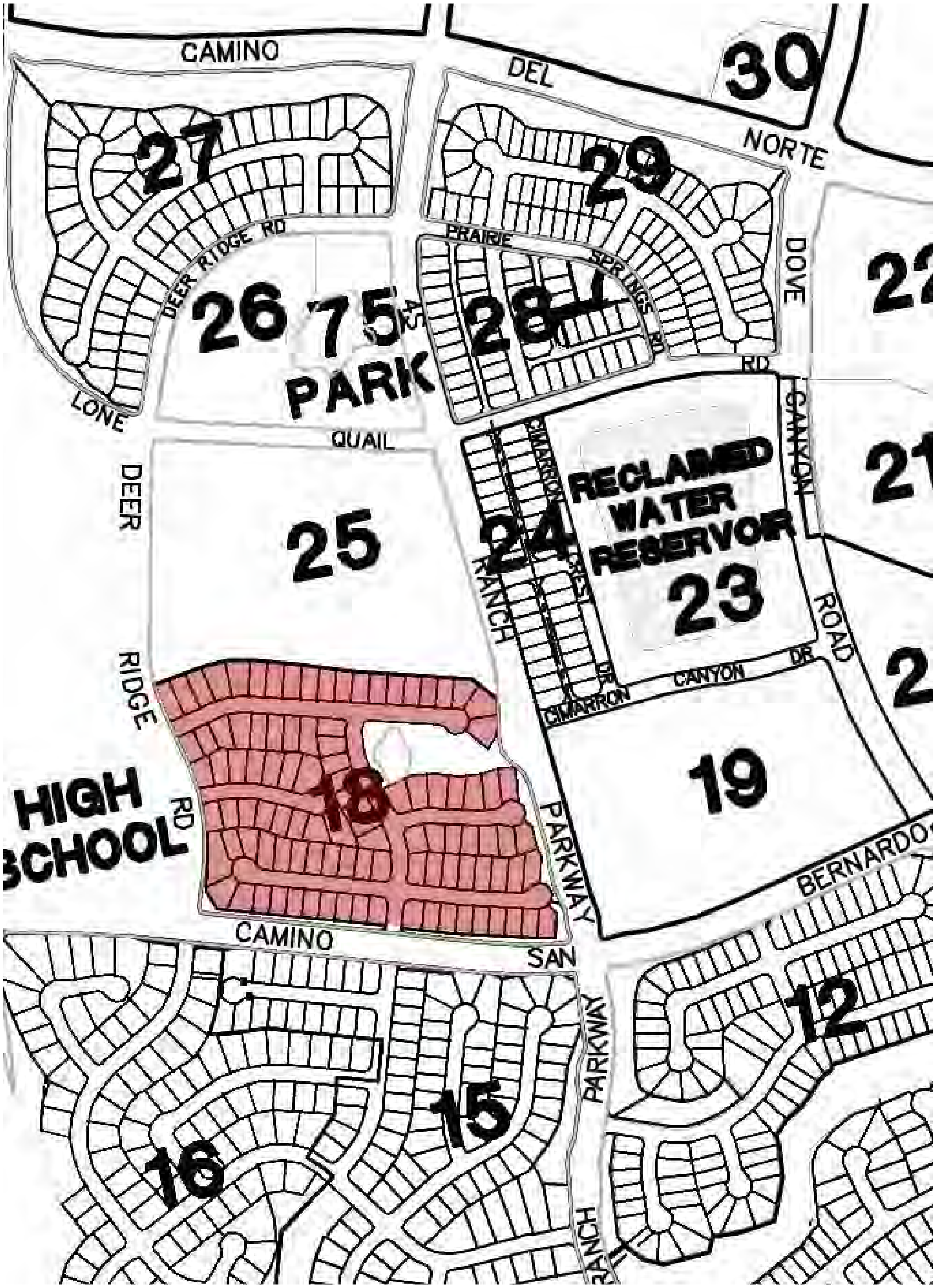
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Amherst tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$57,600,000

(FIFTY-SEVEN MILLION SIX HUNDRED THOUSAND 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-2009/10

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 $146,130 to $826,878 or an average of $638,753. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated average current home value for this tract.

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 ±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 1 (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 2 (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 3 (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.

Per Assessor data, the homes in this tract range in size from 2,860 s.f. to 3,300 s.f. or an average of 3,229 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	9842 Deer Ridge	8/5/09	$725,000	3,300	Conventional sale; good condition
2	9806 Fox Valley	9/28/09	$715,000	3,055	Conventional sale; good condition
3	9862 Fox Valley	10/15/09	$745,000	3,296	Conventional sale; good condition
4	9810 Deer Ridge	11/20/09	$720,000	3,055	Conventional sale; good condition; pool/spa
5	9822 Fox Valley	11/25/09	$675,000	3,300	Conventional sale; avg. condition
6	9880 Fox Meadow	12/11/09	$785,000	3,300	Conventional sale
7	9904 Fox Meadow	1/29/10	$725,000	3,300	Conventional sale; good condition
8	9878 Fox Valley	3/15/10	$690,000	3,055	Lender sale; average condition
9	9958 Fox Valley	5/5/10	$795,000	3,300	Conventional sale; good condition
10	9872 Fox Meadow	5/7/10	$763,000	3,296	Conventional sale; good condition
			$734,000	3,226	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, 9 of the 10 sales were conventional sales of homes of which most were in good condition or fairly representative of the overall tract. Only Data No. 8 was a lender sale, with the home being in average condition, and reflecting at least a slightly conservative price relative to the other sales. Data No. 5 was the other home that was in average condition, and while it was the largest floor plan the sale price of $675,000 was the lowest of all of the data. However, while it was not a short sale or lender sale, the seller was under duress, thus the price was likely on the low side due to this situation as well as the average condition.

It is also noted that 6 of the 10 sales took place in 2009, which would tend to result in at least a slight conservative indication at current date. Considering the conditions of sale and average condition of the homes of two of the sales, the dates of sale, but also the average home size of 3,226 s.f. which is similar to the average of the overall tract at 3,229 s.f., the indication at $734,000 supports a close indication to close lower limit as an average for the overall tract.

It is also noted that there is one current listing in the subject tract, which is 9851 Deer Ridge that is available in the price range of $749,000 to $784,000 for a 3,296 s.f. home in good condition and as a conventional sale. This is of general interest as a listing, but it is noted that the asking price is in the range of the most recent sales of similar homes.

Lastly, the previous analysis of the Amherst tract would tend to support a close indication to close upper limit for this subject tract at an average of $720,000 due to the slightly larger homes on slightly larger lots though the sales tended to be on the conservative side; the later analysis of the Legacy tract supports a lower limit indication at an average of $710,000 due to the smaller homes on similar size lots; and the later analysis of the Cambridge tract supports an upper limit at an average of $740,000 due to the slightly larger homes on larger lots.

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

103 homes @ $730,000 = $75,190,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Homestead tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$75,190,000

(SEVENTY-FIVE MILLION ONE HUNDRED NINETY 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-2009/10

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 $429,851 to $589,560 or an average of $519,825. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.6% including special taxes and based on the estimated average current home value for this tract.

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 ±2,700 s.f. to 3,700 s.f., with an average size of ±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.

Per Assessor data, the homes in this tract range in size from 1,862 s.f. to 2,317 s.f. or an average of 2,114 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10016 Baylee	2/19/10	$525,000	2,317	Short sale; avg. condition
2	16404 Sunstone	3/5/10	$560,000	2,131	Conventional sale
3	10044 Baylee	3/12/10	$606,000	2,317	Conventional sale; good condition
4	16322 Calloway	3/30/10	$535,100	1,901	Conventional sale; avg. condition
5	16440 Snowbells	3/30/10	$539,000	1,862	Conventional sale; good condition
6	16422 Snowbells	5/5/10	$569,000	2,131	Conventional sale; good condition
7	10058 Baylee	5/13/10	$611,000	2,317	Conventional sale; good condition
8	16426 Calloway	5/28/10	$584,000	1,914	Conventional sale; good condition; view
9	16452 Snowbells	7/1/10	$570,000	2,131	Conventional sale; good condition
			$567,000	2,113	(Avg.)

This data reflects all sales that have taken place thus far in 2010. As indicated, 8 of the 9 sales were conventional sales of which most of the homes were in good condition (the condition of one was unknown) and fairly representative of the overall tract. There was also one short sale of a home that was in average condition (Data No. 1), and it reflected the lowest price but for the largest floor plan. Thus, the price was negatively impacted by the conditions of sale as well as the condition of the home. All 9 of these sales closed since mid February 2010 and thus are fairly reflective of current market conditions. In addition, the average size of the sales at

2,113 s.f. is very similar to the average of the overall tract at 2,114 s.f. Thus, the indication at $567,000 supports a close indication to close lower limit as an average for the overall tract. Deleting Data No. 1, the 8 conventional sales reflect an average price of $572,000 for an average size of 2,088 s.f., and this supports a closer indication as an average for the overall tract.

It is noted that there were 8 closed sales that took place in 2009, with closing dates from May 20 through November 20. The prices ranged from $485,000 to $572,000 or an average of $524,000, with an average home size of 2,087 s.f. being smaller than the average of the overall tract at 2,114 s.f. While this reflects an increase of 8.2% from 2009 to 2010, at least part of this increase would be due to the factor of 5 of the 8 sales being either short sales or lender sales, though all but one of those homes were still in good condition. Considering the dates and conditions of sale, as well as the smaller average home size, the indication at $524,000 supports a far lower limit as an average for the overall tract.

It is also noted that there are three current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	16459 Calloway	5/27/10	$579,000	1,862	Conventional sale; avg. condition
2	16334 Calloway	4/16/10	$614,999	2,317	Conventional sale; avg. condition
3	16446 Snowbells	7/31/10	$639,000	2,317	Conventional sale; good condition
			$611,000	2,165	(Avg.)

While these listings are of general interest, the asking prices are much higher than recent sale prices for similar size homes in similar to superior condition. Thus, while the asking prices may suggest an upward value trend since the closed sales took place, the indication at an average of $611,000 supports a far upper limit as an average for the overall tract.

Lastly, the previous analysis of the Summerwood tract supports a far lower limit for this subject tract at an average of $530,000 due to the smaller homes on smaller lots and the previous analysis of the Cedar Creek tract supports a far upper limit at an average of $640,000 due to the larger homes on larger lots.

In summary, I have concluded on an average value at $570,000 which results in the following:

133 homes @ $570,000 = $75,810,000

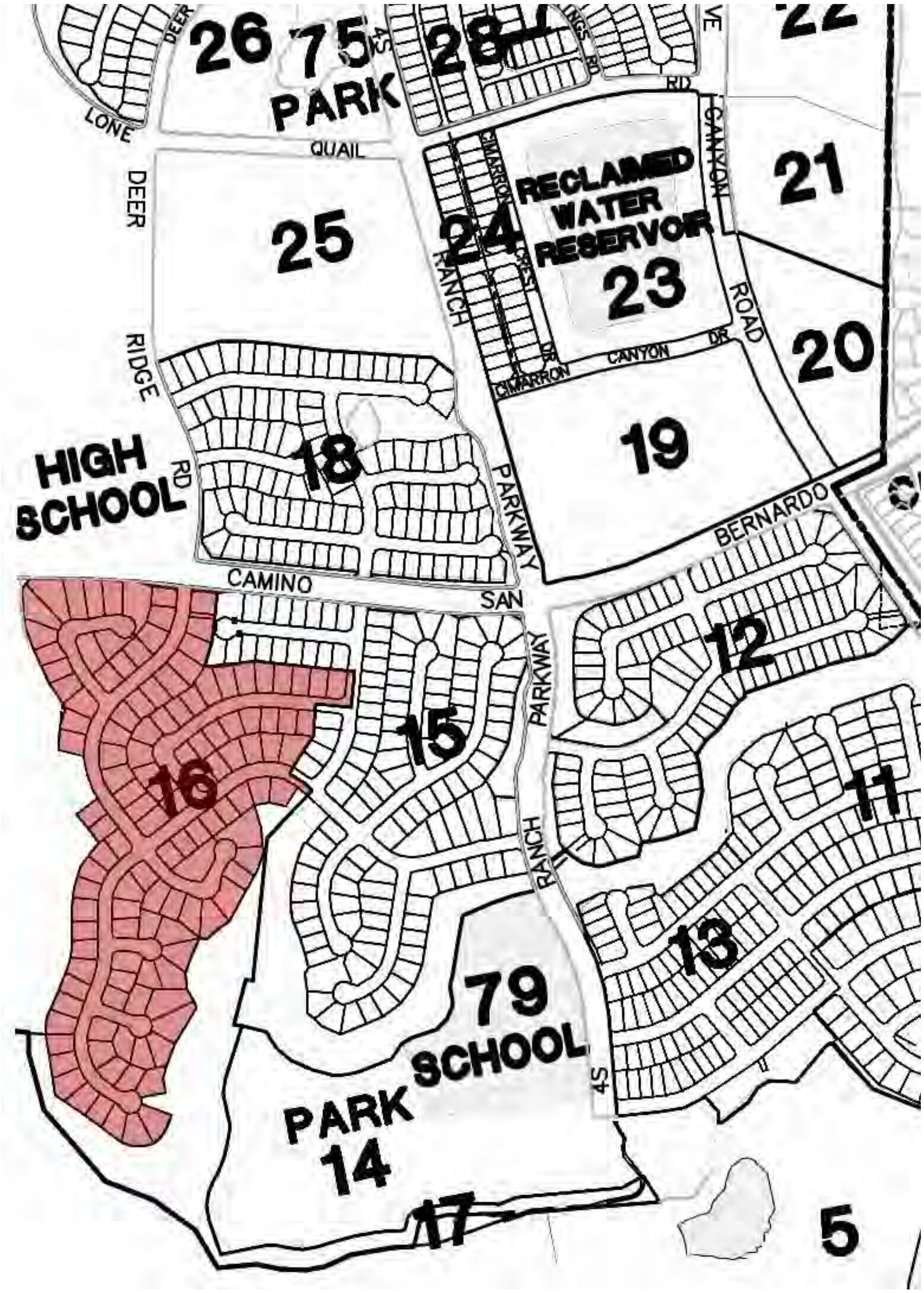
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Garden Gate tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$75,810,000

(SEVENTY-FIVE MILLION EIGHT HUNDRED TEN 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-2009/10

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 $436,953 to $1,035,000 or an average of $811,816. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.4% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 126 lots. The minimum lot size is 7,000 s.f., or ±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:

> Plan 1 (25): 3,451 s.f., two-story, with 4 bedrooms, 3½ baths, den and bonus room (optional 5th bedroom), and tandem 3-car garage.
>
> Plan 2 (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.
>
> Plan 3 (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

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

Per Assessor data, the homes in this tract range in size from 3,451 s.f. to 4,193 s.f. or an average of 3,822 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	9754 Deer Trail	5/20/09	$790,000	3,870	Lender sale; average condition; pool/spa
2	9651 Deer Trail	8/14/09	$865,000	3,780	Conv. sale; good condition; pool/spa; view
3	9710 Wren Bluff	8/25/09	$880,000	4,053	Conv. sale; good condition; pool/spa
4	16344 Deer Ridge	9/15/09	$722,000	3,451	Conventional sale; good condition
5	9790 Deer Trail	12/4/09	$860,000	3,780	Conventional sale; good condition
6	16175 Deer Ridge	6/9/10	$865,000	3,451	Conv. sale; good condition; pool/spa
			$830,000	3,731	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, 5 of the 6 sales were conventional sales of homes in good condition, with 3 of the homes having pool/spa and one having a view. Only one of the sales was a lender sale, with the home being in average condition but including a pool/spa. The price was on the conservative side relative to the size of the home, likely due to the conditions of sale but also the date of sale in May 2009. Overall, the indication at an average of $830,000 supports a firm lower limit as an average for the overall tract due to the dates of sale, one lender sale, and the smaller average home size of 3,731 s.f. in contrast to the overall tract at an average of 3,822 s.f.

Deleting Data No. 1, the 5 conventional sales reflect an average price of $838,000 for an average size of 3,703 s.f. This supports a closer but still lower limit indication as an average for the overall tract due to the dates of sale and the smaller average home size.

It is also noted that there are two current listings in the subject tract, with 9782 Wren Bluff being a 4,053 s.f. home in good condition, conventional sale, at an asking price of $949,500, and 9661 Deer Trail being a 4,193 s.f. home in good condition, conventional sale, at an asking price in the range of $924,000 to $949,000. The asking prices reflect an average of ±$943,000 for an average home size of 4,123 s.f. While these listings are of general interest, they indicate much higher prices than any of the recent sales and also reflect a much larger average home size than that of the overall tract. Thus, the indication at ±$943,000 is of general interest but supports a far upper limit as an average for the overall tract.

Lastly, the previous analysis of the Ryland Heritage tract supports a close lower limit for the subject tract at an average of $820,000 due to the slightly larger homes but on smaller lots and the inferior location of the tract; the next analysis of the Providence tract would tend to support a lower limit for the subject tract at an average of $840,000 due to the smaller homes on smaller lots; and the later analysis of the Palomino tract supports a far upper limit for the subject tract at an average of $880,000 due to the much larger homes on slightly larger lots.

In summary, I have concluded on an average value of $840,000 which results in the following indication:

126 homes @ $840,000 = $105,840,000

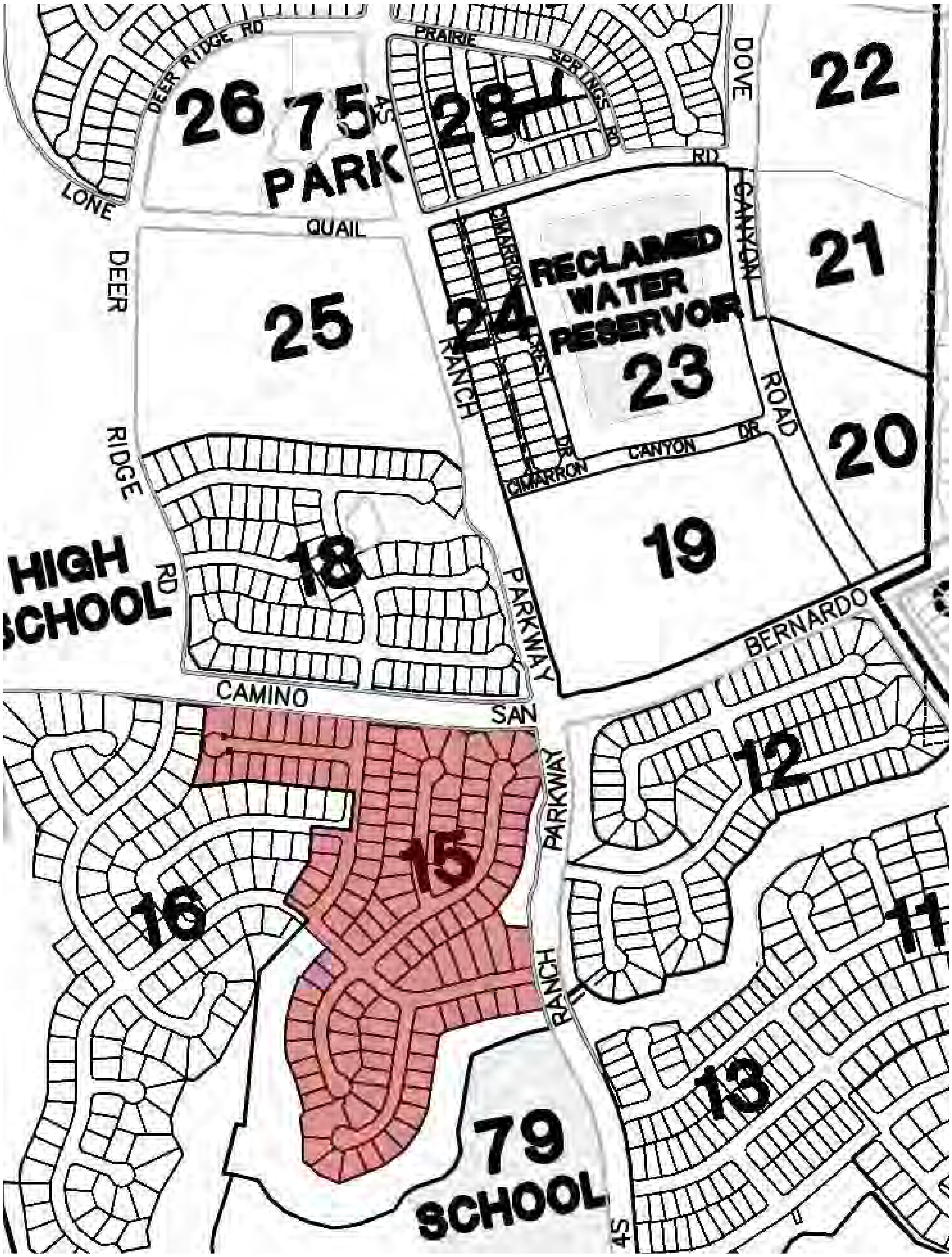
<u>Conclusion of Value</u>

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 August 2, 2010:

$105,840,000

(ONE HUNDRED FIVE MILLION EIGHT HUNDRED FORTY 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-2009/10

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 \$174,490 to \$1,026,366 or an average of \$748,252. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.4% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 123 lots. The minimum lot size is 6,000 s.f., or ±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 (±21): 3,412 s.f., two-story, with 4 bedrooms, bonus room, 2½ baths, and 3-car garage.

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

PROPERTY DATA, Continuing

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

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

Per Assessor data, the homes in this tract range in size from 3,377 s.f. to 4,172 s.f. or an average of 3,765 s.f. (reflecting only the 122 homes included in this appraisal).

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16290 Pinto Ridge	10/20/09	$826,000	3,839	Conventional sale; good condition; view
2	16346 Pinto Ridge	10/21/09	$825,000	3,377	Conventional sale; good condition
3	16253 Pinto Ridge	11/24/09	$870,000	3,839	Conv. sale; good condition; pool/spa
4	9874 Deer Trail	12/21/09	$815,000	3,977	Short sale
5	16380 Pinto Ridge	12/29/09	$730,000	3,839	Conventional sale
6	16266 Pinto Ridge	3/4/10	$868,000	3,683	Conventional sale; good condition; view
7	9873 Deer Trail	3/5/10	$760,000	3,472	Short sale; good condition; pool/spa
8	16236 Deer Trail	3/25/10	$895,000	3,977	Conventional sale; good condition;
9	16207 Deer Trail	4/29/10	$955,000	3,839	Conv. sale; good cond.; pool/spa; view
			$838,000	3,760	(Avg.)

This data reflects all sales that have taken place from the fourth quarter of 2009 and thus far in 2010. As indicated, 7 of the 9 sales were conventional sales of homes in good condition (unknown condition on one), and 4 of which had pool/spa and/or view. However, Data No. 5 is the lowest price indication and appears to have been a direct sale as it did not go through the Multiple Listing Service. The price appears to be significantly on the low side, but specific conditions of sale and condition of the home is unknown. The other two sales were short sales, and on Data No. 7 the buyer paid an additional $18,000 toward the second trust deed, resulting in an effective price of $778,000. Considering the dates of sale and the conditions of sale on 2 or 3 of the sales, but also the average size of home at 3,760 s.f. being similar to the average of the overall tract at 3,765 s.f., the indication at $838,000 supports a firm lower limit as an average for the overall tract. If deleting Data No. 5 and considering the effectively higher price of Data No. 7, the revised average price is $854,000 with a revised average home size of 3,750 s.f., thus this is a close indication to close lower limit as an average for the overall tract.

It is noted that there were 3 other closed sales that took place earlier in 2009, from January through August. These were at prices of $765,000 to $820,000 or an average of $783,000 for an average home size of 3,763 s.f. Two of these were short sales though the homes were in good condition. However, considering the dates of sale and conditions of sale, the indication at $783,000 supports a far lower limit as an average for the overall tract at current date.

It is also noted that there are two current listings in the subject tract, with 16340 Pinto Ridge being a 3,537 s.f. home in good condition, conventional sale, at an asking price of $798,900 to $829,900, and 9825 Deer Trail being a 3,977 s.f. home in good condition, conventional sale, at an asking price of $894,700 to $949,700. The asking prices reflect an average of ±$868,000 for an average home size of 3,757 s.f. While these listings are of general interest, they indicate higher prices than any of the recent sales though a similar average home size as for the overall tract. Thus, the indication at ±$868,000 is of general interest but supports a firm upper limit as an average for the overall tract.

Lastly, the previous analysis of the Ryland Heritage tract supports a close lower limit for the subject tract at an average of $820,000 due to the slightly larger homes on similar size lots but with inferior view potential and inferior tract location; the previous analysis of the Talavera tract supports a fairly close indication at an average of $840,000 due to the fairly similar size homes though on larger lots; and the later analysis of the Avery Lane tract supports a close lower limit at an average of $830,000 due to the slightly smaller homes though on slightly larger lots.

In summary, I have concluded on an average value at $840,000 which results in the following:

122 homes @ $840,000 = $102,480,000

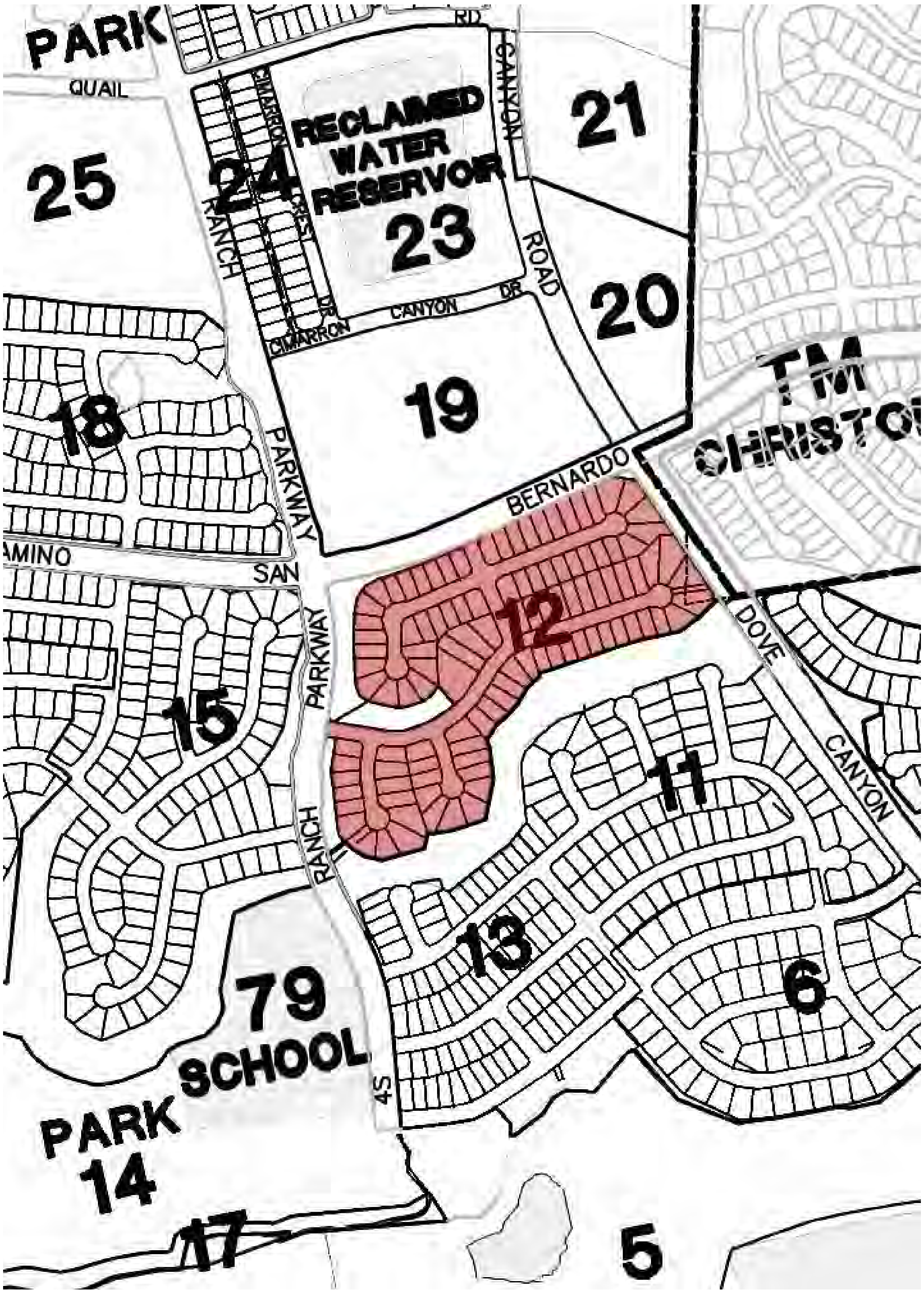
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Providence tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$102,480,000

(ONE HUNDRED TWO MILLION FOUR 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-2009/10

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 $416,160 to $805,906 or an average of $657,855. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 108 lots. The minimum lot size is 5,000 s.f., or ±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:

> Plan 1 (12): 2,829 s.f., two-story, with 3 bedrooms and loft (optional 4^{th} bedroom), 2½ baths, and 2-car garage plus storage area or optional den/office at storage area.

PROPERTY DATA, Continuing

Plan 2 (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.

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

Plan 4 (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.

Per Assessor data, the homes in this tract range in size from 2,829 s.f. to 3,424 s.f. or an average of 3,020 s.f. (reflecting only the 107 homes included in this appraisal).

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10274 Lone Bluff	7/17/09	$720,000	2,886	Conventional sale
2	10121 Lone Dove	7/24/09	$745,000	2,886	Conv. sale; good condition; spa; view
3	16257 Lone Bluff	9/23/09	$575,000	2,886	Lender sale; average condition; view
4	10282 Lone Bluff	10/22/09	$727,500	2,987	Conventional sale; good condition
5	10217 Lone Bluff	3/16/10	$728,000	2,987	Lender sale
6	10234 Lone Bluff	8/2/10	$707,000	3,288	Short sale; average condition
7	10209 Lone Bluff	Escrow	$690,000	3,424	Lender sale; below average condition; view
8	16240 Lone Bluff	Escrow	±$650,000	2,829	Conventional sale; avg./good condition
9	16224 Lone Bluff	Escrow	±$720,000	2,886	Conventional sale; avg./good condition
10	10118 Lone Dove	Escrow	$756,000	3,288	Lender sale; good condition; view
			$702,000	3,035	(Avg.)

This data reflects all sales (closed and pending) that have taken place from the second half of 2009 and thus far in 2010. As indicated, only 5 of the 10 sales were conventional sales of homes in good or unknown condition, one of which also had a view. However, the other 5 sales were lender sales or short sales, with the homes ranging from below average condition with significant deferred maintenance to good condition with a view. Data No. 3 was a lender sale, and it is evident that the price of $575,000 was highly discounted relative to other sales of similar homes. Thus, considering the dates of sale (4 of the 10 sales closing from July through October 2009), the distressed conditions of sale, and the condition of the homes being inferior to the typical condition for the overall tract, the indication at an average of $702,000 supports a far lower limit as an average for the overall tract. Deleting Data No. 3, the indicated average price of $716,000 supports a closer but still firm lower limit as an average for the overall tract.

It is noted that there was only one other closed sale that took place earlier in 2009, which closed on January 8. This was a conventional sale of a 2,886 s.f. home in good condition at a price of $712,000. Considering the date of sale and the size of home being smaller than the average of the overall tract, the price supports that the indications of $702,000 and $716,000 from the more recent sales are firm to far lower limits for the overall tract.

It is also noted that there are two current listings in the subject tract, with 10292 Lone Dove being a 2,987 s.f. home in good condition, conventional sale, at an asking price of $799,000 to $825,000, and 16256 Lone Bluff being a 3,288 s.f. home in average condition, conventional sale, at an asking price of $725,000. The asking prices reflect an average of ±$768,000 for an average home size of 3,138 s.f. or slightly larger than the overall tract. The asking price on the first listing appears to be fairly high and the asking price on the second listing appears to be low other than reflecting the condition of the home. Overall, while these listings are of interest they support a far upper limit at $768,000 as an average for the overall tract.

Lastly, the previous analyses of the Amherst and Homestead tracts support close upper limits for the subject tract at averages of $720,000 and $730,000 due to the slightly larger homes on similar size to slightly larger lots, though with inferior view potential.

In summary, I have concluded on a conservative average value of $710,000 which results in the following:

107 homes @ $710,000 = $75,970,000

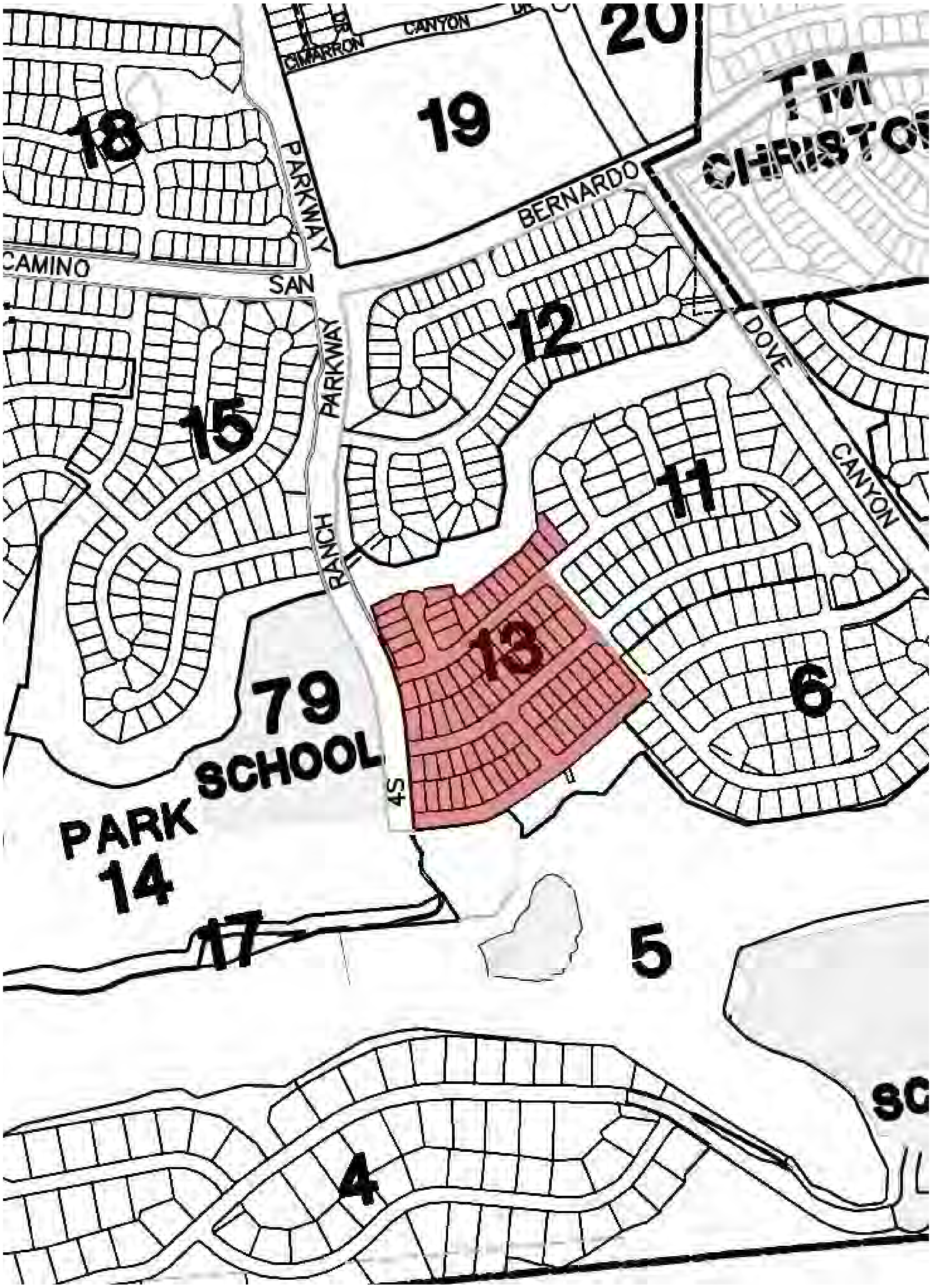
<u>Conclusion of Value</u>

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Legacy tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$75,970,000

(SEVENTY-FIVE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

MAP OF BELLE RIVE



BELLE RIVE (BUIE COMMUNITIES)

PROPERTY DATA

<u>Location</u>

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

<u>Record Owner/Ownership History</u>

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.

<u>Legal Description</u>

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.

<u>Assessor Data-2009/10</u>

This tract comprises Assessor Parcel Nos. 312-260-01 to 49, 312-261-01 to 31 and 312-262-01 to 02. The assessed values range from $527,747 to $800,000 or an average of $620,298. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

<u>No. of Lots/Lot Sizes</u>

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

<u>Existing Development</u>

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:

> <u>Plan 1</u> (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.
>
> <u>Plan 2</u> (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.
>
> <u>Plan 3</u> (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.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 2,267 s.f. to 3,438 s.f. or an average of 2,896 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	15066 Palomino Mesa	7/9/09	$695,000	3,075	Conventional sale; good condition
2	15050 Dove Creek	12/3/09	$719,000	3,072	Conventional sale; good condition
3	15011 Palomino Mesa	5/3/10	$700,000	3,273	Conventional sale; good condition
4	15003 Cross Stone	6/11/10	$637,000	3,273	Conventional sale; good condition
			$688,000	3,173	(Avg.)

This data reflects all sales that have taken place from the second half of 2009 and thus far in 2010. As indicated, all 4 of the sales were conventional sales, and all of these homes were in good condition or fairly typical of the overall tract. It is noted that while Data No. 4 reflected a conventional sale, the home was vacant and the seller was highly motivated, resulting in a very conservative price relative to Data No. 3 for the same floor plan. Considering that two of the sales took place in 2009 and Data No. 4 reflected a motivated seller, but also considering that the average home size of 3,173 s.f. is much larger than the average of 2,896 s.f. for the overall tract, the indication at $688,000 supports a fairly close indication as an average for the overall tract.

It is noted that there were only two other closed sales that took place earlier in 2009, both of which closed in April. The sales indicated $652,000 for a 2,922 s.f. home (short sale) and $633,000 for a 3,072 s.f. home (short sale or highly motivated seller) or an average of $643,000 for an average home size of 2,997 s.f. Considering the dates of sale and the conditions of sale as far more than offsetting to the slightly larger average home size, the indication at $643,000 supports a far lower limit as an average for the overall tract.

It is also noted that there is one current listing in the subject tract, with 15068 Dove Creek being a 2,492 s.f. home in good condition, short sale, at an asking price of

$610,000. It is noted that there was a recent accepted offer at $610,000 but this deal fell through. Due to the small size of the home and the short sale conditions, the indication at $610,000 is of interest but it supports a far lower limit as an average for the overall tract.

Lastly, the analysis of the Cedar Creek tract supports a firm lower limit at $640,000 due to the smaller homes on smaller lots, and the analysis of the Legacy tract supports a firm upper limit at an average of $710,000 due to the larger homes on larger lots.

In summary, I have concluded on an average value of $680,000 which results in the following:

82 homes @ $680,000 = $55,760,000

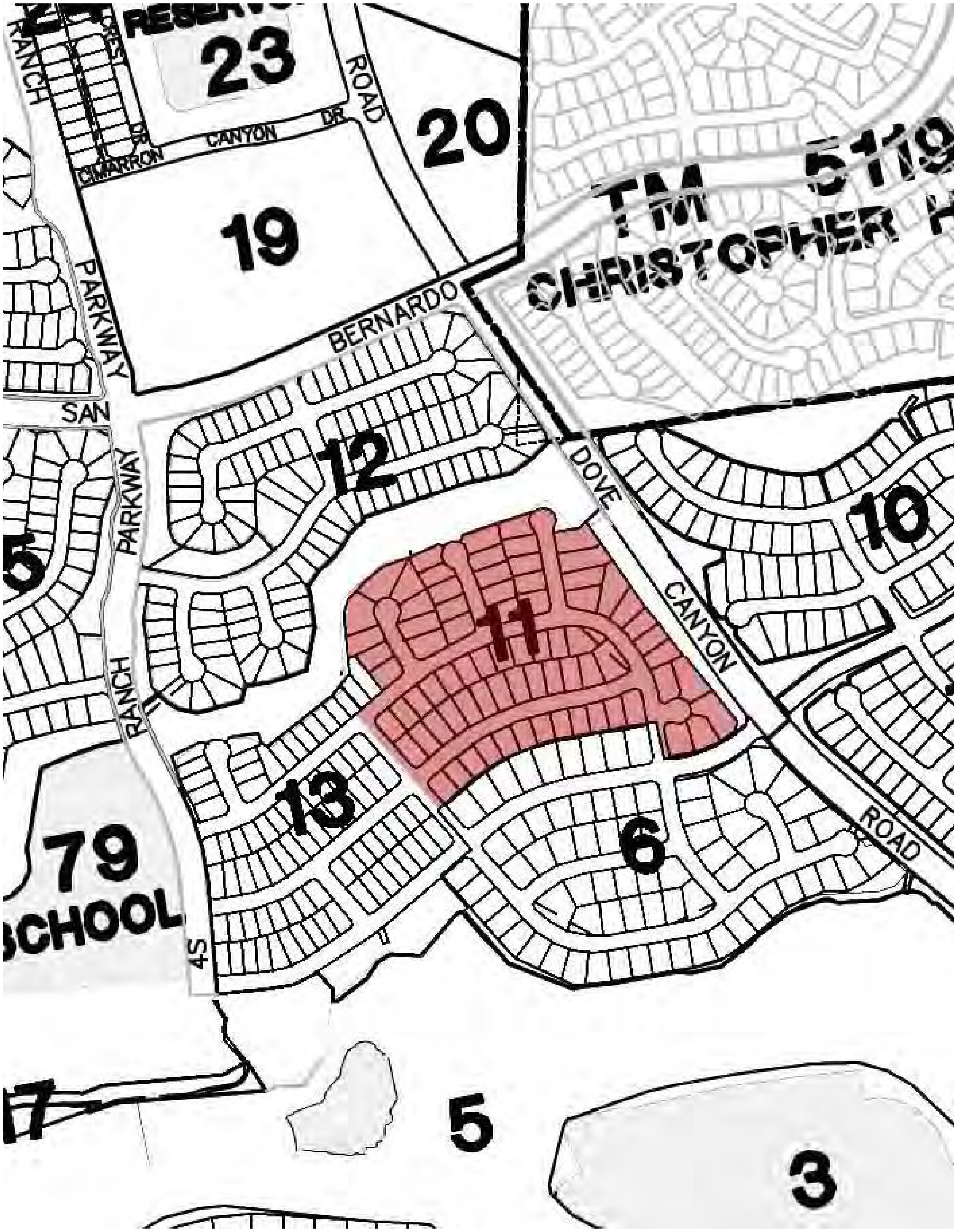
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Belle Rive tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$55,760,000

(FIFTY-FIVE MILLION SEVEN 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 many 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-2009/10

This tract comprises Assessor Parcel Nos. 312-262-03 to 45 and 312-263-01 to 32. The assessed values range from $251,491 to $900,000 or an average of $735,028. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 75 lots. The minimum lot size is approximately 6,300 s.f., or ±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:

> Plan 1 (±21): 3,137 s.f., two-story, with 4 bedrooms, family room, breakfast nook, 2½ baths and 3-car tandem garage with options of loft, media room, and bath 3.
>
> Plan 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.
>
> Plan 3 (±29): 3,800 s.f., two-story, with 4 bedrooms, loft, super family room, breakfast nook, 3½ baths and 3-car garage with options of master retreat, bunk room, bedrooms 5 & 6, and bath 4.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 3,031 s.f. to 3,795 s.f. or an average of 3,467 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	15181 Palomino Mesa	12/30/09	$765,000	3,440	Short sale; good condition
2	15176 Cross Stone	1/28/10	$800,000	3,800	Short sale; good cond.; buyer paid add'l $20k
3	15128 Cross Stone	2/26/10	$800,000	3,440	Conventional sale; good condition
4	15137 Cross Stone	4/16/10	$770,000	3,795	Conventional sale; avg. condition
5	16225 Dapple Gray	6/7/10	$715,000	3,616	Lender sale; avg. condition; pool
			$770,000	3,618	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, only 2 of the 5 sales were conventional sales and only one of these sales was a home in good condition. The other three sales were either short sales or a lender sale, and on Data No. 2 the buyer paid an additional $20,000 (over and above the sale price) in order to satisfy the lender's requirements. Adding this amount to the sale prices, the revised average would be $774,000. Considering the conditions of sale as the primary negative factor, but also the larger average size of home represented by these sales (3,618 s.f.) than the average of the overall tract (3,467 s.f.), the indication at $774,000 supports a fairly close indication as an average for the overall tract.

It is noted that there were no other sales that closed earlier in 2009, and there are no current listings in this tract.

Lastly, the previous analyses of the Amherst and Homestead tracts would support far lower limits at averages of $720,000 and $730,000 due to the much smaller homes on much smaller lots, and the previous analysis of the Providence tract would support a firm upper limit at an average of $840,000 due to the larger homes though on similar size lots.

VALUATION, Continuing

In summary, I have concluded on an average value of $770,000 which results in the following:

75 homes @ $770,000 = $57,750,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Canyon Ridge tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$57,750,000

(FIFTY-SEVEN MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF PALOMINO

PALOMINO (K. HOVNANIAN 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. Hovnanian Homes, closed from July 2003 through early 2006, and there have been many 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-2009/10

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 Nos. 312-280-01 to 24. Assessed values range from $725,326 to $1,510,341 or an average of $901,443. The tax rate area is 64-105, with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

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 ±7,500 s.f. minimum (±70-75' by 105-110') and the lots in the south part of the tract are ±8,000 s.f. minimum (±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

Plan 1 (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.

Plan 2 (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.

Plan 3 (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.

Per Assessor data, the homes in this tract range in size from 4,132 s.f. to 4,632 s.f. or an average of 4,496 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	15346 Palomino Mesa	7/29/09	$917,000	4,550	Conventional sale; good condition; pool/spa
2	16120 Palomino Valley	12/2/09	$939,000	4,550	Conventional sale; good condition; view
3	15168 Palomino Valley	12/7/09	$850,000	4,550	Short sale; good condition
4	16112 Palomino Valley	6/4/10	$868,000	4,570	Short sale; avg. condition
5	15328 Palomino Mesa	6/17/10	$849,000	4,432	Conventional sale; good condition
6	15166 Dove Creek	Escrow	±$855,000	4,595	Lender sale; good condition
			±$880,000	4,541	(Avg.)

This data reflects all sales that have taken place from the second half of 2009 and thus far in 2010. As indicated, 3 of the 6 sales were conventional sales, with the homes in good condition and two of the sales having pool/spa or view. However, the other 3 sales were either short sales or a pending lender sale, with one of those homes being in average condition. It is evident that Data Nos. 1 and 2 reflect the highest prices, due to being conventional sales and with the upgrades of pool/spa or view, and the short sales/lender sale reflect much lower prices primarily due to the conditions of sale, as well as the average condition of Data No. 4.

Considering the dates of sale, the conditions of sale and also that the average home size of the sales at 4,541 s.f. is fairly similar to the average of 4,496 s.f. for the overall tract, the indication at ±$880,000 supports a close indication as an average for the overall tract.

It is noted that there were only two other closed sales that took place earlier in 2009, with closing dates of January 14 and March 19. One sale was a conventional sale at $925,000 for a 4,136 s.f. home in upgraded/good condition and the other was a lender sale at $850,000 for a 4,570 s.f. home in good condition and with a view. The indications are an average price of $888,000 and an average home size of 4,343 s.f. Considering the dates of sale, the conditions of sale for one sale, the slightly smaller average size, but the upgraded/good condition or view, the indication at $888,000 tends to support a close indication to close upper limit as an average for the overall tract.

It is also noted that there is one current listing in this tract at 15278 Winesprings Ct., which is a 4,632 s.f. home in good condition, with an asking price in the range of $824,990 to $959,990 in a short sale situation. This is an extremely broad range of an asking price, and thus is of general interest only.

Lastly, the previous analyses of the Talavera and Providence tracts would support a firm lower limit at an average of $840,000 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 $1,230,000 due to the much larger and semi-custom homes on much larger lots.

In summary, I have concluded on an average value of $880,000 which results in the following:

97 homes @ $880,000 = $85,360,000

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 August 2, 2010:

$85,360,000

(EIGHTY-FIVE MILLION THREE HUNDRED SIXTY 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 been many 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-2009/10

This tract comprises Assessor Parcel Nos. 312-270-01 to 46 and 312-271-01 to 29. The assessed values range from $689,716 to $900,000 or an average of $779,728. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 75 lots. The minimum lot size is approximately 6,300 s.f., or ±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:

> Plan 1 (±20): 3,390 s.f., two-story, with 3 bedrooms, master sitting area, bonus room, den, family room, breakfast nook, 3½ baths and 3-car tandem garage with options of bedrooms 4, 5 and 6, and baths 4 and 5.
>
> Plan 2 (±25): 3,678 s.f., two-story, with 5 bedrooms, loft, family room, breakfast nook, 4½ baths and 3-car tandem garage with options of media room, office, super family room and bedroom 6.

PROPERTY DATA, Continuing

Plan 3 (±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.

Per Assessor data, the homes in this tract range in size from 3,423 s.f. to 3,964 s.f. or an average of 3,670 s.f.

VALUATION

Method of Analysis

This is the similar to previous tracts.

Analysis of 75 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16310 Cayenne Ridge	5/15/09	$837,000	3,423	Conv. sale; good condition; pool/spa; view
2	16366 Cayenne Ridge	5/21/09	$827,500	3,733	Conventional sale; good condition, view
3	16390 Cayenne Ridge	5/5/10	$827,000	3,423	Conventional sale; good condition; view
			$830,000	3,526	(Avg.)

This data reflects all sales that have taken place from 2009 and thus far in 2010. As indicated, all 3 of the sales were conventional sales, with the homes in good condition, one having a pool/spa and all 3 having a view, which is superior to what would be typical for the overall tract. However, it is noted that two of the sales took place over a year ago in May 2009, and also that the average home size of the sales at 3,526 s.f. is smaller than the average size of 3,670 s.f. for the overall tract. Thus, the indication at $830,000 tends to support a fairly close indication as an average for the overall tract.

It is also noted that there were no other closed sales earlier in 2009, there are no current pending sales, and no current listings in this tract.

Lastly, the previous analysis of the Ryland Heritage tract would support a lower limit at an average of $820,000 due to the larger homes though on slightly smaller lots and with inferior tract location and views; the previous analysis of the Providence tract supports a close indication for the subject at an average of $840,000 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 $770,000 due to the smaller homes on similar size lots but inferior views.

In summary, I have concluded on an average value at $830,000 which results in the following:

75 homes @ $830,000 = $62,250,000

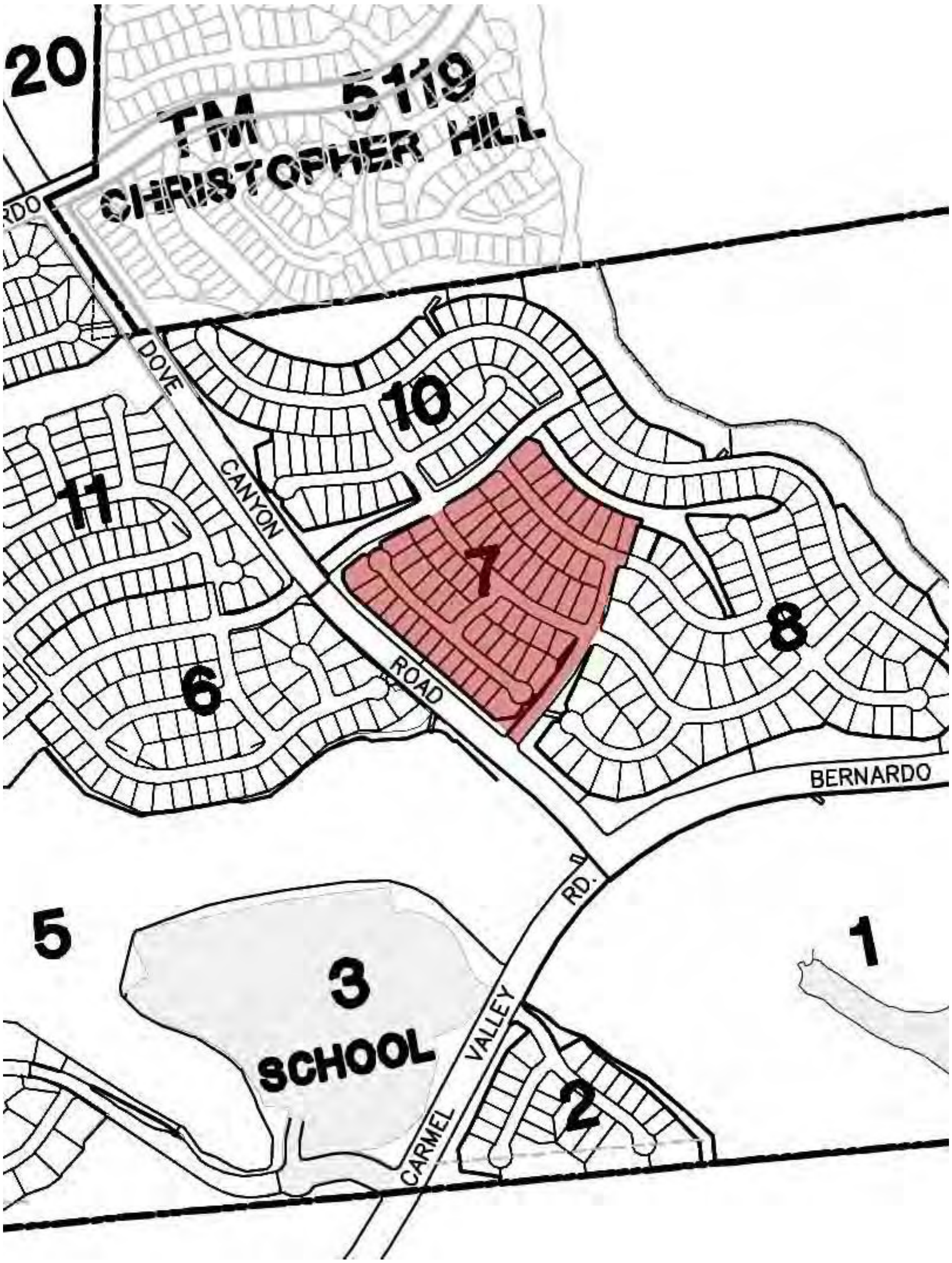
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Avery Lane tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$62,250,000

(SIXTY-TWO MILLION TWO 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 many 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-2009/10

This tract comprises Assessor Parcel Nos. 312-272-01 to 29 and 312-273-01 to 36. The assessed values range from $601,708 to $900,000 or an average of $689,749. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 65 lots. The minimum lot size is approximately 6,300 s.f., or ±60’ x 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 1 (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 2 (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 3 (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.

Per Assessor data, the homes in this tract range in size from 2,824 s.f. to 3,652 s.f. or an average of 3,214 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16160 Cayenne Creek	3/6/09	$680,000	3,207	Lender sale; avg. condition; view
2	16130 Falcon Crest	4/20/09	$755,000	2,824	Conventional sale; good condition; pool/spa; view
3	16108 Cayenne Creek	4/22/09	$825,000	3,652	Conventional sale; good condition; view
4	16168 Cayenne Creek	6/25/09	$705,000	3,430	Short sale; avg. condition; view
5	16135 Cayenne Creek	4/12/10	$725,000	3,207	Conventional sale; good condition
			$738,000	3,264	(Avg.)

This data reflects all sales that have taken place from 2009 and thus far in 2010. As indicated, 3 of the 5 sales were conventional sales, with the homes in good condition and two of the homes including pool/spa and/or view. However, two of the sales were lender or short sales, and it is evident that these two sale prices are discounted relative to the conventional sales. It is also evident that 4 of the 5 sales took place in the first half of 2009, with only one sale taking place over the past year. Thus, considering the dates of sale, the conditions of sale, and also that the average home size of the sales at 3,264 s.f. is slightly larger than the average of 3,214 s.f. for the overall tract, the indication at $738,000 supports a close indication to close lower limit as an average for the overall tract.

It is also noted that there is one current listing in this tract at 16183 Cayenne Creek Pl., which is a 3,207 s.f. home in good condition and including pool & spa, with an asking price of $895,000 in a conventional sale situation. While the home size is similar to the average of the tract, the asking price is far higher than any of the sales and it is of general interest only.

Lastly, the previous analyses of the Amherst and Homestead tract support close lower limits for the subject tract at averages of $720,000 and $730,000 due to the similar size homes but on smaller lots; and the previous analysis of the Canyon Ridge tract supports a firm upper limit for the subject tract at an average of $770,000 due to the larger homes though on similar minimum size lots.

In summary, I have concluded on an average value of $740,000 which indicates the following:

65 homes @ $740,000 = $48,100,000

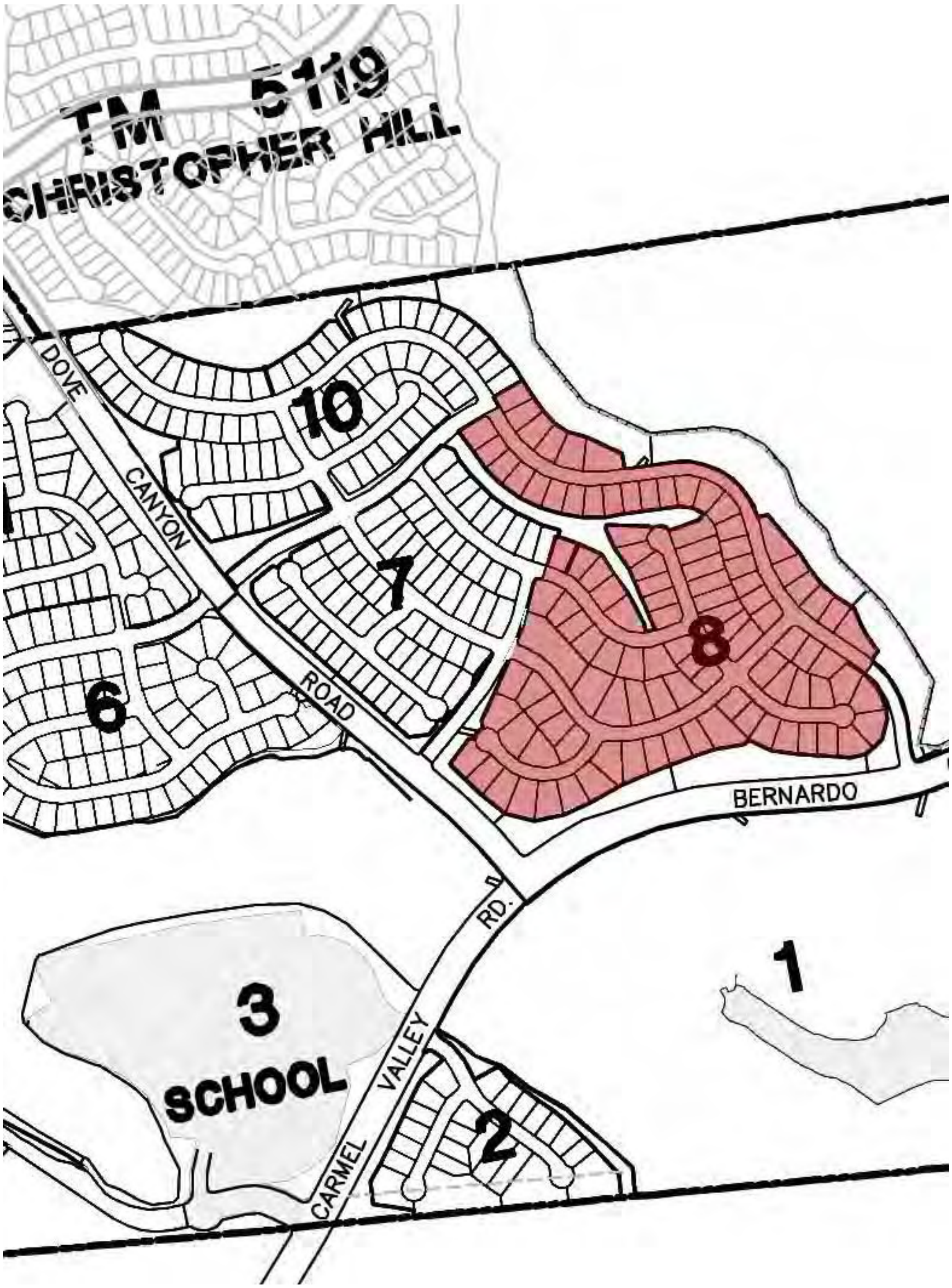
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Cambridge tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$48,100,000

(FORTY-EIGHT MILLION ONE HUNDRED 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 many 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-2009/10

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 $82,231 to $1,181,392 or an average of $830,626. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding the special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 105 lots. The minimum lot size is approximately 8,125 s.f., or ±65' x 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 (20): 3,175 s.f., one-story, with 4 bedrooms, study, 3 baths and 3-car tandem garage.

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

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

Plan 3 (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.

Per Assessor data, the homes in this tract range in size from 3,175 s.f. to 4,288 s.f. or an average of 3,781 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16151 Cayenne Ridge	10/23/09	$879,000	3,990	Conventional sale; upgraded/good condition
2	15326 Falcon Crest	11/12/09	$738,000	3,175	Conventional sale; avg. condition
3	16042 Falcon Crest	11/13/09	$860,000	3,802	Lender sale; avg. condition; view
4	15985 Cayenne Ridge	12/3/09	$770,000	3,918	Lender sale; avg. condition; view
5	15267 Heather Stone	12/11/09	$845,000	3,802	Short sale; good condition; view
6	16012 Cayenne Ridge	1/29/10	$851,000	3,802	Lender sale; avg. condition; view
7	16606 Cayenne Creek	2/3/10	$800,000	3,918	Short sale
8	16174 Cayenne Ridge	3/19/10	$910,000	3,802	Conventional sale; good condition; view
9	16014 Cayenne Creek	4/21/10	$778,000	3,990	Lender sale; pool/spa; view
10	15315 Falcon Crest	7/20/10	$790,000	3,802	Short sale; good condition
11	15977 Cayenne Ridge	Escrow	$830,000	3,990	Short sale; good condition
			$823,000	3,817	(Avg.)

This data reflects all sales that have taken place from the fourth quarter of 2009 and thus far in 2010. As indicated, only 3 of the 11 sales were conventional sales, with the homes ranging from average to upgraded/good condition. However, the other 8 sales were either short sales or lender sales, with the homes ranging from average to good condition, and some of the homes having pool/spa and/or view. It is evident that all of the short or lender sales resulted in sale prices that were slightly to significantly discounted relative to the conventional sales and the home sizes. Considering the dates of sale but primarily the distressed conditions of sale and condition of various of the homes, as well as the average home size of the sales being fairly similar to the average size of the overall tract, the indication at $823,000 supports a firm lower limit as an average for the overall tract.

It is noted that there were 5 other sales that closed earlier in 2009, with closing dates from February 10 to August 25. The sales ranged in price from $745,000 to $875,000 or an average of $821,000 with an average home size of 3,737 s.f. which is slightly smaller than the average size of 3,781 s.f. for the overall tract. It is noted that 3 of the sales were conventional sales of homes in good condition, one was a lender sale of a home in average condition, and the other was unknown but appeared to be a short sale (no information in the Multiple Listing Service). Considering the dates of sale, the conditions of sale from one or two of the sales, and the smaller average home size, the indication at $821,000 supports a firm limit as an average for the overall tract.

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 lower limit for this subject tract at an average of $820,000 due to the similar to slightly larger homes but on much smaller lots and with inferior view potential; the previous analysis of the Talavera tract would tend to support a close indication at an average of $840,000 due to the similar to slightly larger homes but on smaller lots; and the previous analyses of the Providence and Avery Lane tracts would tend to support lower limits at averages of $840,000 and $830,000 due to the smaller homes on smaller lots.

In summary, I have concluded on an average value of $830,000 which results in the following:

105 homes @ $830,000 = $87,150,000

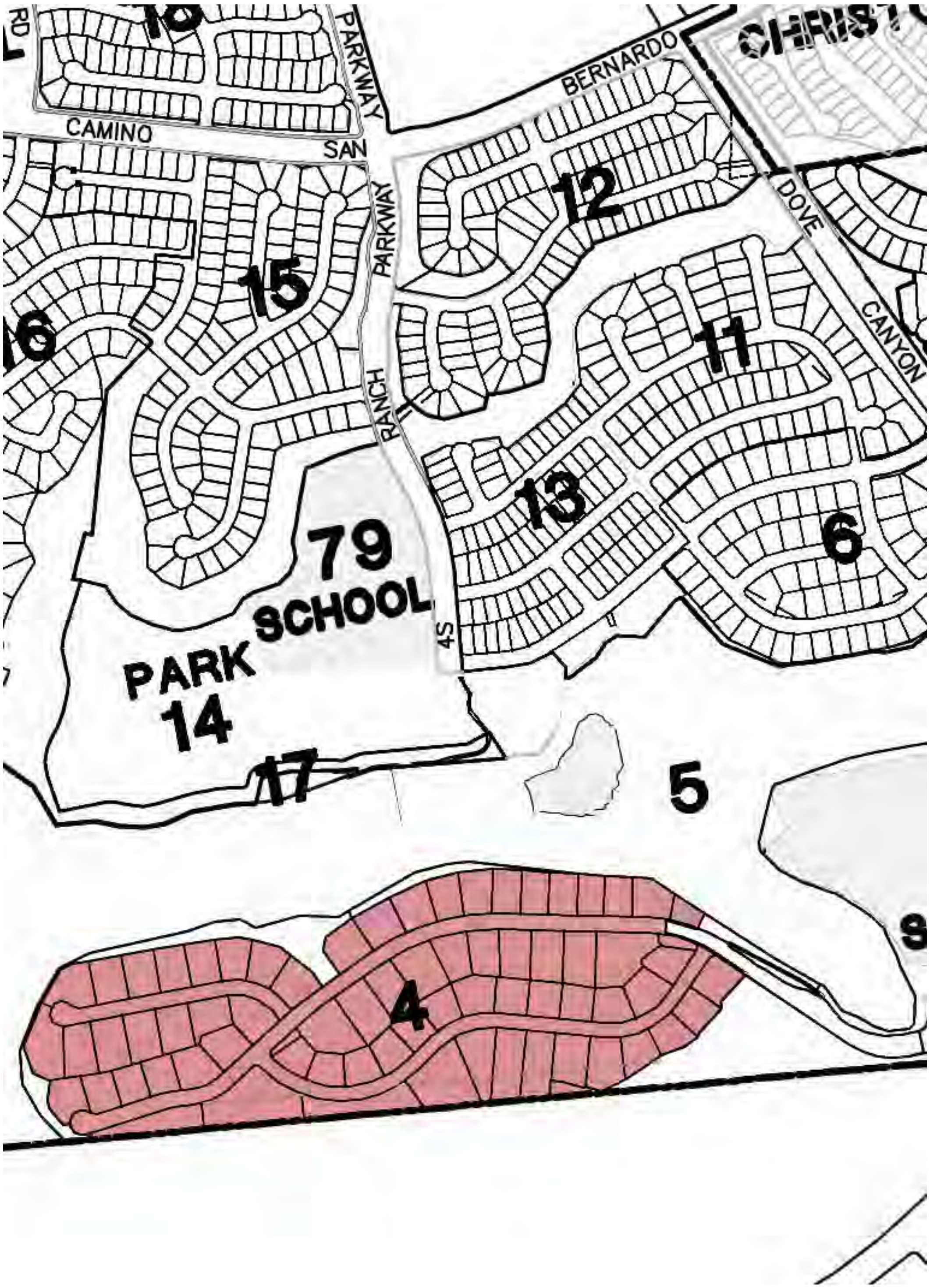
<u>Conclusion of Value</u>

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 August 2, 2010:

$87,150,000

(EIGHTY-SEVEN MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS)

MAP OF IVY GATE



IVY GATE (WOODBRIDGE 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

All of the 66 homes are owned by separate homeowners. The original sales from the builder, Woodbridge Homes (who held title as Woodbridge 4S Area 4 LLC) closed from May 2006 through March 2008, and there have been many resales since that time.

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-2009/10

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 $791,586 to $1,820,056 or an average of $1,340,305. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.5% including special taxes and based on the estimated current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 66 lots. The minimum lot size is ±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:

> Plan 1 (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.
>
> Plan 2 (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

Plan 3 (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.

Plan 4 (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.

Per Assessor data, the homes in this tract range in size from 3,819 s.f. to 5,429 s.f. or an average of 4,642 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 66 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10019 Winecrest	8/18/09	$1,250,000	3,819	Conventional sale; good condition
2	10008 Winecrest	8/25/09	$1,050,000	4,205	Short sale; good condition; no landscaping
3	10056 Winecrest	11/30/09	$1,630,000	5,361	Conventional sale; good cond.; pool/spa
4	10203 Winecreek	12/24/09	$1,190,000	5,177	Lender sale; average condition
5	9934 Winecrest	1/29/10	$1,305,000	4,205	Short sale; good condition; pool/spa
6	16241 Winecreek	3/9/10	$1,037,000	5,106	Conventional sale; former model/good cond.
7	10055 Winecrest	Escrow	±$1,165,000	5,177	Lender sale; good condition; no landscaping
			$1,232,000	4,721	(Avg.)

This data reflects all sales that have taken place from the second half of 2009 and thus far in 2010. As indicated, only 3 of the 7 sales were conventional sales, with the homes in good condition and one including a pool/spa. While it appears that Data No. 6 was a conventional sale, it was not in the Multiple Listing Service, and the price appears to be very conservative relative to the home size and the other data. The highest price was from Data No. 3, which is the largest floor plan and a highly upgraded home, including a highly upgraded back yard. The other 4 sales were either short or lender sales, with the homes in either average or good condition, one including a pool/spa and two having no landscaping. These prices appear to range from minimally to significantly discounted relative to the prices from the conventional sales.

Considering the dates of sale (with 4 of the sales taking place in 2009) and the distressed conditions of sale of 4 or 5 of the sales, and also that the average home size of the sales at 4,721 s.f. is slightly larger than the average size of 4,642 s.f. for the overall tract, the indication at $1,232,000 tends to support a lower limit as an average for the overall tract.

It is noted that there was only one other sale that took place earlier in 2009, with a closing date of April 23. This was a lender sale at a price of $1,011,000 for a 4,205 s.f. home in average condition. Considering the date of sale, the distressed conditions of sale, the condition and size of the home, the indication at $1,011,000 represents a far lower limit as an average for the overall tract.

It is also noted that there is one current listing in this tract on the 3,819 s.f. home located at 10240 Winecreek Ct. at an asking price of $1,295,000. This is a conventional sale situation with the house being in good condition and well upgraded and landscaped. Considering that this is the smallest floor plan in the tract, the indication at $1,295,000 tends to support a lower limit as an average for the overall tract, however it is only an asking price.

Lastly, the previous analysis of the Palomino tract would support a far lower limit for this subject tract at an average of $880,000 due to the slightly smaller homes but on substantially smaller lots and lacking being a gated neighborhood.

In summary, considering the limited amount of current sales data, and also that these are the highest-priced homes in 4S Ranch for which the market would tend to be relatively softer, I have concluded on a supportable but conservative average value of $1,230,000 which results in the following:

66 homes @ $1,230,000 = $81,180,000

Conclusion of Value

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 August 2, 2010:

$81,180,000

(EIGHTY-ONE MILLION ONE 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 have been a number of resales 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-2009/10

This tract comprises Assessor Parcel Nos. 678-635-38 to 59 and 678-636-01 to 44. The assessed values range from $740,000 to $1,054,199 or an average of $809,184.76. The tax rate area is 64-105, with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 66 lots. The minimum lot size is ±6,300 s.f., or ±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, 3½ 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, 3½ 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, 4½ baths and 2-car garage.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 3,574 s.f. to 4,478 s.f. or an average of 3,882 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 66 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10240 Paseo de Linda	3/9/09	$720,000	3,574	Short sale; good condition
2	10237 Sienna Hills	3/30/09	$869,000	4,150	Conventional sale; good condition
3	10264 Paseo de Linda	9/30/09	$755,000	3,585	Conventional sale; good condition
4	10247 Sienna Hills	10/7/09	$775,000	4,335	Short sale; good cond; buyer paid add'l $25,000 toward payoff of 2nd T.D.
5	10240 Paseo de Linda	5/14/10	$745,000	3,574	Conv. sale; good cond.; resale of No. 1
6	10251 Sienna Hills	6/18/10	$718,000	3,574	Short sale; avg. condition
7	10218 Sienna Hills	6/23/10	$820,000	4,150	Lender sale; good condition
8	10129 Camino San Thomas	7/29/10	$775,000	4,150	Short sale; good condition
			$772,000	3,887	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. Initially, it is indicated that Data No. 1 was a short sale in March 2009 at the price of $720,000 and Data No. 5 is the resale of this home in May 2010 as a conventional sale at the price of $745,000. This indicates an increase of 3.5% which would reflect both the price discount in the short sale in March 2009 as well as the superior market conditions as of May 2010.

It is also indicated that only 3 of the 8 sales were conventional sales, with the homes in good condition, while the other 5 sales were short or lender sales of homes in average to good condition. On Data No. 4, the buyer paid an additional $25,000 over and above the sale price which went toward payoff of the second trust deed. Reflecting this additional cost, the revised average price would be $775,000. It is noted that the lowest prices are indicated by the short sales, however, the highest price at $820,000 was from a lender sale, though this was a larger home that had been well upgraded.

Considering the dates of sale (with 4 of the sales taking place in 2009), the conditions of sale of 5 of the sales, and also that the average home size of the sales at 3,887 s.f. is fairly similar to the average size of 3,882 s.f. for the overall tract, the indication at $775,000 tends to support a close but firm lower limit as an average for the overall tract.

It is also noted that there are four current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	10234 Sienna Hills	7/8/10	$799,999-$829,999	3,574	Conventional sale; good condition
2	10233 Paseo De Linda	7/20/10	$769,000-$799,000	3,585	Conventional sale; good condition
3	10208 Paseo De Linda	3/24/10	$725,000-$775,000	3,823	Short sale; good condition
4	10221 Paseo De Linda	6/14/10	$899,000	4,414	Conventional sale; good condition
			±$800,000	3,849	(Avg.)

While these listings are of general interest, the asking prices are higher than recent sale prices for similar homes. Thus, while the asking prices may suggest an upward value trend since the closed sales took place, the indication at an average of ±$800,000 tends to support a firm upper limit as an average for the overall tract.

Lastly, the previous analyses of the Ryland Heritage, Talavera, Providence and Terreno tracts would support close indications for this subject tract from $820,000 to $840,000 due to the fairly similar size homes on similar size lots, though the subject homes are slightly newer; and the following analysis of the Travata tract supports a firm lower limit for the subject at an average of $730,000 due to the smaller homes.

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

66 homes @ $780,000 = $51,480,000

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 August 2, 2010:

$51,480,000

(FIFTY-ONE MILLION FOUR HUNDRED EIGHTY 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 been a number of 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-2009/10

This tract comprises Assessor Parcel Nos. 678-635-08 to 37 and 678-634-13 to 47. The assessed values range from $715,000 to $980,000 or an average of $788,769. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.9% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 65 lots. The minimum lot size is ±6,300 s.f., or ±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 (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 (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, 4½ baths, and 3-car garage; optional study in lieu of third-car garage.

PROPERTY DATA, Continuing

Plan 3 (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.

Per Assessor data, the homes in this tract range in size from 3,552 s.f. to 3,866 s.f. or an average of 3,692 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 65 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10205 Cassia Glen	4/17/09	$715,000	3,606	Short sale; good condition
2	10261 Cassia Glen	7/10/09	$690,000	3,729	Short sale; avg. condition
3	10269 Cassia Glen	7/16/09	$735,000	3,675	Short sale; good condition
4	10226 Camino San Thomas	4/27/10	$713,000	3,729	Short sale; good condition
5	17023 Sienna Ridge	7/2/10	$727,500	3,798	Lender sale; good condition
6	10221 Cassia Glen	Escrow	±$789,000	3,738	Conventional sale; good condition
			±$728,000	3,713	(Avg.)

This data reflects all sales that have taken place in 2009 and thus far in 2010. As indicated, only 1 of the 6 sales was a conventional sale of a home in good condition and the other 5 sales were short or lender sales with all but one of the homes in good condition. The low end of the price range is indicated by the home that was in average condition and the high end of the range is indicated by the conventional sale. It is also indicated that the average home size of 3,713 s.f. is fairly similar to the average size of 3,692 s.f. for the overall tract. Considering the dates of sale with 3 of the 6 sales taking place in April through July 2009, as well as the conditions of sale affecting most all of the sales, the indication at $728,000 supports a firm lower limit as an average for the overall tract.

It is noted that there are two current listings in the tract – 10214 Cassia Glen is a 3,552 s.f. home in average condition that is listed as a lender sale at $750,000; and 17047 Sienna Ridge is a 3,675 s.f. home in average condition that is listed as a short sale at $720,000. These two listings indicate an average asking price of $735,000 for an average home size of 3,614 s.f., or slightly smaller than the average of the overall tract. In general, these listings are of general interest as asking prices, but the indication at $735,000 would tend to support a lower limit as an average for the overall tract due to the conditions of sale and average size of the homes.

Lastly, the previous analysis of the Reunion tract would support a firm upper limit at an average of $780,000 due to the larger homes though on similar size lots; and the previous analyses of the Cambridge tract would tend to support a firm lower limit at an average of $740,000 due to the smaller homes on similar size lots.

In summary, considering the greater impact of short and lender sales that have taken place and are the only availabilities in the subject tract, I have concluded on a supportable but conservative average value of $730,000 which results in the following:

65 homes @ $730,000 = $47,450,000

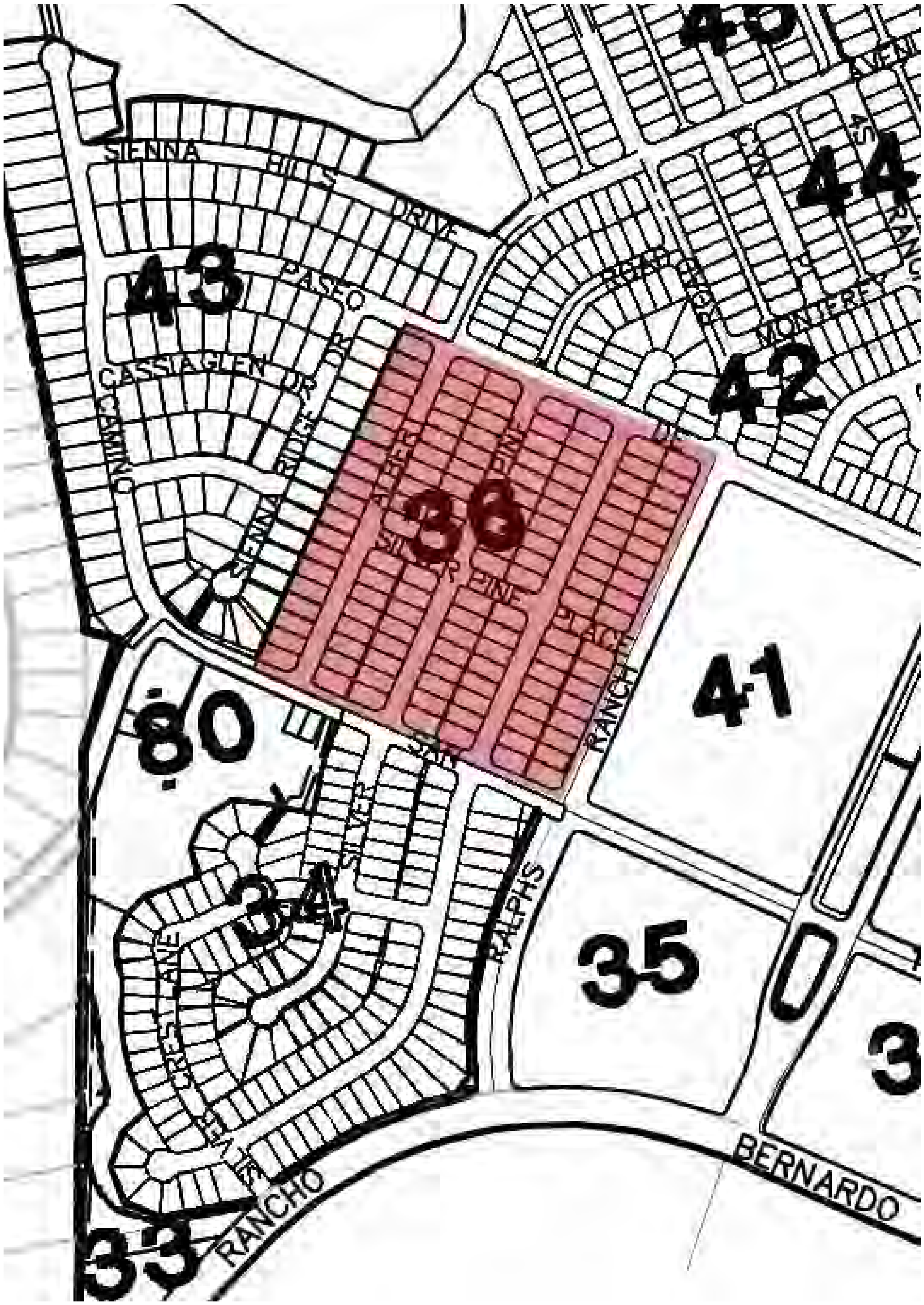
Conclusion of Value

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 August 2, 2010:

$47,450,000

(FORTY-SEVEN MILLION FOUR HUNDRED FIFTY 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, as of August 2, 2010 there were 121 lots with completed homes that are included in this appraisal, and 6 lots had homes under construction and thus are not included in this appraisal.

Record Owner/Ownership History

All of the 121 homes are owned by separate homeowners. The original sales from the builder, Fieldstone Communities, closed from January 2005 through September 2009, and there have been many resales since that time.

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 169 & 174 comprise the 6 lots that are not included in this appraisal.

Assessor Data-2009/10

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 16 & 21 comprise the 6 lots that are not included in this appraisal. The assessed values of the 121 included parcels range from $478,584 to $838,476 or an average of $687,129. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

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

PROPERTY DATA, Continuing

Existing Development

Of the 127 lots, 121 have been developed from 2004 through 2006 with the bulk of the tract of homes called SilverCrest at 4S Ranch. There are three floor plans and the description and number of each plan is as follows:

Plan 1 (30): 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 2 (42): 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 3 (49): 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.

Per Assessor data, the homes in this tract range from 2,920 s.f. to 3,628 s.f. or an average of 3,334 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 121 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17042 Silver Crest	9/4/09	$749,000	3,237	Conventional sale; good condition
2	17061 Silver Crest	9/11/09	$553,500	3,390	Lender sale; signif. deferred maint.
3	17046 Albert Ave.	9/25/09	$705,000	3,628	Short sale; good condition
4	17051 Silver Pine	3/9/10	$720,000	3,237	Conventional sale; good condition
5	17042 Albert	5/14/10	$690,000	2,968	Conventional sale; good condition
6	17045 Albert	5/14/10	$665,000	3,628	Short sale; avg. condition
7	17045 Silver Crest	6/30/10	$685,000	2,968	Short sale; good condition
8	17041 Silver Crest	Escrow	$700,000	3,390	Short sale; good condition; pool/spa
9	17070 Silver Crest	Pending	±$700,000	3,237	Short sale; good condition
			$685,000	3,298	(Avg.)

This data reflects all resales that have taken place from September 2009 through current date. As indicated, only 3 of the 9 sales were conventional sales of homes in good condition, and the other 6 sales were short or lender sales of homes ranging from below average to good condition. Data No. 2 was a lender sale of a home that had a significant amount of deferred maintenance in terms of needing mold remediation and much follow-up renovation. As evident, this sale represented by far the lowest price. Deleting this sale, the revised indications are an average price of $702,000 for an average home size of 3,287 s.f. Considering the dates and conditions of sale, as well as the smaller average home size than for the overall tract, this indication at $702,000 would support a firm lower limit as an average for the overall tract.

It is noted that there were 8 other resales that closed earlier in 2009, with closing dates from February 19 to July 27. The sales ranged in price from $610,000 to $715,000 or an average of $669,000 with an average home size of 3,383 s.f. which is slightly larger than the average size of 3,334 s.f. for the overall tract. However, it is noted that only 1 of these 8 sales was a conventional sale with the home in good condition, and the other 7 sales were short or lender sales but also with the homes in good condition. Considering the dates and primarily the conditions of sale, the indication at $669,000 supports a far lower limit as an average for the overall tract.

It is also noted that there is one current listing on 17061 Albert Ave. at a price of $739,000 for a 3,166 s.f. home in good condition and as a conventional sale. It is evident that the asking price is fairly similar to the conventional sale prices but much higher than the average of all sale prices and for a home that is much smaller than the average size of the overall tract.

Lastly, the later analyses of the Maybeck, Evergreen and Pienza tracts support close indications for this subject tract at averages of $700,000 to $710,000 considering the fairly similar size homes on similar size lots.

In summary, I have concluded on an average value of $710,000 which results in the following:

121 homes @ $710,000 = $85,910,000

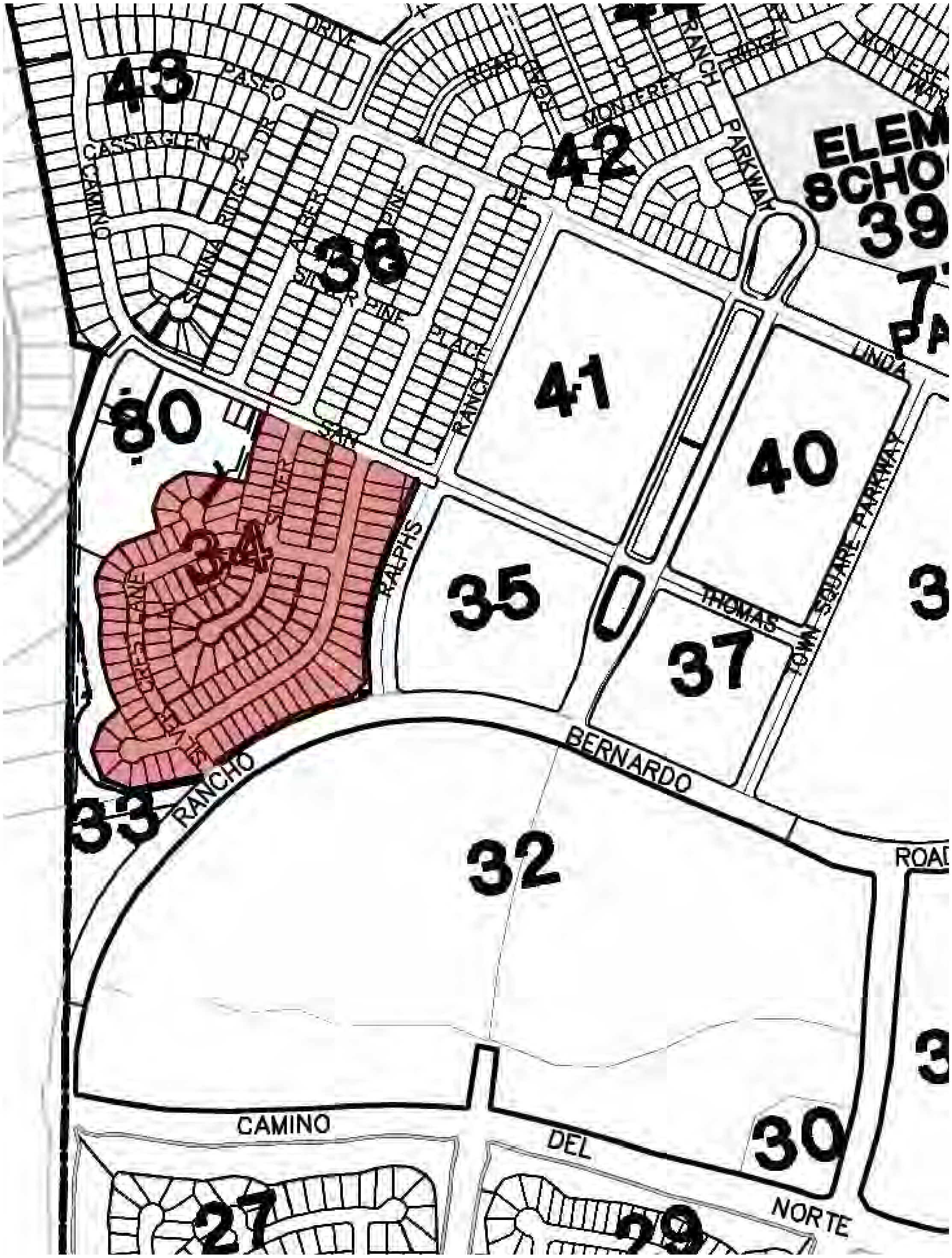
Conclusion of Value

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 August 2, 2010:

$85,910,000

(EIGHTY-FIVE MILLION NINE HUNDRED TEN 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.

Record Owner/Ownership History

All of the 133 homes are owned by separate homeowners. The original sales from the builder, John Laing Homes, closed from September 2005 through December 2007, and there have been a number of resales since that time.

Legal Description

This tract comprises Lots 1 through 133 of County of San Diego Tract No. 5229-1, according to Map No. 14747, recorded February 27, 2004.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-630-01 to 14, 17 to 38 & 41 to 90 and 678-631-01 to 47. The assessed values range from $550,000 to $861,899 or an average of $623,505. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.9% including special taxes and based on the estimated average current home value for this tract.

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’.

Existing Development

These lots were developed from 2005 through 2007 with a tract of 133 homes called Rosemary Lane at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

> Plan 1 (43): 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.
>
> Plan 2 (47): 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.

PROPERTY DATA, Continuing

> Plan 3 (43): 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.

Per Assessor data, the homes in this tract range in size from 2,455 s.f. to 3,462 s.f. or an average of 2,824 s.f.

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:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16926 Silver Crest	12/23/09	$655,000	2,455	Conventional sale; good condition; view
2	16933 Silver Crest	2/1/10	$705,000	3,272	Conventional sale; good condition
3	16953 Silver Pine	2/26/10	$635,000	2,763	Short sale; good condition
4	16910 Silver Crest	4/2/10	$640,000	2,455	Conventional sale; good condition
5	16960 Silver Pine	5/7/10	$632,000	2,455	Conventional sale; good condition; view
6	10317 Silver Pine	5/11/10	$594,000	2,455	Short sale; avg. condition
7	16857 Silver Crest	5/27/10	$690,500	3,452	Lender sale; avg. condition
8	16951 Silver Crest	6/29/10	$625,000	2,733	Short sale; good condition; buyer paid add'l $18,000 toward 2nd T.D.
9	10324 Silver Pine	7/12/10	$585,000	2,455	Short sale; good condition
10	16958 Silver Crest	Escrow	$630,000	2,733	Conventional sale; good condition; view
11	16981 Silver Pine	Pending	±$679,900	3,272	Lender sale; avg. condition
			±$643,000	2,773	(Avg.)

This data reflects all sales that have taken place since the second half of 2009 and thus far in 2010. As indicated, only 5 of the 11 sales were conventional sales of homes that were in good condition, and three of which had views. The other 6 sales were short or lender sales, with the homes ranging from average to good condition. It is noted that on Data No. 8 the buyer paid an additional $18,000 toward payoff of the existing second trust deed resulting in an effective price paid of $643,000. This results in a revised average price for all sales of $644,000, and the average size of

2,773 s.f. is much smaller than the average size of 2,824 s.f. for the overall tract. Considering the fairly recent dates of sale, but the conditions of sale impacting 6 of the 11 sales, as well as the smaller average home size than for the overall tract, the indication at an average of $644,000 would support a close but firm lower limit as an average for the overall tract.

It is noted that there was only one other sale that closed earlier in 2009 (on May 20), which was a conventional sale at a price of $715,000 for a 3,272 s.f. home that was in good condition. Considering the date of sale, but also that this is the largest floor plan, the indication at $715,000 would support a far upper limit as an average for the overall tract.

It is also noted that there is one current listing in this tract – 16925 Silver Crest Ln. is a 2,455 s.f. home in good condition that is available as a conventional sale at an asking price of $615,000 to $655,000. As this is the smallest floor plan in the tract the price would tend to support a lower limit as an average for the overall tract though it is only an asking price and a fairly wide range.

Lastly, the previous analysis of the Cedar Creek tract supports a lower limit for this subject tract at an average of $640,000 due to the smaller homes but on similar size lots; the previous analysis of the Belle Rive tract supports a firm upper limit at an average of $680,000 due to the larger homes on slightly larger lots; and the next analyses of the Silhouette tract supports a close indication to close upper limit at an average of $650,000 due to the slightly larger homes but on slightly smaller lots.

In summary, I have concluded on an average value of $650,000 which results in the following:

133 completed-sold homes @ $650,000 = $86,450,000

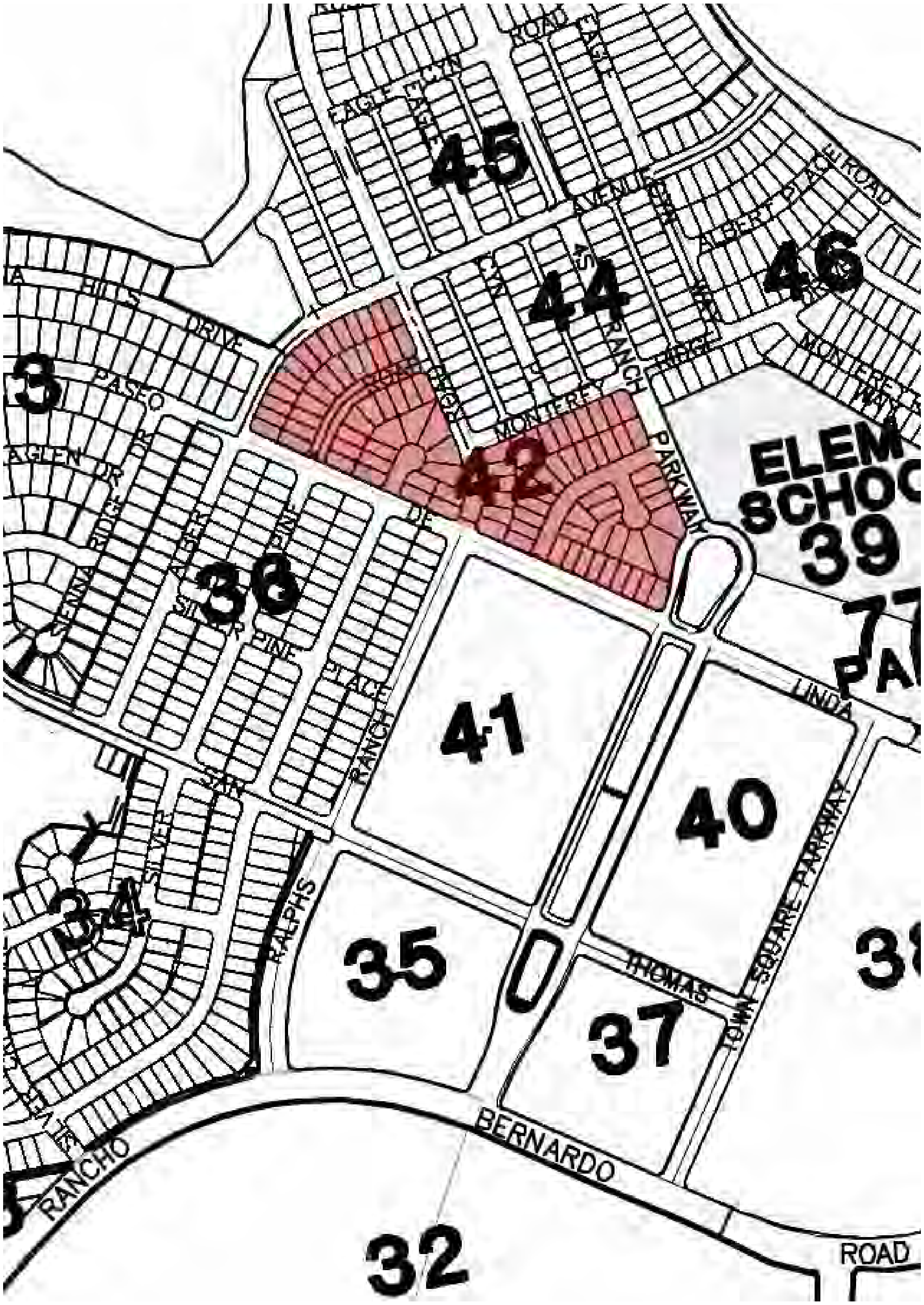
Conclusion of Value

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 August 2, 2010:

$86,450,000

(EIGHTY-SIX MILLION FOUR HUNDRED FIFTY 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, as of August 2, 2010 there were 68 lots with completed homes that are included in this appraisal, and the 5 homes under construction and 23 vacant lots are not included in this appraisal.

Record Owner/Ownership History

All of the 68 completed homes (including the 1 model/sales office) are owned by separate homeowners. The first 59 sales by the original builder, John Laing Homes, closed from September 2006 through December 2008. The remaining lots were sold to EJL Homes in September 2009 and EJL Homes subsequently completed and sold (closed sales) the 9 homes in Phase 6 from December 2009 through May 2010. In addition, there have been a few resales subsequent to the builder sales.

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 409 to 473 & 490 to 492 are included in this appraisal.

Assessor Data-2009/10

This overall tract comprises Assessor Parcel Nos. 678-640-01 to 47 and 678-641-01 to 49, but only parcels 678-640-01 to 47, 678-641-01 to 18, and 678-641-35 to 37 are included in this appraisal. The assessed values of the 68 included parcels range from \$176,832 to \$840,000 or an average of \$651,088. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

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

PROPERTY DATA, Continuing

Existing Development

Of the 96 lots, 68 have been developed with part of the tract of homes called Silhouette at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

> Plan 1 (17): 2,559 s.f. (up to 2,691 s.f.), two-story, with up to 4 bedrooms and up to 3½ baths, and a 3-bay tandem garage; with optional craft room in place of 3rd bay/tandem garage.
>
> Plan 2 (26): 3,070 s.f. (up to 3,213 s.f.), two-story, with 4 or up to 5 bedrooms and 3½ or up to 4½ baths, and a 3-bay garage; with optional bedroom, den or crafts room in place of 3rd bay/tandem garage.
>
> Plan 3 (25): 3,185 s.f. (up to 3,358 s.f.), two-story, with 4 or up to 5 bedrooms and 3½ or up to 4 baths, and a 3-bay garage; with optional bedroom or den in place of 3rd bay/tandem garage.

Per Assessor data that is available for 59 of the homes, the size range is 2,558 s.f. to 3,334 s.f. or an average of 2,976 s.f. Per the best available information, the other 9 homes appear to range in size from 2,559 s.f. to 3,185 s.f. or an average of 2,925 s.f. This results in an overall indicated average of 2,969 s.f. for the 68 homes.

VALUATION

Method of Analysis

This is the same as for previous tracts, though most consideration is given to the recent builder sales due to the very limited recent resale activity.

Analysis of 68 Completed-Sold Homes

The most recent 10 builder sales that closed from December 14, 2009 through May 7, 2010 ranged in price from $610,000 to $712,000 or an average of $655,000, with an average home size of 2,889 s.f. These prices reflected a builder concession of approximately $10,000, thus the effective indicated average net price was $645,000. Considering that the average size is slightly smaller than the average size of 2,969 s.f. for all 68 completed homes, and also that most of the previously existing homes now include interior and yard improvements, the indication at $645,000 tends to support a lower limit as an average for all 68 homes.

The 5 homes currently under construction have recently been released for sale with pricing at $679,000 for Plan 1, $699,000 for Plan 2 and $719,000 for Plan 3, and a total of $20,000 in incentives. Thus, this reflects a net average price (net of incentives) of $679,000 for an average home size of 2,938 s.f. It is evident that this pricing is about 5% higher than the most recent closed builder sales, suggesting an upward value trend over the past 6 to 12 months. However, it is considered that the indication at $679,000 supports a firm upper limit as an average for the overall tract.

There was one resale that closed in 2009 (on June 19), that was a conventional sale at a price of $650,000 for a 3,169 s.f. home (Plan 3) that was in good condition. Considering the date of sale but also the larger size than the average of the 68 homes, the indication at $650,000 would tend to support a close indication to close upper limit as an average for the 68 homes.

There is a current escrow that is a short sale at a price of ±$675,000 for a 3,125 s.f. home (Plan 2) that is in good condition. Considering the conditions of sale but also that the size is larger than the average of the 68 homes, the indication at ±$675,000 tends to support a close indication to close upper limit as an average for the 68 homes.

There is also one current listing in this tract at an asking price of $699,900 to $729,000 for a 2,985 s.f. home in good/upgraded condition and as a conventional sale. The asking price is similar to higher than the current pricing for the new homes, and while it is of general interest it supports a far upper limit as an average for the overall tract.

Lastly, considering the home sizes and minimum lot sizes, the previous analysis of the Cedar Creek tract supports a lower limit at $640,000, and the previous analyses of the Belle Rive and Rosemary Lane tracts support close indications at $680,000 and $650,000.

In summary, I have concluded on an average value of $650,000 which results in the following:

68 completed-sold homes @ $650,000 = $44,200,000

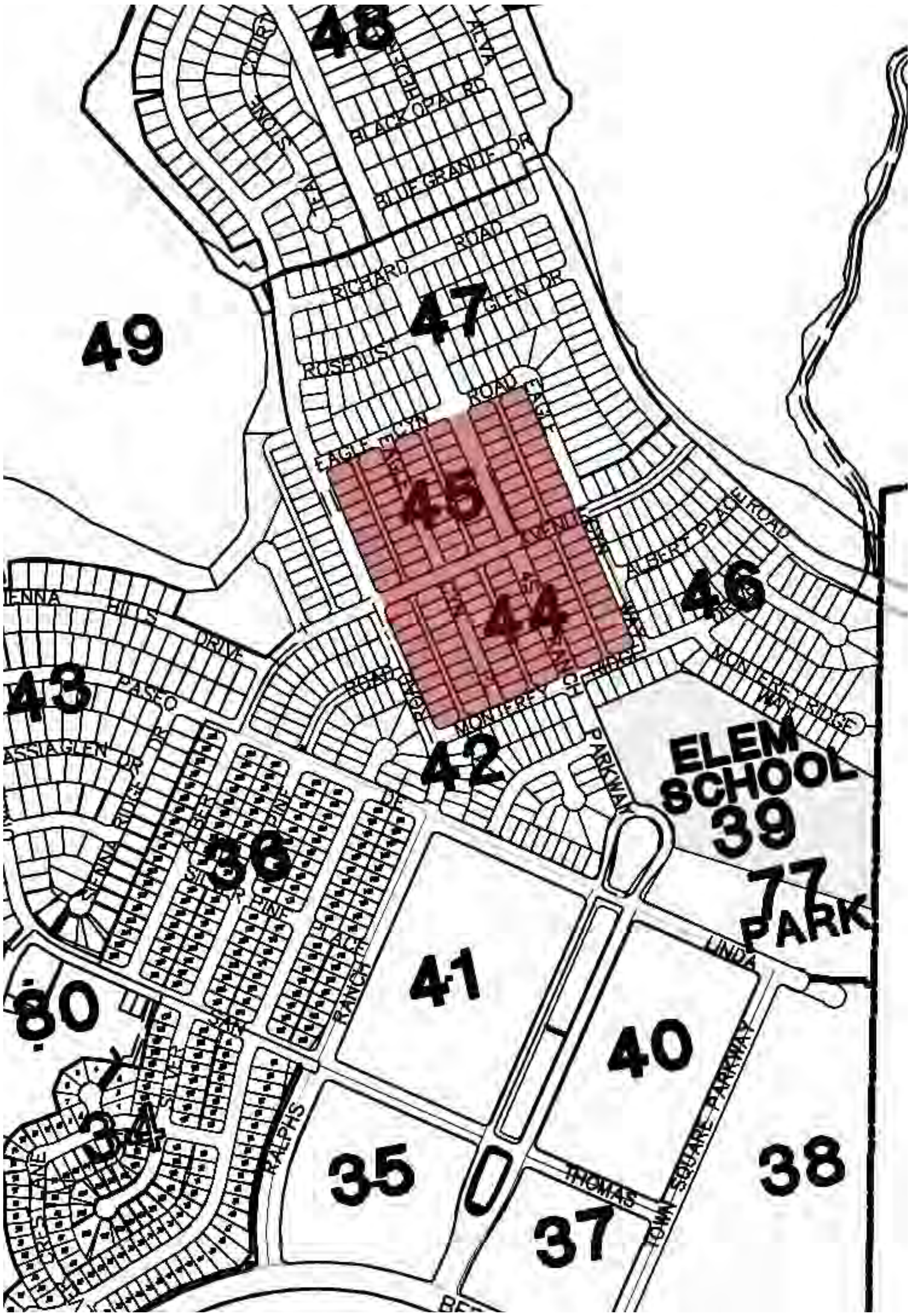
Conclusion of Value

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 August 2, 2010:

$44,200,000

(FORTY-FOUR MILLION TWO HUNDRED 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 Eagle Canyon Rd.

Record Owner/Ownership History

All of the 120 lots are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from December 2006 through July 2010 and there have subsequently been a limited number of resales.

Legal Description

This 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.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-640-48 to 67, 678-644-01 to 40, 678-660-23 to 62 and 678-661-01 to 20. The assessed values range from $187,203 to $822,628, or an average of $528,382. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 120 lots. The minimum lot size is ±5,150 s.f., or ±50' by 103'.

Existing Development

These lots were developed from 2006 through the first half of 2010 with a tract of 120 homes called Maybeck at 4S Ranch. The number and description of the four floor plans are as follows:

Plan 1 (27): 2,797 s.f. (Plan 1X at 3,172 s.f.), two-story, with 3 to 4 bedrooms, den, loft, 2½ baths, and oversized 2-car garage; Plan 1X includes guest suite.

Plan 2 (26): 3,180 s.f. (Plan 2X at 3,438 s.f.), two-story, with 3 to 4 bedrooms, loft, 3½ baths, and oversized 2-car garage; Plan 2X includes guest suite.

Plan 3 (32): 3,252 to 3,700 s.f., two-story, 4 to 5 bedrooms, up to 5½ baths, and 3-car garage.

PROPERTY DATA

Plan 4 (35): 3,481 to 3,525 s.f., two-story, with 4 to 5 bedrooms, playroom, 4½ baths, and 2 or 3-car garage.

Assessor data is incomplete regarding home sizes. Thus, based upon input from the builder and floor plans obtained from the sales office, the home sizes range from 2,797 s.f. to 3,700 s.f. or an overall average of 3,332 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 120 Completed-Sold Homes

The most recent 32 builder sales that closed in 2010 from January 8 through July 2 ranged in price from $611,000 to $845,000 or an average of $681,000, with an average home size of 3,314 s.f. It appears that these prices reflected a typical builder concession of ±$10,000, thus the effective indicated average net price was $671,000. Considering that the average size is fairly similar to the average size of all 120 completed homes, but also that most of the previously existing homes now include interior and yard improvements, the indication of $671,000 supports a firm lower limit as an average for all 120 homes.

In addition, the 21 builder sales that closed from August through December 2009 ranged in price from $606,000 to $819,500 or an average of $670,000, with an average home size of 3,263 s.f. Assuming that the builder concession was similar during that period of time, the effective indicated average net price was $660,000. Considering the dates of sale and also the smaller average home size than the average for all 120 homes, the indication of $660,000 supports a far lower limit as an average for the overall tract at current date.

It is noted that there have been 4 resales from 2009 and thus far in 2010 that are shown in the following table:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17258 4S Ranch Pkwy	2/4/09	$625,000	3,180	Lender sale; avg. condition
2	17268 Eagle Canyon	7/9/09	$670,000	3,197	Conventional sale; good condition
3	17217 4S Ranch Pkwy	3/11/10	$760,000	3,700	Conventional sale; good condition
4	17254 Eagle Canyon	6/11/10	$750,000	3,700	Conventional sale; good condition
			$701,000	3,444	(Avg.)

It is evident that the lender sale resulted in a significantly discounted price, likely due to the conditions of sale as well as the condition of the home. Thus, considering the dates of sale, conditions of one sale, condition of one home, and the average size which is slightly larger than the overall tract, the indication at $701,000 would tend to support a close indication to close lower limit as an average for the overall tract. Deleting Data No. 1, the revised average of $727,000 for an average home size of 3,532 s.f. would support a far upper limit as an average for the overall tract due primarily to the much larger average home size.

It is also noted that there is one current listing in this tract, which is a 3,252 s.f. home in good condition that is available in a short sale situation at an asking price of $735,000. While this is of general interest, the asking price supports a firm upper limit as an average for the overall tract.

Lastly, the previous analysis of the SilverCrest tract and the later analyses of the Evergreen and Pienza tracts support fairly close indications for this subject tract at averages of $700,000 to $710,000 considering the fairly similar size homes though on slightly smaller lots.

In summary, I have concluded on an average value of $700,000 which results in the following:

120 completed-sold homes @ $700,000 = $84,000,000

Conclusion of Value

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 August 2, 2010:

$84,000,000

(EIGHTY-FOUR MILLION 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 many resales since that time.

Legal Description

This tract comprises Units 1 through 136 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-2009/10

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 $500,000 to $742,403 or an average of $522,530. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, of an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

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 ±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 (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 (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 (45): 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.

Per Assessor data, the homes in this tract range in size from 1,908 s.f. to 2,334 s.f. or an average of 2,124 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 136 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10428 Plumeria	12/11/09	$530,000	2,112	Lender sale; average condition
2	17002 Garden Path	1/28/10	$565,000	2,112	Lender sale; good condition; view
3	10412 Wild Orchid	2/12/10	$600,000	2,334	Conventional sale; good condition
4	17058 Garden Path	5/17/10	$565,000	2,334	Short sale; good cond; min. landsc.
5	17062 Garden Path	7/9/10	$542,500	2,112	Conventional sale; good condition
6	10434 Camino San Thomas	Escrow	±$520,000	1,908	Conventional sale; good condition
7	10432 Paradisio	Pending	±$485,000	2,112	Short sale; good condition
			±$544,000	2,146	(Avg.)

This data reflects all sales that have taken place from the fourth quarter of 2009 and thus far in 2010. As indicated, only 3 of the 7 sales were conventional sales with the homes in good condition, and the other 4 sales were lender or short sales with the homes ranging from average to good condition. It is evident that the lender and short sales reflect slight to significant discounts in price relative to the conventional sales for similar size homes. Considering primarily the negative conditions of sale affecting 4 of the 7 sales, and also that the average home size is fairly similar to the average for the overall tract, the indication at ±$544,000 tends to support a firm lower limit as an average for the overall tract.

It is noted that there were 7 other sales that closed earlier in 2009, with closing dates from January 6 to June 23. The sales ranged in price from $490,000 to $530,025 or an average of $509,000 with an average home size of 2,178 s.f. which is slightly larger than the average size of 2,124 s.f. for the overall tract. It is noted that only 1 of the sales was a conventional sale and the other 6 sales were short or lender sales. Thus, considering the dates of sale and the conditions of sale, the indication at $509,000 supports a far lower limit as an average for the overall tract.

It is noted that there are two current listings in the tract – 17039 Ralphs Ranch Rd. is a 1,908 s.f. home in good condition that is listed as a short sale at $539,900; and 10418 Wild Orchid Way is a 2,112 s.f. home in good condition that is listed as a conventional sale at $550,000 to $565,000. These two listings indicate an average asking price of ±$549,000 for an average home size of 2,010 s.f., or slightly smaller than the average of the overall tract. In general, these listings are of general interest as asking prices, but the indication at $549,000 would tend to support a lower limit as an average for the overall tract due to the conditions of sale for one of the listings.

Lastly, the previous analysis of the Summerwood tract would support a firm lower limit at an average of $530,000, 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 $570,000 due to the similar size homes on similar size lots.

In summary, I have concluded on an average value of $550,000 which results in the following:

136 homes @ $550,000 = $74,800,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Garden Walk tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$74,800,000

(SEVENTY-FOUR MILLION EIGHT 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.

Record Owner/Ownership History

All of the 218 homes are owned by separate homeowners. The original sales from the builder, Lennar Homes, closed from November 2005 through September 2007, and there have been many resales since that time.

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-2009/10

This 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. The assessed values range from $62,042 to $395,000, or an average of $334,775. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

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.

Existing Development

These lots/units were developed from 2005 through 2007 with a tract of 218 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:

> Plan 1: 959 to 988 s.f., two-story, with 1 bedroom, loft, 1½ baths, and 1- or 2-car detached garage.

PROPERTY DATA, Continuing

Plan 2: 1,054 to 1,059 s.f., two-story, with 2 bedrooms, 2 baths and 1- or 2-car detached garage.

Plan 3: 1,439 to 1,457 s.f., two-story, with 2 bedrooms, 2½ baths and 1- or 2-car attached garage.

Plan 4: 1,416 to 1,430 s.f., two-story, with 3 bedrooms, 3 baths and 2-car tandem attached garage.

Plan 5: 1,423 s.f., two-story, with 3 bedrooms, 3 baths and 2-car attached garage.

Plan 6: 1,436 s.f., three-story, with 3 bedrooms, 3½ baths and 2-car attached garage.

Per Assessor data, the homes in this tract range in size from 965 s.f. to 1,460 s.f. or an average of 1,282 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 218 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16916 Hutchins Land.#78	1/5/10	$220,000	965	Short sale; avg./good condition
2	16915 Hutchins Land.#50	2/12/10	$360,000	1,450	Lender sale; good condition
3	16934 Laurel Hill #156	3/5/10	$312,000	1,068	Short sale; avg./good condition
4	16910 Bixby #11	3/11/10	$385,000	1,450	Lender sale; good condition
5	16957 Laurel Hill #210	4/7/10	$385,000	1,460	Conventional sale; good condition
6	16957 Laurel Hill #212	4/9/10	$370,000	1,460	Short sale; good condition
7	16935 Laurel Hill #173	4/16/10	$380,000	1,455	Conventional sale; good condition
8	16934 Laurel Hill #166	5/12/10	$340,000	1,455	Short sale; average cond.
9	16910 Bixby #2	5/24/10	$235,000	965	Short sale; good condition
10	16957 Laurel Hill #208	5/26/10	$299,000	1,068	Conventional sale; good condition
11	16915 Hutchins Land. #49	6/16/10	$362,000	1,450	Lender sale; average condition
12	16937 Hutchins Land. #86	6/29/10	$365,000	1,460	Short sale; good condition

VALUATION, Continuing

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
13	16913 Laurel Hill #141	7/1/10	$350,000	1,450	Short sale; average condition
14	16915 Hutchins Land. #60	Escrow	±$325,000	1,420	Short sale; average condition
15	16913 Laurel Hill #143	Escrow	$300,000	1,068	Short sale; average condition
16	16934 Laurel Hill #168	Escrow	±$225,000	965	Short sale; average condition
			$326,000	1,288	(Avg.)

This data reflects all sales (closed and pending) that have taken place thus far in 2010. As indicated, only 3 of the 16 sales were conventional sales with the homes in good condition, and the other 13 sales were short or lender sales with the homes ranging from average to good condition. It is evident that there is minimal clear difference in the pricing whether conventional or short/lender sales, reflecting that the significant amount of the short and lender sales has strongly influenced the market for this tract. Thus, considering the conditions of sale for most of the sales, and also the average home size which is fairly similar to the overall tract, the indication at $326,000 would tend to support a close indication to close lower limit as an average for the overall tract.

It is also noted that there are five current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	16913 Laurel Hill #144	7/19/10	$295,000	1,068	Short sale; good condition
2	16916 Hutchins Lndg #75	5/28/10	$300,000	1,068	Short sale; good condition
3	16912 Laurel Hill #125	7/5/10	$345,000-$353,000	1,445	Conventional sale; good condition
4	16913 Laurel Hill #134	8/2/10	$365,000-$370,000	1,445	Conventional sale; good condition
5	16935 Laurel Hill #178	5/20/10	$354,900	1,450	Short sale; good condition
			±$340,000	1,295	(Avg.)

The asking prices are generally in line with recent sale prices or are on the conservative side due to reflecting the conditions of sale with 3 of the 5 listings being in short sale situations. In addition, the average home size of the listings is fairly similar to the average of the overall tract. Thus, the indication at ±$340,000 would tend to support a close indication to close lower limit as an average for the overall tract due to the conditions of sale.

Lastly, the following analyses of the Gianni and San Moritz tracts support firm upper limits at averages of $400,000 and $360,000, due to the larger homes.

In summary, I have concluded on an average value of $330,000 which results in the following:

218 homes @ $330,000 = $71,940,000

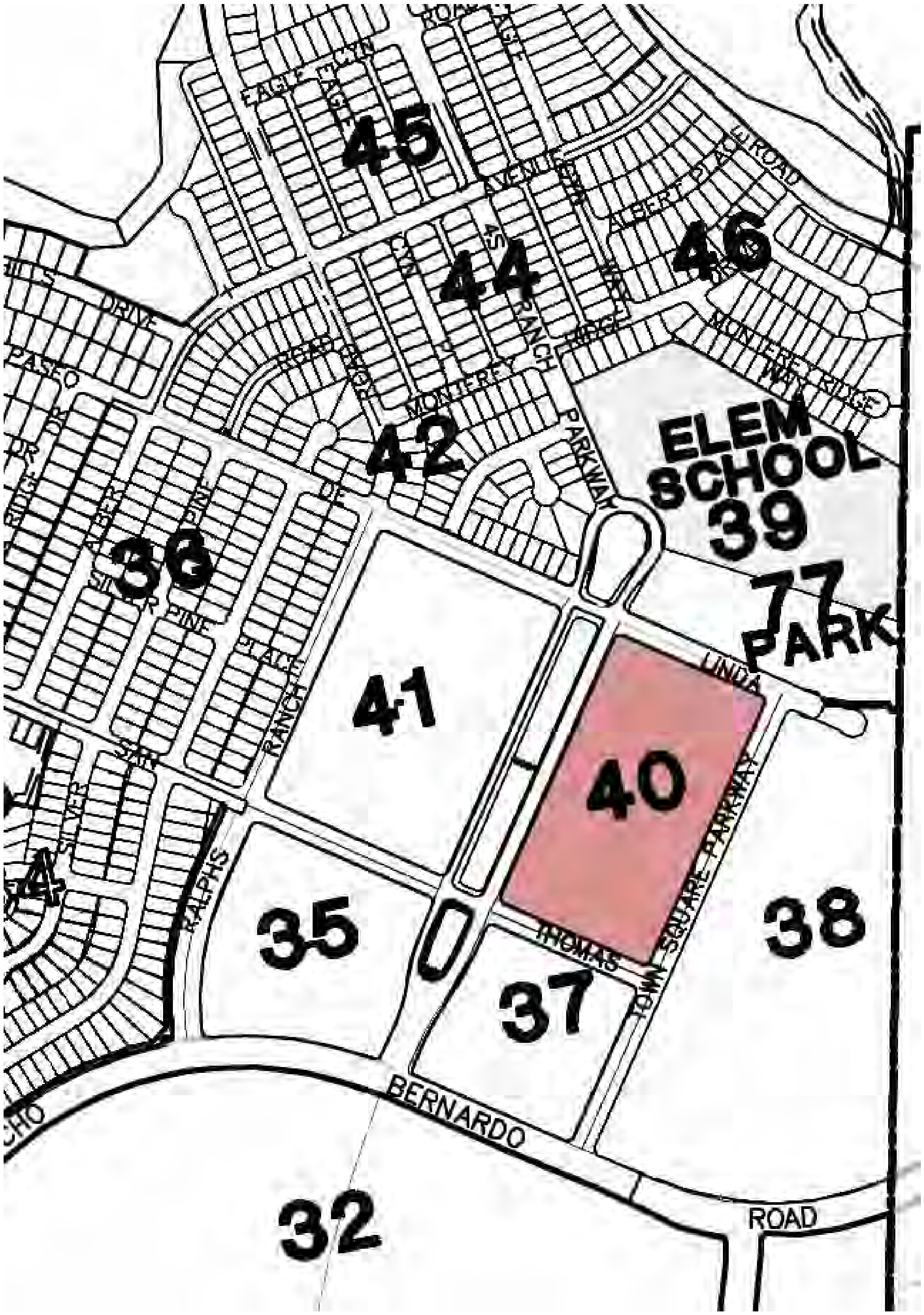
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Bridgeport tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$71,940,000

(SEVENTY-ONE MILLION NINE HUNDRED FORTY 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.

Record Owner/Ownership History

All of the 206 homes are owned by separate homeowners. The original sales from the builder, Standard Pacific Homes, closed from December 2006 through August 2009 and there have been various resales since that time.

Legal Description

The units are described as Units 1 through 206 on Lot 1 of County of San Diego Tract No. 5342-1 according to Map No. 15251 recorded January 27, 2006.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-638-10-01 to 55, 678-638-11-01 to 77 and 678-638-12-01 to 74. The assessed values range from $164,261 to $528,693, or an average of $389,316. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.6% including special taxes and based on the estimated average current home value for this tract.

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

These lots/units were developed from late 2006 through mid 2009 with a tract of attached townhomes called Gianni at 4S Ranch. There are five floor plans and the number and description of each plan is as follows:

Plan 1 (30): 1,211 s.f., two-story, with 2 bedrooms, 2½ baths and 1-car garage plus storage.

Plan 2 (30): 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.

PROPERTY DATA, Continuing

Plan 3 (78): 1,389 s.f., two-story, with 3 bedrooms or 2 master suites, 2½ baths and 2-car garage.

Plan 4 (38): 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 (30): 1,578 s.f., two-story, with 3 bedrooms, 2½ baths and 2-car garage.

Per Assessor data, the homes in this tract range in size from 1,211 s.f. to 1,578 s.f. or an average of 1,401 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 206 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17059 Calle Trevino #3	8/6/09	$385,000	1,460	Lender sale; avg. condition
2	17059 Calle Trevino #6	8/7/09	$390,000	1,578	Short sale; good condition
3	10524 Calle Tamarindo #3	8/26/09	$365,000	1,460	Short sale; avg./good condition
4	17010 Calle Trevino #2	9/11/09	$360,000	1,211	Conventional sale; good condition
5	17070 Calle Trevino #7	9/30/09	$450,000	1,578	Conventional sale; upgraded/good cond.
6	17034 Calle Trevino #4	10/14/09	$445,000	1,484	Conventional sale; upgraded/good cond.
7	17022 Calle Trevino #13	10/21/09	$363,000	1,211	Conventional sale; good condition
8	17034 Calle Trevino #8	10/29/09	$439,000	1,578	Conventional sale; good condition
9	17071 Calle Trevino #11	11/2/09	$355,000	1,211	Lender sale; avg./good condition
10	17034 Calle Trevino #6	11/25/09	$428,000	1,389	Conventional sale; upgraded/good cond.
11	17071 Calle Trevino #12	12/11/09	$360,000	1,356	Short sale; good condition
12	17071 Calle Trevino #6	12/24/09	$410,000	1,578	Short sale; good condition
13	17034 Calle Trevino #1	3/16/10	$395,000	1,356	Conventional sale; good condition
14	15036 Calle Tamarindo #6	3/16/10	$435,000	1,389	Conventional sale; upgraded/good cond.
15	17019 Camino Marcilla #4	4/26/10	$426,000	1,395	Conventional sale; good condition

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
16	17022 Calle Trevino #7	6/23/10	$453,000	1,578	Conventional sale; upgraded/good cond.
17	17070 Calle Trevino #1	6/30/10	$359,000	1,356	Short sale; good condition
18	17019 Camino Marcilla #5	7/29/10	$412,500	1,389	Conventional sale; good condition
			$402,000	1,420	(Avg.)

This data reflects all resales that have taken place from August 2009 and thus far in 2010. As indicated, 11 of the 18 sales were conventional sales with the homes in good or upgraded/good condition, and the other 7 sales were or are short or lender sales with the homes ranging from average to good condition. It is evident that the short and lender sales reflect slightly to significantly discounted prices relative to the prices from the conventional sales for similar size homes. This would be due in part to the conditions of sale as well as the general inferior condition of the homes. In terms of average size, the sales are slightly larger at 1,420 s.f. than the overall tract at 1,401 s.f.

Considering the dates of sale with 12 of 18 sales closing in 2009 and the conditions of sale of 7 of the 18 sales being more than offsetting negative factors to the slightly larger average size, the indication at $402,000 tends to support a lower limit indication as an average for the overall tract.

It is also noted that there are six current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	17071 Calle Trevino #2	6/16/10	$329,000	1,211	Short sale; good condition
2	17011 Calle Trevino #7	5/7/10	$404,500	1,395	Conventional sale; good condition
3	17071 Calle Trevino #9	11/21/09	$405,000	1,395	Short sale; good condition
4	17070 Calle Trevino #3	5/18/10	$399,000	1,460	Short sale; good condition
5	17010 Calle Trevino #12	6/14/10	$400,000	1,460	Short sale; good condition
6	10536 Calle Tamarindo #3	6/12/10	$425,000	1,460	Conventional sale; good condition
			$394,000	1,397	(Avg.)

It is noted that 4 of the 6 listings are short sales which reflect similar to significantly lower prices that the conventional sales and listings. In addition, the average home size of the listings is slightly smaller than that of the sales or of the overall tract. Primarily due to the higher percentage of short sales, the average asking price of $394,000 is lower than from the sales, and it tends to support a firm lower limit as an average for the overall tract.

Lastly, the previous analysis of the Bridgeport tract supports a far lower limit at an average of $330,000 due to the much smaller and inferior quality homes, and the following analysis of the San Moritz tract supports a closer but firm lower limit indication at an average of $360,000 due to the fairly similar size homes but being a higher density and inferior project in terms of desirability.

In summary, I have concluded on an average value of $400,000 which results in the following:

206 completed-sold homes @ $400,000 = $82,400,000

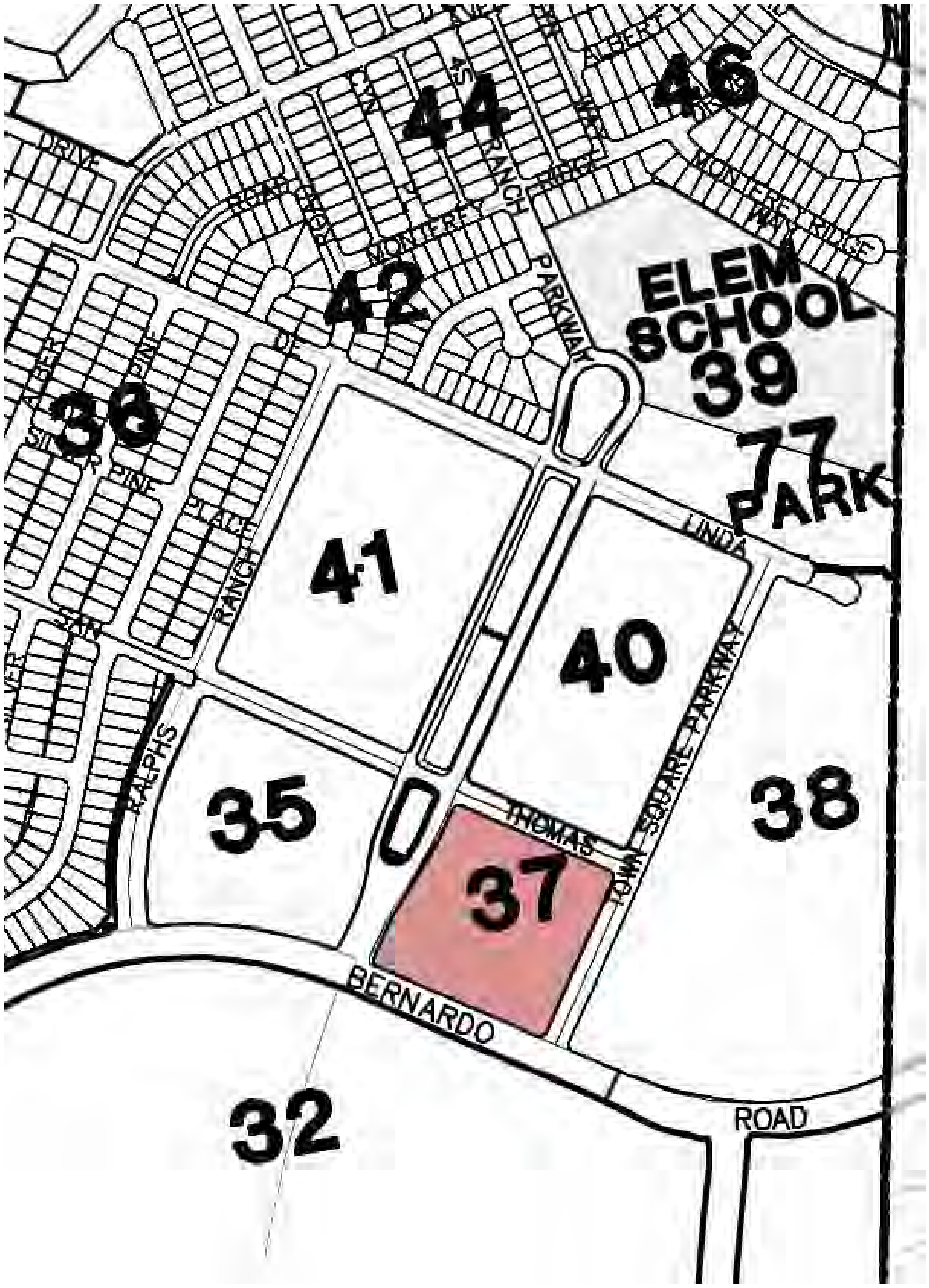
Conclusion of Value

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 August 2, 2010:

$82,400,000

(EIGHTY-TWO MILLION FOUR HUNDRED 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

All of the 140 homes are owned by separate homeowners. The original sales from the builder, Shea Homes, closed from October 2005 through mid 2007, and there have been many resales since that time.

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-2009/10

This tract comprises Assessor Parcel Nos. 678-637-10-01 to 72 and 678-637-11-01 to 68. The assessed values range from $334,000 to $538,823 or an average of $361,798. The tax rate area is 64-105 with a current base tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% including special taxes and based on the estimated average current home value for this tract.

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 number and description of each plan is as follows:

> Plan 1 (31): 1,318 s.f., three-story, with 2 bedrooms, alcove, laundry, 2½ baths and 2-car attached garage.
>
> Plan 2 (55): 1,394 s.f., three-story, with 2 bedrooms, den/office, laundry, 2½ baths and 2-car attached garage.

PROPERTY DATA, Continuing

Plan 3 (54): 1,494 s.f., three-story, with 3 bedrooms, tech center, laundry, 3½ baths and 2-car attached garage.

Per Assessor data, the homes in this tract range in size from 1,335 s.f. to 1,498 s.f. or an average of 1,419 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 140 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	16934 Vasquez Way #93	10/9/09	$355,000	1,335	Short sale; good condition
2	16926 Vasquez Way #87	10/14/09	$329,000	1,335	Short sale; upgraded/good condition
3	10510 Zenor Ln. #25	10/30/09	$355,000	1,498	Short sale; avg./good condition
4	10555 Debreceni Way #2	1/4/10	$359,500	1,389	Conventional sale; good condition
5	16914 Torbett Ln. #15	1/21/10	$365,000	1,335	Conventional sale; good condition
6	16926 Vasquez Way #90	2/25/10	$390,000	1,498	Short sale; good condition
7	10513 Zenor Ln. #35	4/29/10	$400,000	1,498	Conventional sale; good condition
8	16917 Vasquez Way #67	Escrow	±$390,000	1,498	Lender sale; average condition
9	10529 Zenor Ln. #40	Escrow	$380,000	1,498	Lender sale; good condition
10	10537 Zenor Ln. #45	Escrow	$327,500	1,389	Short sale; good condition
11	10533 Sanshey Ln. #117	Escrow	±$349,000	1,498	Short sale; good condition
12	16950 Vasquez Way #105	Escrow	±$345,000	1,335	Short sale; good condition
13	16934 Vasquez Way #92	Pending	$336,000	1,389	Short sale; good condition
14	10534 Sanshey Ln. #120	Pending	±$345,000	1,389	Short sale; good condition
			$359,000	1,420	(Avg.)

This data reflects all sales (closed and pending) that have taken place from October 2009 and thus far in 2010. As indicated, only 3 of the 14 sales were conventional sales in which the homes were in good condition, and the other 11 sales were short or lender sales in which the homes ranged from average to upgraded/good condition. It is evident that the short and lender sales reflect slightly to significantly discounted prices relative to the prices from the conventional sales for similar size homes, due primarily to the conditions of sale. In terms of average size, the sales at 1,420 s.f. are similar to the overall tract at 1,419 s.f. Considering the dates of sale with only 3 of 14 sales closing in 2009, but primarily the conditions of sale impacting 11 of the 14 sales, the indication at $359,000 supports a firm lower limit indication as an average for the overall tract.

It is noted that there were 10 other sales that closed earlier in 2009, with closing dates from January 21 to July 31. The sales ranged in price from $315,000 to $360,000 or an average of $336,000 with an average home size of 1,416 s.f. which is fairly similar to the overall tract. It is noted that all of these sales were short or lender sales in which the homes were mostly in good condition. However, considering the dates of sale and the conditions of sale, the indication at $336,000 supports a far lower limit as an average for the overall tract at current date.

It is also noted that there are 5 current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	10533 Sanshey Ln. #115	7/18/10	$399,000	1,335	Conventional sale; good condition
2	10542 Sanshey Ln. #123	6/7/10	$351,500	1,389	Short sale; good condition
3	16950 Vasquez Way #106	3/13/10	$360,000	1,389	Short sale; good condition
4	16918 Vasquez Way #75	7/12/10	$399,000	1,389	Conventional sale; good condition
5	10521 Zenor Ln. #36	7/21/10	$425,000	1,498	Conventional sale; good condition
			$387,000	1,400	(Avg.)

It is noted that 3 of the 5 listings are available as conventional sales with the homes in good condition, and the other 2 listings are available on a short sale basis with the homes in good condition. While the asking prices for the conventional sale situations reflect higher prices than similar sales, it is evident that the short sale situations reflect significantly discounted prices. In addition, the average home size of the listings is slightly smaller than that of the sales or of the overall tract. Overall, the average indication at $387,000 is of interest, but is supports a far upper limit as an average value for the overall tract.

Lastly, the previous analysis of the Bridgeport tract supports a far lower limit at an average of $330,000 due to the much smaller and inferior quality homes; the previous analysis of the Gianani tract supports a firm upper limit at an average of $400,000 due to the similar size homes but lower density and superior desirability of that project; and the later analysis of the Ravenna tract supports an upper limit at an average of $410,000 due to the larger homes.

In summary, I have concluded on an average value of $360,000 which results in the following:

140 completed-sold homes @ $360,000 = $50,400,000

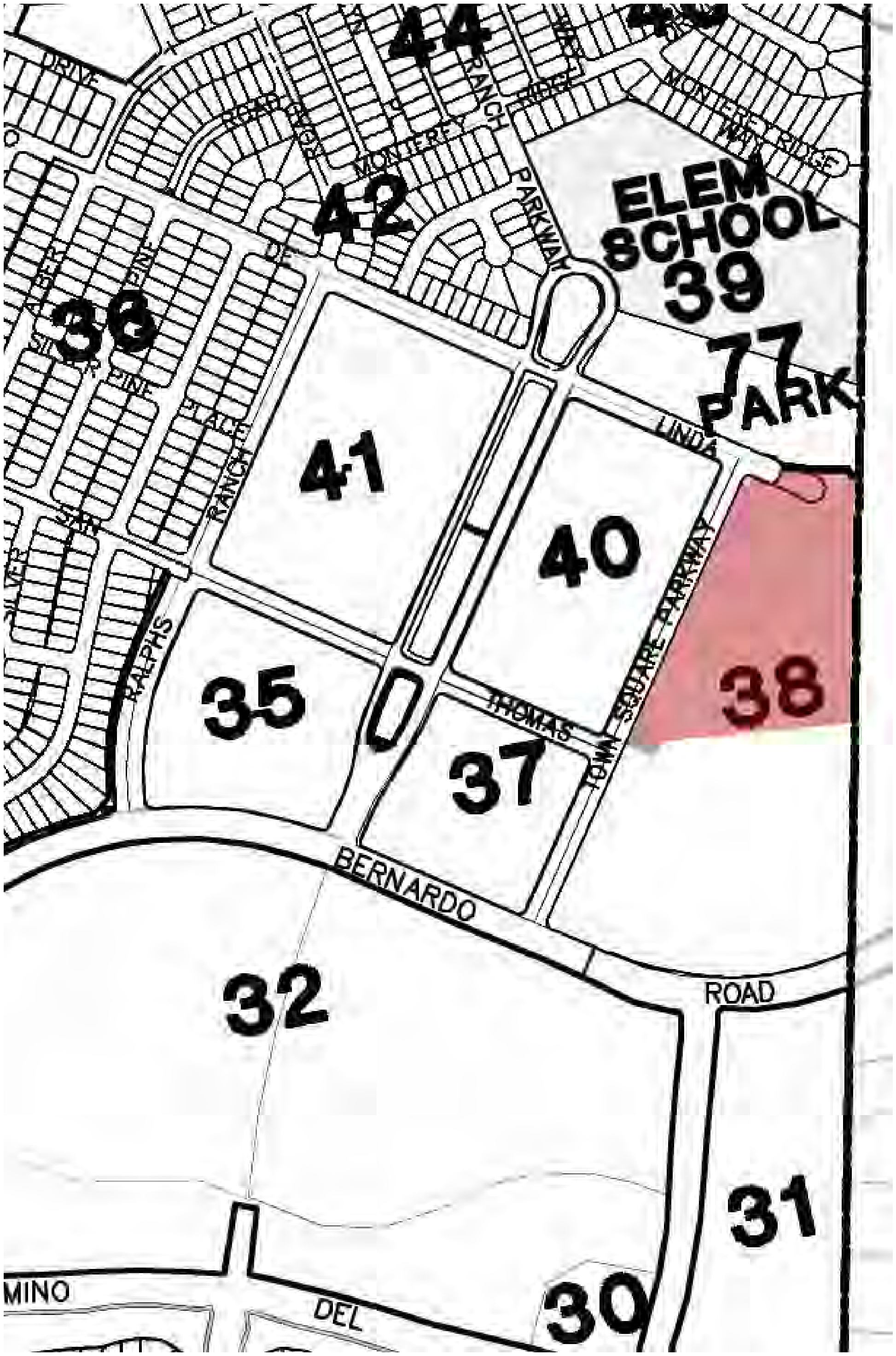
<u>Conclusion of Value</u>

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 August 2, 2010:

$50,400,000

(FIFTY MILLION FOUR HUNDRED 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.

Record Owner/Ownership History

All of the 127 homes are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from September 2005 through the end of 2007, and there have been many resales since that time.

Legal Description

This 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.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-637-05-01 to 73 and 678-637-06-01 to 54. The assessed values range from $138,476 to $545,649, or an average of $460,471. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 127 lots in a condominium plan, with the lot sizes ranging from ±2,000 s.f. to 3,000 s.f.

Existing Development

These lots/units were developed in 2005 through 2007 with a tract of 127 detached courtyard-style homes called Amante at 4S Ranch. There are four floor plans and the number and description of each plan is as follows:

Plan 1(28) : 1,454 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths, and 2-car garage.

Plan 2 (32): 1,743 s.f., two-story, with 3 bedrooms, 2½ baths, and 2-car garage.

Plan 3 (36): 1,825 s.f., two-story, with 2 bedrooms, den or optional bedroom 3, 2½ baths, and 2-car garage.

PROPERTY DATA, Continuing

Plan 4 (31): 1,914 s.f., two-story, with 3 bedrooms, loft or optional bedroom 4, 2½ baths, and 2-car garage.

Per Assessor data, the homes in this tract range in size from 1,455 s.f. to 1,957 s.f. or an average of 1,784 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 127 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17075 New Rochelle	8/28/09	$510,000	1,957	Short sale
2	10550 Hollingsworth	10/28/09	$515,000	1,803	Conventional sale; upgraded/good cond.
3	10568 Hollingsworth	11/30/09	$535,000	1,873	Conventional sale; upgraded/good cond.
4	17061 New Rochelle	2/12/10	$560,000	1,957	Conventional sale; good condition
5	10529 Hollingsworth	2/17/10	$486,000	1,873	Short sale; avg. condition
6	17024 New Rochelle	3/18/10	$495,000	1,803	Short sale; good condition
7	17079 New Rochelle	5/6/10	$485,000	1,873	Conventional sale; good condition
8	10538 Hollingsworth	8/6/10	$440,000	1,455	Conventional sale; good condition
9	17033 New Rochelle	Escrow	$500,000	1,803	Short sale; good condition
			$503,000	1,822	(Avg.)

This data reflects all sales that have taken place from the second half of 2009 and thus far in 2010. As indicated, 5 of the 9 sales were conventional sales in which the homes ranged from good to upgraded/good condition, and the other 4 sales were or are short sales in which 3 of the homes ranged from average to good condition and the other is unknown. It is evident that the short sales reflect only slightly discounted prices relative to the conventional sales for similar size homes. In terms of average size, the sales at 1,822 s.f. are slightly larger than the overall tract at 1,784 s.f. Considering the dates and conditions of sale, the indication at $503,000 supports a close indication to close lower limit as an average for the overall tract.

VALUATION, Continuing

It is also noted that there are 3 current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	17015 New Rochelle	7/1/10	$469,000	1,455	Conventional sale; good condition
2	17011 New Rochelle	8/3/10	$499,000- $549,000	1,873	Conventional sale; good condition
3	17016 New Rochelle	6/1/10	$485,000	1,957	Short sale; good condition
			$501,000	1,762	(Avg.)

It is noted that listing of the short sale situation reflects a significantly discounted price relative to the other two listings and the previous sales when considering the home size. Thus, while these listings are of general interest, the average of the asking prices tends to support a lower limit at $501,000 as an average for the overall tract.

Lastly, the previous analysis of the Tanglewood tract supports a firm lower limit at an average of $460,000 due to the much smaller homes on similar size lots; the previous analysis of the Summerwood tract supports a firm upper limit at an average of $530,000 due to the larger homes on slightly larger lots; and the previous analysis of the Garden Walk tract supports a far upper limit at an average of $550,000 due to the much larger homes on slightly larger lots.

In summary, I have concluded on an average value of $500,000 which results in the following:

127 completed-sold homes @ $500,000 = $63,500,000

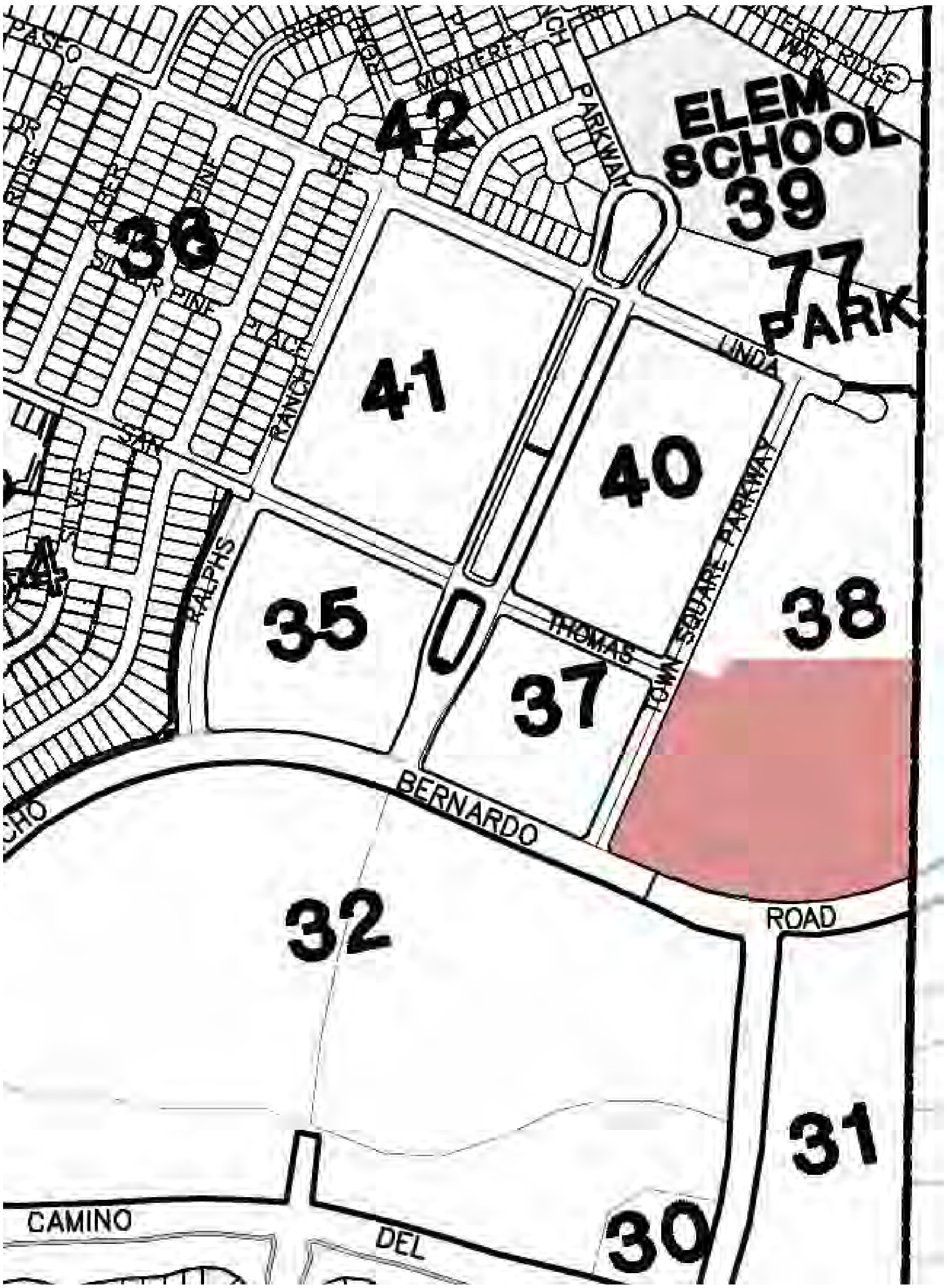
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Amante tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$63,500,000

(SIXTY-THREE MILLION FIVE HUNDRED 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.

Record Owner/Ownership History

All of the 199 homes are owned by separate homeowners. The original sales from the builder, William Lyon Homes, closed from November 2005 through the beginning of 2008, and there have been many resales since that time.

Legal Description

This 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.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-637-07-01 to 90, 678-637-08-01 to 68 and 678-637-09-01 to 41. The assessed values range from $169,998 to $568,292, or an average of $397,723. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.6% including special taxes and based on the estimated average current home value for this tract.

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

These lots/units were developed in 2005 through 2007 with a tract of 199 attached townhomes called Ravenna at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

Plan 1 (53): 1,476 s.f., two-story with mezzanine, with 2 bedrooms, loft, 2½ baths and 2-car garage.

Plan 2 (72): 1,405 s.f., two-story, with 3 bedrooms, 2½ baths, and 2-car garage with option of den at bedroom 3.

Plan 3 (74): 1,626 s.f., two-story, with 3 bedrooms, loft, 2½ baths and 2-car garage with options of den and bedroom 4.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 1,428 s.f. to 1,642 s.f. or an average of 1,522 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 199 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10422 Whitcomb #111	2/10/10	$438,000	1,642	Conventional sale; upgraded/good cond.
2	10412 Shelborne #53	4/22/10	$362,500	1,484	Conventional sale; good condition
3	10435 Whitcomb #134	5/3/10	$420,000	1,642	Short sale; good condition
4	10417 Whitcomb #106	5/6/10	$400,000	1,642	Short sale; good condition
5	16963 New Rochelle #59	5/20/10	$420,000	1,642	Short sale; good condition
6	10416 Whitcomb #100	5/20/10	$442,000	1,642	Conventional sale; good condition
7	10412 Shelborne #54	5/27/10	$449,000	1,642	Conventional sale; good condition
8	10412 Shelborne #50	6/30/10	$369,500	1,484	Conventional sale; good condition
9	10452 Whitcomb #163	7/9/10	$411,000	1,428	Conventional sale; good condition
10	10423 Whitcomb #115	7/15/10	$350,000	1,428	Short sale; good condition
11	10414 Duxbury #11	7/19/10	$414,000	1,428	Conventional sale; good condition
12	10476 Hollingsworth #183	7/26/10	$360,000	1,428	Short sale; good condition
13	16907 New Rochelle #87	Escrow	$350,000	1,484	Lender sale; average condition
14	16907 New Rochelle #88	Escrow	$385,000	1,428	Short sale; good condition
15	10417 Whitcomb #105	Pending	±$379,000	1,428	Short sale; good condition
			$397,000	1,525	(Avg.)

This data reflects all sales that have taken place thus far in 2010. As indicated, 7 of the 15 sales were conventional sales in which the homes ranged from good to upgraded/good condition, and the other 8 sales were short or lender sales in which the homes ranged from average to good condition but mostly good condition. It is evident that the short sales reflect significantly discounted prices relative to the conventional sales for similar size homes. In terms of average size, the sales at an average of 1,525 s.f. are fairly similar to the overall tract at an average of 1,522 s.f. Thus, considering the conditions of sale affecting the majority of the sales, the indication at $397,000 tends to support a firm lower limit as an average for the overall tract. If considering only the 7 conventional sales, the average indication is $412,000 for an average home size of 1,536 s.f., and this would tend to support a close indication to close upper limit as an average for the overall tract.

It is noted that there were 7 other sales that closed in the last half of 2009, with closing dates from October 12 to December 18. The sales ranged in price from $320,000 to $440,000 or an average of $379,000 with an average home size of 1,544 s.f. which is slightly larger than the overall tract. It is noted that only one of these sales was a conventional sale in which the home was in upgraded/good condition, and the other 6 sales were short or lender sales in which the homes ranged from below average to good. Considering the dates of sale and primarily the conditions of sale and condition of the homes, the indication at $379,000 supports a far lower limit as an average for the overall tract.

It is also noted that there are 2 current listings in the subject tract as follows:

No.	Address	Listing Date	Asking Price	Home Size	Remarks
1	10488 Hollingsworth #193	6/22/10	$410,000	1,428	Conventional sale; good condition
2	10414 Duxbury #10	8/2/10	$365,000	1,484	Short sale; good condition
			$387,500	1,456	(Avg.)

It is noted that listing of the conventional sale situation reflects a price that is in line with conventional sales of this floor plan, but the short sale situation reflects a significantly discounted price relative to conventional sales of that floor plan. In general, due to the conditions of sale affecting one of the listings and also due to the much smaller average size than for the overall tract, the indication at $387,500 supports a firm lower limit as an average for the overall tract.

Lastly, the previous analysis of the San Moritz tract at an average of $360,000 supports a far lower limit for the subject tract due to being smaller homes and in a higher density project; the previous analysis of the Gianni tract at an average of $400,000 would tend to support a firm lower limit for the subject tract due to the slightly smaller homes and with the project at a slightly higher density.

In summary, I have concluded on an average value of $410,000 which results in the following:

199 completed-sold homes @ $410,000 = $81,590,000

Conclusion of Value

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 August 2, 2010:

$81,590,000

(EIGHTY-ONE MILLION FIVE HUNDRED NINETY 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 92 completed homes, 89 are owned by separate homeowners by sales from the builder, Buie Communities (who held title as Chanteclair Development Co. LLC), that have closed from December 2006 through July 2, 2010. The 3 models are still owned by the builder which are included in this appraisal, and the remaining 9 homes that are under construction 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, Lots 540 and 544 to 551 are not included in this appraisal.

Assessor Data-2009/10

This overall tract comprises Assessor Parcel Nos. 678-641-50 to 55, 678-642-01 to 46 and 678-643-01 to 49, but parcels 678-642-30 & 34 to 41 are not included in this appraisal. The assessed values of the 92 included parcels range from $311,513 to $815,709 or an average of $551,463. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 101 lots. The minimum lot size is ±4,500 s.f., or ±45’ by 100’.

Existing Development

Of the 101 lots, 92 have been developed with part of the tract of homes called Chanteclair at 4S Ranch, including the 3 models. Homes are currently under construction on the remaining 9 lots and due to be completed by late August 2010. There are three floor plans and the description of each plan is as follows:

> Plan 1: 2,687 s.f. (up to 2,901 s.f.), two-story, with 3 to 5 bedrooms, formal dining room, loft, 2½ to 3 baths, and 2-car or 3-car tandem garage.

Plan 2: 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: 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.

Per Assessor data that is available for 75 of the completed homes, the size range is 2,687 s.f. to 3,281 s.f. or an average of 3,009 s.f. Per builder information, the other 17 completed homes range in size from 2,901 s.f. to 3,281 s.f. or an average of 3,054 s.f. This results in an overall indicated average of 3,018 s.f. for the 92 homes.

VALUATION

Method of Analysis

This is the same as for previous tracts, and it is noted that the 3 completed-unsold homes (models) are included with the completed-sold homes.

Analysis of 92 Completed-Sold/Completed-Unsold Homes

The most recent 21 builder sales that closed in 2010 from January 12 through July 2 ranged in price from $633,000 to $689,500 or an average of $656,000, with an average home size of 3,025 s.f. It appears that these prices reflected a typical builder concession of up to $20,000, thus the effective indicated average net price was between $636,000 and $656,000. Considering that the average size is fairly similar to the average size of all 92 completed homes, but also that most of the previously existing homes now include interior and yard improvements, the indication at $636,000 to $656,000 supports a firm lower limit as an average for all 92 homes.

There were 11 builder sales that closed in November and December 2009, with prices ranging from $621,000 to $708,500 or an average of ±$652,000, with an average size of 3,048 s.f. Assuming a similar builder concession, the effective indicated average net price of ±$632,000 to $652,000 is fairly similar to that of the 2010 builder sales and for a fairly similar average home size.

Of interest, the builder list pricing (though specific sale prices were not available) for the 9 homes which are nearing completion and are in escrow indicates an average of ±$672,000 for an average home size of 3,060 s.f. Deducting a concession amount of up to $20,000 results in a net indication between $652,000 and $672,000 which indicates a slight increase from the most recent closed builder sales, though with a slightly larger average size.

It is also noted that there were 6 closed resales in 2009, with none since, and these sales are shown in the following table:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17343 Albert Ave.	1/30/09	$680,000	2,874	Conventional sale; good condition
2	17308 Albert Ave.	3/11/09	$600,000	2,687	Short sale; average condition
3	17326 Albert Ave.	6/12/09	$620,000	2,901	Short sale; good condition
4	17307 Albert Ave.	8/24/09	$665,000	3,281	Conventional sale; good condition
5	17337 Albert Ave.	8/28/09	$649,000	2,687	Conventional sale; good condition
6	17314 Albert Ave.	9/30/09	$645,000	3,025	Lender sale; average condition
			$643,000	2,909	(Avg.)

As indicated, 3 of the 6 sales were conventional sales in which the homes were in good condition, and the other 3 sales were short or lender sales in which the homes were in average to good condition. It is evident that the short and lender sales reflect significantly discounted prices relative to the conventional sales for similar size homes. In terms of average size, the sales at an average of 2,909 s.f. are smaller than the overall tract at an average of 3,018 s.f. Thus, considering the conditions of sale and the slightly smaller average home size, the indication at $643,000 supports a lower limit as an average for the overall tract.

It is also noted that there are two current listings in this tract – a 2,901 s.f. home at an asking price of $679,900 (lender sale) and a 3,025 s.f. home at an asking price of $739,000 to $759,000 (conventional sale). The indicated average of $714,000 for an average size of 2,963 s.f. is of general interest, but at best it supports a far upper limit as an average for the overall tract.

Lastly, the previous analysis of the Silhouette tract at an average of $650,000 would tend to support 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 $650,000 would tend to support 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 $700,000 supports a firm upper limit for the subject tract due to the larger homes on larger lots.

In summary, I have concluded on an average value of $650,000 which results in the following:

92 completed-sold homes @ $650,000 = $59,800,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Chanteclair tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$59,800,000

(FIFTY-NINE MILLION EIGHT HUNDRED 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.

Record Owner/Ownership History

All of the 64 homes are owned by separate homeowners. The original sales from the builder, K. Hovnanian Homes, closed from October 2006 through February 2008, and there have been a limited number of resales since that time.

Legal Description

This 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.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-660-01 to 22 & 63 to 73 and 678-662-01 to 09, 20 to 27 & 50 to 63. The assessed values range from $652,000 to $820,000, or an average of $737,697. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.9% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 64 lots. The minimum lot size is ±5,000 s.f., or ±50' by 100'.

Existing Development

These lots were developed in late 2006 through early 2008 with a tract of 64 homes called Evergreen at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

> Plan 1 (22): 3,002 to 3,224 s.f., two-story, with 3 to 5 bedrooms, 3½ baths, family room, living room, dining room, nook, loft, and 2-car garage with flex space.
>
> Plan 2 (16): 3,342 to 3,550 s.f., two-story, with 4 to 6 bedrooms, 3½ baths, family room, living room, dining room, nook, loft or office, and 2-car garage with flex space.
>
> Plan 3 (26): 3,447 to 3,777 s.f., two-story, with 4 to 6 bedrooms, 4½ baths, family room, living room, dining room, nook, retreat, bonus room, and 3-car garage.

PROPERTY DATA, Continuing

Per Assessor data, the homes in this tract range in size from 3,002 s.f. to 3,777 s.f. or an average of 3,323 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 64 Completed-Sold Homes

The pertinent sales data is tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	17210 Ralphs Ranch Rd.	7/10/09	$702,500	3,224	Conventional sale; upgraded/good cond.
2	17311 Ralphs Ranch Rd.	Escrow	±$715,000	3,002	Short sale; upgraded/good cond.
			±$709,000	3,113	(Avg.)

This data reflects the only two sales that have taken place in 2009 and thus far in 2010. As indicated, the lower price is from the larger home and a conventional sale but it took place in mid-2009. The higher price is from the current escrow that is due to close in mid-August 2010, but it is a short sale and a smaller home. Considering the dates and conditions of sale, as well as the smaller average home size at 3,113 s.f. in contrast to the average of 3,323 s.f. for the overall tract, the indication at $709,000 tends to support a lower limit as an average for the overall tract.

It is noted that there are no current listings in this tract.

Lastly, the previous and following analyses of the SilverCrest, Maybeck and Pienza tracts support close indications to close lower limits for the subject at averages of $700,000 to $710,000 due to the slightly smaller to similar size homes on similar size lots.

In summary, I have concluded on an average value of $710,000 which results in the following:

64 completed-sold homes @ $710,000 = $45,440,000

Conclusion of Value

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 August 2, 2010:

$45,440,000

(FORTY-FIVE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS)

MAP OF PIENZA

PIENZA (FIELDSTONE COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the easterly side of 4S Ranch Pkwy. extending easterly to Alva Rd., and extending southerly from Richard Rd. to Eagle Canyon Rd. and around the east side of Eagle Canyon Way to near Albert Ave.

Record Owner/Ownership History

All of the 70 homes are owned by separate homeowners. The original sales from the builder, Fieldstone Communities, closed from September 2007 through October 2009, and there have only been two closed resales since that time.

Legal Description

This tract comprises Lots 755 through 770, 791 through 811, 820 through 841 & 856 through 866 of County of San Diego Tract No. 5229-3, according to Map No. 15200.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-661-21 to 47, 678-662-10 to 19, 28 to 49 & 64 to 74. The assessed values range from $312,670 to $948,380, or an average of $683,420. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.8% including special taxes and based on the estimated average current home value for this tract.

No. of Lots/Lot Sizes

This tract comprises a total of 70 lots. The minimum lot size is ±5,000 s.f., or ±50’ by 100’.

Existing Development

These lots were developed from mid 2007 through late 2009 with a tract of 70 homes called Pienza at 4S Ranch. There are three floor plans and the number and description of each plan is as follows:

> Plan 1 (17): 2,901 s.f., two-story, with 3 to 5 bedrooms, 2½-3 baths, den, family room, formal living room, dining room, nook, and a 2-car or 3-car tandem garage; optional loft, study and super family room.
>
> Plan 2 (25): 3,212 s.f., two-story, with 3 to 5 bedrooms, 2½ to 5 baths, tech center, den, family room, formal living room, formal dining room, nook, and 2-car or 3-car tandem garage; optional study, loft and super family room.

PROPERTY DATA, Continuing

Plan 3 (28): 3,365 s.f., two-story, with 4 to 6 bedrooms, 2½ to 6 baths, den, family room, living room, dining room, nook and 2-car or 3-car tandem garage; optional loft, study and super family room.

Per Assessor data, the homes in this tract range in size from 2,901 s.f. to 3,624 s.f. or an average of 3,249 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts.

Analysis of 70 Completed-Sold Homes

The most recent builder sales closed in 2009, and these 8 sales closed from September 18 through October 28. The sales ranged in price from $643,000 to $722,000 or an average of $687,000, with an average home size of 3,192 s.f. It is not known what the builder concessions were, but assuming a typical concession amount of ±$10,000, the effective indicated average net price was $677,000. Considering the dates of sale, that the average home size is slightly smaller than the average of the overall tract, and also that most of the previously existing homes now include interior and yard improvements, the indication at $677,000 tends to support a firm lower limit as an average for the overall tract.

In addition, it is noted that there have only been two closed resales and these are tabulated as follows:

No.	Address	Rec. Date	Sale Price	Home Size	Remarks
1	10554 Richard Rd.	5/7/09	$697,000	3,368	Conventional sale; upgraded/good cond.
2	10512 Rosedust Glen	4/20/10	$730,000	3,624	Conventional sale; good condition
3	10521 Richard Rd.	Escrow	±$720,000	3,365	Conventional sale; upgraded/good cond.
			$716,000	3,452	(Avg.)

Initially, it is of interest that Data No. 1 originally sold by the builder in May 2008 at a price of $684,500, thus the May 2009 resale indicates a minor increase in price. Data No. 2 originally sold by the builder in October 2007 at a price of $732,000, thus the April 2010 resale indicates nearly the same price. Data No. 3 originally sold by the builder in June 2008 at a price of $680,000, thus the pending resale indicates a ±6% increase. As an indication for the overall tract, considering the older date of sale of Data No. 1 but also considering the much larger average home size of 3,452 s.f. by these sales in contrast to the overall tract at 3,249 s.f., the indication at $716,000 supports a firm upper limit as an average for the overall tract.

It is also noted that there is one current listing in this tract, a conventional sale situation on a 3,365 s.f. home in upgraded/good condition at an asking price of $899,999. It is evident that this asking price is far higher than any sale price from a recently closed sale, thus it is only of general interest.

Lastly, the previous analyses of the SilverCrest, Maybeck and Evergreen tracts support close indications for the subject at averages of $700,000 to $710,000 due to the similar size homes on similar size lots.

In summary, I have concluded on an average value of $700,000 which results in the following:

70 completed-sold homes @ $700,000 = $49,000,000

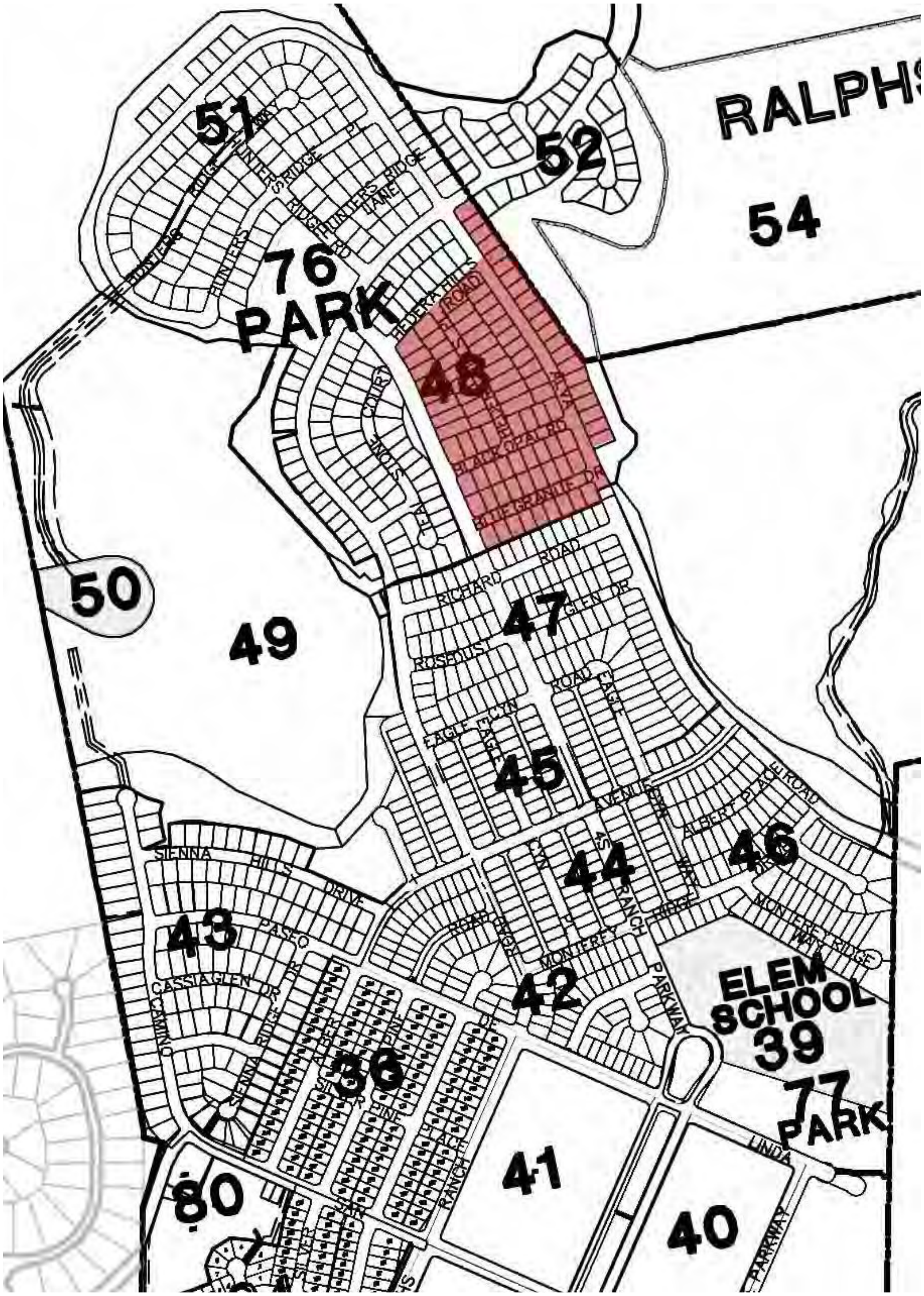
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of minimum market value has been arrived at for this Pienza tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$49,000,000

(FORTY-NINE MILLION DOLLARS)

MAP OF ANDALUSIA



ANDALUSIA (CALIFORNIA WEST COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the easterly side of 4S Ranch Pkwy., extending south from Hedera Hills Rd. to Blue Granite Dr., and extending easterly to Alva Rd.

Portion of Tract Included in Appraisal

Of the 94 total lots in this tract, and as of August 2, 2010, there were 16 completed homes that are included in this appraisal; the 36 homes under construction and the 42 vacant lots are not included in this appraisal.

Record Owner/Ownership History

Of the 16 completed homes, 12 are owned by separate homeowners by sales from the builder, California West Communities (who held title as CWV 94 LLC) that have closed from May 5 to June 17, 2010. The remaining 4 completed homes are the models that are still owned by the builder.

Legal Description

This overall tract comprises Lots 867 through 875 & 940 through 1,024 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, only Lots 870 to 875, 940 to 945 & 962 to 965 are included in this appraisal.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-663-01 to 09 & 24 to 44, 678-665-01 to 60 and 678-666-01 to 04, but only parcels 678-663-04 to 09 & 24 to 29 and 678-665-05 to 08 are included in this appraisal. The assessed values of the 16 included parcels range from $210,000 to $220,000, or an average of $214,375. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% to 1.9% including special taxes based on builder information.

No. of Lots/Lot Sizes

This tract comprises a total of 94 lots. The minimum lot size is ±6,000 s.f., or ±60' by 100'.

PROPERTY DATA, Continuing

Existing Development

Of the 94 lots, 16 have been developed with part of the tract of homes called Andalusia at 4S Ranch, including the 4 models. In addition, there are 36 homes currently under construction that are due to be completed from late August and into November. There are four floor plans and the description of each plan is as follows:

> Plan 1: 2,222 s.f., single story, with 3 to 4 bedrooms, 3 baths, office, great room, formal dining room, nook, and a 2-car garage.
>
> Plan 2: 2,842 to 3,037 s.f., two-story, with 4 to 6 bedrooms, 3 to 5 baths, bonus room, family room, living room, dining room and 2-car or 3-car tandem garage.
>
> Plan 3: 3,114 to 3,226 s.f., two-story, with 4 to 5 bedrooms, optional master retreat, 3 to 4 baths, bonus room, great room, dining room, nook and 2-car or 3-car tandem garage.
>
> Plan 4: 3,303 to 3,486 s.f., two-story, with 4 to 5 bedrooms, 3 baths, office, optional craft room, living room, dining room, family room, nook and a 2-car or 3-car tandem garage.

Per builder data, the 16 completed homes range in size from 2,222 s.f. to 3,303 s.f. or an average of 3,013 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts, and it is noted that the 4 completed-unsold homes (models) are included with the completed-sold homes.

Analysis of 16 Completed-Sold/Completed-Unsold Homes

The 12 builder sales that closed from May 5 to June 17, 2010 ranged in price from $625,900 to $686,900 or an average of ±$665,000, with an average home size of 3,045 s.f. The builder was offering a $10,000 incentive for use of their preferred lender, thus the average net price is considered to be ±$655,000. Considering that the average size of these 12 sales is slightly larger than the average of 3,013 s.f. for all 16 completed homes, but also that the 4 models are well upgraded, the indication at $655,000 tends to support a close lower limit as an average for the 16 homes.

It is noted that the sale prices for the 14 homes in Phase 2 that are under construction and all of which are in escrow range from $624,900 to $750,751 or an average of ±$678,000 for an average home size of 3,119 s.f. Deducting a $10,000 incentive amount, the net average price indication is $668,000 which is slightly higher than the indication of $655,000 for the 12 closed sales. In part, this is due to the slightly larger homes comprising Phase 2, but also due to the higher pricing for this second phase of homes. Considering the larger average home size than for the 16 completed homes, the indication at $668,000 tends to support a close upper limit as an average for the 16 completed homes.

Lastly, the previous analysis of the Rosemary Lane tract at an average of $650,000 supports a firm lower limit for the subject tract due to the much smaller homes on much smaller lots; the previous analysis of the Silhouette tract at an average of $650,000 supports a closer lower limit due to the similar size homes but on much smaller lots; the previous analysis of the Maybeck tract at an average of $700,000 supports a close upper limit due to the larger homes but on smaller lots; and the following analysis of the Monteluz tract at an average of $720,000 supports a far upper limit due to the much larger homes on much larger lots.

In summary, I have concluded on an average value of $660,000 which results in the following:

16 completed-sold/completed-unsold homes @ $660,000 = $10,560,000

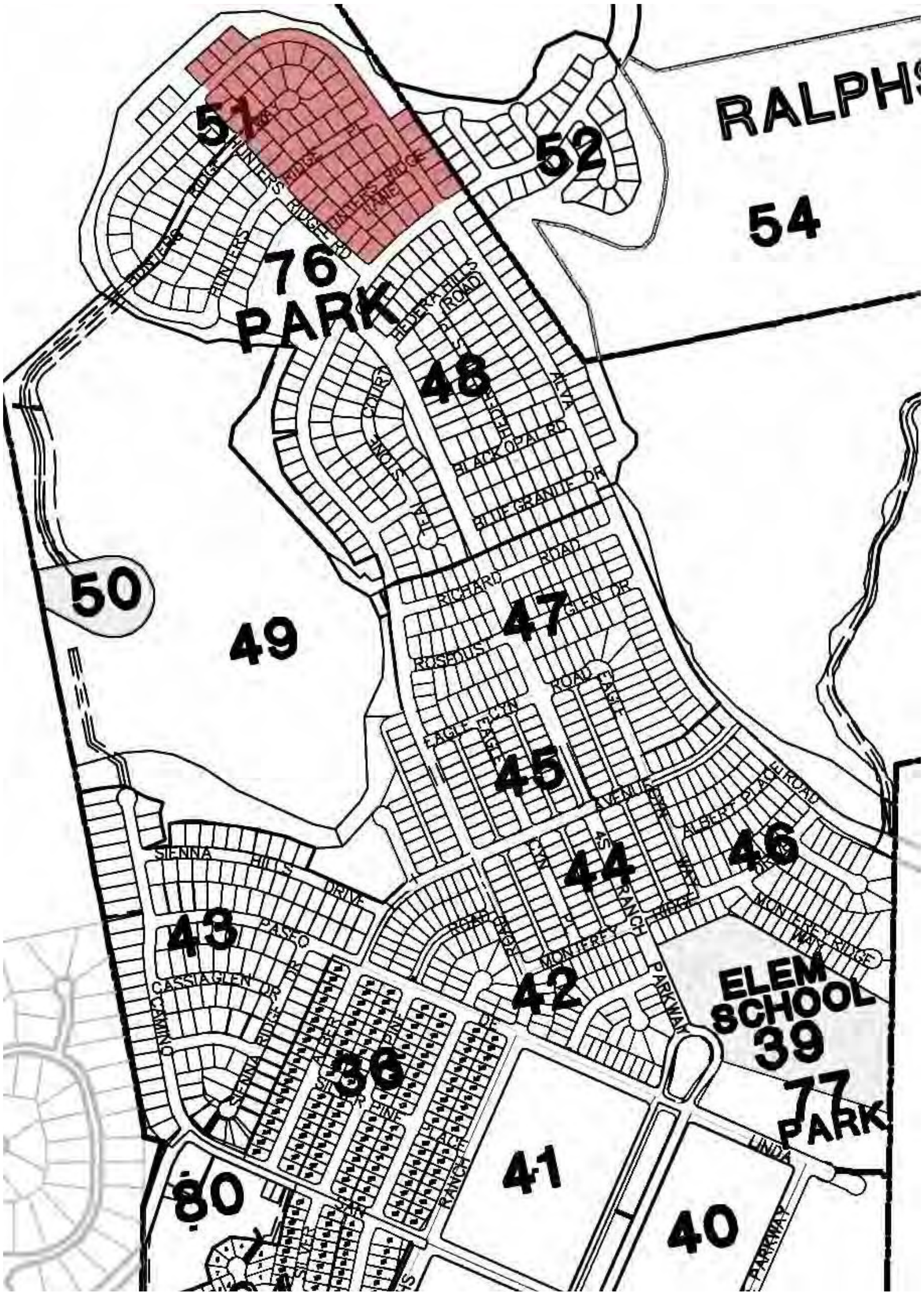
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Andalusia tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$10,560,000

(TEN MILLION FIVE HUNDRED SIXTY THOUSAND DOLLARS)

MAP OF MONTELUZ



MONTELUZ (CALIFORNIA WEST COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the northeast side of Hunters Ridge Rd. extending northerly from Ralphs Ranch Rd. to Alva Rd.

Portion of Tract Included in Appraisal

Of the 63 total lots in this tract, and as of August 2, 2010, there were 12 completed homes that are included in this appraisal; the 31 homes under construction and the 20 vacant lots are not included in this appraisal.

Record Owner/Ownership History

Of the 12 completed homes, 9 are owned by separate homeowners by sales from the builder, California West Communities (who held title as CWV 94 LLC) that have closed from May 4 to May 21, 2010. The remaining 3 completed homes are the models that are still owned by the builder.

Legal Description

This overall tract comprises Lots 1042 through 1104 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, only Lots 1046 to 1048, 1064 to 1067, 1072 & 1095 to 1099 are included in this appraisal.

Assessor Data-2009/10

This tract comprises Assessor Parcel Nos. 678-666-22 to 32 and 678-667-01 to 52, but only parcels 678-666-26 to 28, 678-667-13, 14, 15, 20 & 43 to 47 are included in this appraisal. The assessed values of the 12 included parcels range from $215,000 to $225,000, or an average of $220,000. The tax rate area is 64-105 with a current tax rate of 1.03067 excluding special taxes, or an effective tax rate of ±1.7% to 1.9% including special taxes based on builder information.

No. of Lots/Lot Sizes

This tract comprises a total of 63 lots. The minimum lot size is ±7,600 s.f., or ±74’ by 103’.

Existing Development

Of the 63 lots, 12 have been developed with part of the tract of homes called Monteluz at 4S Ranch, including the 3 models. In addition, there are 31 homes currently under construction that are due to be completed from late August and into November. There are three floor plans and the description of each plan is as follows:

Plan 1: 2,566 s.f., single story, with 3 to 4 bedrooms, 2½ baths, office, optional crafts room, family room, formal dining room, nook and a 2- or 3-car garage.

Plan 2: 3,508 to 3,690 s.f., two-story, with 4 to 6 bedrooms, 3 to 4 baths, bonus room, optional crafts room, office, great room, formal dining room, nook and a 2-car or 3-car tandem garage.

Plan 3: 3,780 to 3,949 s.f., two- story, with 5 to 7 bedrooms, 4½ to 5½ baths, bonus room, optional office or crafts room, family room, living room, dining room, nook and 2-car or 3-car tandem garage.

Per builder data, the 12 completed homes range in size from 2,566 s.f. to 3,949 s.f. or an average of 3,431 s.f.

VALUATION

Method of Analysis

This is the same as for previous tracts, and it is noted that the 3 completed-unsold homes (models) are included with the completed-sold homes.

Analysis of 12 Completed-Sold/Completed-Unsold Homes

The 9 builder sales that closed from May 4 to May 21, 2010 ranged in price from \$678,500 to \$768,000 or an average of ±\$726,000, with an average home size of 3,461 s.f. The builder was offering a \$10,000 incentive for use of their preferred lender, thus the average net price is considered to be ±\$716,000. Considering that the average size of these 9 sales is slightly larger than the average of all 12 completed homes, and considering that the 3 models are well upgraded, the indication at \$716,000 tends to support a close indication to close lower limit as an average for the 12 homes.

The next release of homes for sale is to occur later in August, and while pricing has not yet been released it is anticipated that it will be higher than the previous pricing. This could be similar to the increase in the pricing for the more recent phase of the Andalusia homes that was previously discussed and indicated an increase of about 2%. Thus, this would tend to support that the indication at an average of \$716,000 from the previous closed sales is conservative at current date.

Lastly, the previous analyses of the SilverCrest, Maybeck, Evergreen and Pienza tracts at averages of \$700,000 to \$710,000 support firm lower limits for the subject tract due to the similar size to slightly larger homes but on much smaller lots; the previous analysis of the Andalusia tract at an average of \$660,000 supports a firm lower limit due to the smaller homes and on smaller lots; and the previous analyses of the Reunion and Travata tracts at averages of $780,000 and $730,000 support close to firm upper limits for the subject tract due to the much larger homes though on much smaller lots.

In summary, I have concluded on an average value of $720,000 which results in the following:

12 completed-sold/completed-unsold homes @ $720,000 = $8,640,000

Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Monteluz tract, subject to the Assumptions and Limiting Conditions, and as of August 2, 2010:

$8,640,000

(EIGHT MILLION SIX HUNDRED FORTY 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 255, 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, 2010.

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 for 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/shopping centers, restaurants, hotels/motels.

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.

QUALIFICATIONS, Page 2

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
Brookfield
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 LLP
Bowie, Arneson, Wiles & Giannone
Bradshaw, John
Bye, Hatcher & Piggott
Callahan, McCune & Willis
Cooksey, Coleman & Howard
Hamilton & Samuels
Horgan, Rosen, Beckham & Coren
Kent, John
Kirkland & Ellis
Latham & Watkins LLP
McKee, Charles C.
Mosich, Nicholas J.
Long, David M.
Nossaman, Guthner, Knox & Elliott, LLP
Oliver, Barr & Vose
Ollestad, Freedman & Taylor
Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Paul, Hastings, Jonofsky & Walker LLP
Piggott, George B.
Pothier, Rose
Rosenthal & Zimmerman
Rutan & Tucker, LLP
Sikora & Price, Inc.
Smith & Politiski
Williams, Gerold G.
Woodruff, Spradlin & Smart, P.C.
Yates, Sealy M.

Financial Institutions:

Ahmanson Trust Company
Barclays Bank
Chino Valley Bank
Continental Bank
First Interstate Mortgage
First Wisconsin Bank
National Credit Union Admin.
Pacific Western Bank
San Clemente Savings & Loan
Security Pacific Bank
Sunwest Bank
United Calif. Savings Bank
Washington Square Capital

QUALIFICATIONS, Page 3

Cities:

Anaheim	La Habra	San Clemente
Baldwin Park	Laguna Beach	Santa Ana
Buena Park	Long Beach	Santa Fe Springs
Cypress	Mission Viejo	Stanton
Dana Point	Orange	Temecula
Duarte	Placentia	Tustin
Fontana	Riverside	Yorba Linda
Fullerton	Seal Beach	

Counties:

County of Orange	County of Riverside

Other Governmental:

Agua Mansa Industrial Growth Association	Metropolitan Water District
El Toro Water District	Orange County Water District
Federal Deposit Insurance Corporation (FDIC)	Trabuco Canyon Water District
Kern County Employees Retirement Association	U.S. Postal Service
Lee Lake Water Dist.	

School Districts:

Alvord Unified School Dist.	Newport-Mesa Unified School Dist.
Anaheim Union High School Dist.	Orange Unified School Dist.
Anaheim City School Dist.	Palm Springs Unified School Dist.
Banning Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grove Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.
Newhall School Dist.	

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	Vineyard Christian Fellowship
Congregational Church, Fullerton	Yorba Linda United Methodist Church
First Church of the Nazarene	

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfoldfold

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

SPECIAL TAX BONDS, SERIES 2010

Summary of the Bond Indenture and the Third Supplemental Indenture

The following summary of selected provisions of the Indenture, as amended and supplemented by the Third 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 2010 Bonds are referred to the complete text of the Indenture and the Third 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 $46,866.38, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning September 2, 2011 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, acting on behalf of the District, or any other person designated by the Board of Education or the 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.

"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, March 1, 2008 as to the Series 2007 Bonds, and March 1, 2011 as to the Series 2010 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), and

(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, and

(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; and

(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 Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

"Series 2010 Bonds" means the $5,775,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2010.

"Series 2010 Bonds School Facilities Account" means the account by that name established in the School Facilities Fund pursuant to the Third 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 Fund" means the fund by that name established pursuant to Indenture.

"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.

"Third Supplemental Indenture" means the Third Supplemental Indenture, dated as of October 1, 2010, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture, the First Supplemental Indenture, and the Second Supplemental Indenture.

"Yield" has the meaning assigned to such term for purposes of Section 148(f) of the Code.

Establishment of Funds and Accounts

<u>Special Tax Fund</u>

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, without taking into account the Surety Bond Coverage as defined in and available under the Surety Bond until such date as the Surety Bond would constitute a Qualified Reserve Fund Credit Instrument if treated as acquired as of such date.

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.

Series 2010 Bonds School Facilities Account of the School Facilities Fund The Fiscal Agent shall, from time to time, disburse moneys from the Series 2010 Bonds School Facilities Account of 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 Series 2010 Bonds School Facilities Account 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, including the Series 2010 Bonds School Facilities Account, 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 Series 2010 Bonds, any funds derived from the Bonds remain on deposit in the Series 2010 Bonds School Facilities Account, upon written instruction from the District, the Fiscal Agent shall restrict the Yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Series 2010 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. 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 of on deposit in the Reserve Fund (excluding from such amount the Surety Bond Coverage available under the Surety Bond, until such date as the Surety Bond would constitute a Qualified Reserve Fund Credit Instrument if treated as acquired as of such date) 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 Bonds pursuant to written instructions of the District executed by an Authorized Representative. Notwithstanding the foregoing, if on any such aforementioned date, the Surety Bonds would constitute a Qualified Reserve Fund Credit Instrument if treated as acquired as of such date, the amount of the Surety Bond Coverage available under the Surety Bond may be taken into account in determining if the amount then on deposit in the Reserve Fund is in excess of the Reserve Requirement and the District may direct the Fiscal Agent to transfer to the District moneys then on deposit in the Reserve Fund in the amount of such excess resulting from the inclusion of the Surety Bond Coverage in such determination. Any such amount transferred to the District pursuant to the preceding sentence may be utilized for any authorized purpose of the District.

In addition to the cash and investments on deposit in the Reserve Fund, there was credited to the Reserve Fund on the Closing Date for the Series 2007 Bonds a Surety Bond in an amount then 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 of the Series 2007 Bonds, funds available in the Reserve Fund, together with the Surety Bond, aggregate the Reserve Requirement. Proceeds of the Series 2010 Bonds will be transferred to and deposited in the Reserve Fund pursuant to the Third Supplemental Indenture to increase the amount in the Reserve Fund (without taking into account the amount of the Surety Bond Coverage available under the Surety Bond) to the Reserve Requirement for Bonds, including the Series 2010 Bonds.

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.

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 A(5) 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 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.

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.

Punctual Payment The District will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued hereunder on the date, at the place and in the manner provided in said Bonds, but only out of Special Tax Revenues and such other funds as may be herein provided.

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 October 1, 2010, 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, LLC, 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 2010 (the "2010 Bonds");

W I T N E S S E T H :

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 November 1, 2005, as amended and supplemented by the Second Supplemental Indenture (the "Second Supplemental Indenture"), dated as of June 1, 2007, and as amended and supplemented by the Third Supplemental Indenture, dated as of October 1, 2010 (the "Third Supplemental Indenture" and together with the Original Bond Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, "the Bond Indenture"), each by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2010 Bonds in the aggregate principal amount of $5,775,000; and

WHEREAS, the 2010 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 2010 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (ad defined below).

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 Superintendent of the School District or his written designee.

"Dissemination Agent" shall mean Dolinka Group, LLC, 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.

"EMMA System" shall mean the Electronic Municipal Market Access System of the MSRB or such other electronic system designated by the MSRB (as defined below) or the Securities and Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

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

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Participating Underwriter" shall mean Stone & Youngberg LLC.

"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.

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, 2011, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB and to the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent and the Fiscal 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 Fiscal Agent has not received a copy of the Annual Report on or before 15 business days prior to January 31 in any year, the Fiscal Agent shall notify the Community Facilities District and the Dissemination Agent 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.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System and to the Fiscal Agent an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB through the EMMA System, 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 electronic filing requirements of the MSRB for the Annual Report;

(ii) provide any Annual Report received by it to the MSRB through the EMMA System and to the Fiscal Agent 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 and the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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 2010 Bonds and any parity bonds:

(i) Principal amount of 2010 Bonds and any parity bonds outstanding as of a date within 30 days preceding the date of the Annual Report;

(ii) Balance in the 2010 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) While there are funds in the Improvement Fund and each account or subaccount thereof, the balance in the Improvement Fund as of a date within 30 days preceding the date of the Annual Report, and of any other fund or account 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 2010 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,
- 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;

(x) A copy of any report for or concerning the Community Facilities District as of the immediately preceding October 31 required under State law;

(xi) 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

(xii) 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 for purposes of applicable federal securities laws.

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 the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Community Facilities District shall clearly identify each such other document so included by reference.

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 2010 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 (e). 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) As soon as practicable, based on the time needed to discover the occurrence of a Listed Event, to assess its materiality and to prepare and disseminate the applicable notice, if the Community Facilities District has determined that 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 (e). The Community Facilities District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the MSRB through the EMMA System.

(d) 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 (e).

(e) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event, and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with MSRB through the EMMA System, 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 2010 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 2010 Bonds, (ii) prior redemption of the 2010 Bonds or (iii) payment in full of all the 2010 Bonds. If such determination occurs prior to the final maturity of the 2010 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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, LLC. 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 2010 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 2010 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 2010 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 2010 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 MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

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 2010 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2010 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 2010 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 2010 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 2010 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 2010 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) 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2501 Telecopier: (858) 513-0967 Attention: Superintendent
If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 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) 593-3150 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

provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 14. Future Determination of Obligated Persons. In the event the S.E.C. 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 meet 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, LLC,
as Dissemination Agent

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD 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 2010
Date of Issuance:	October 27, 2010

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 October 1, 2010, by and among the Community Facilities District, Zions First National Bank, as Fiscal Agent, and Dolinka Group, LLC, as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by ________________.]

Dated: ________, 20__

Dolinka Group, LLC, 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

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

October 27, 2010

Board of Education
Poway Unified School District
13626 Twin Peaks Road
Poway, CA 92064-3098

$5,775,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6
(4S RANCH)
SPECIAL TAX BONDS, SERIES 2010

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 2010 in the aggregate principal amount of $5,775,000 (the "Series 2010 Bonds"). The Series 2010 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. 05-2011 adopted by the Board of Education of the School District, acting in its capacity as the Legislative Body of the District, on August 30, 2010, 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., 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, and as further amended and supplemented by the Third Supplemental Indenture, dated as of October 1, 2010 (the "Third Supplemental Indenture"), entered into 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 the First Supplemental Indenture, the Second Supplemental Indenture or the Third 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 Series 2010 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 2010 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, the Third 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 2010 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 2010 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events occur. As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Series 2010 Bonds.

It is to be understood that the rights and obligations under the Series 2010 Bonds, the Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third 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 2010 Bonds. The Series 2010 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 2010 Bonds on a parity with the Series 2002 Bonds, the Series 2005 Bonds, and the Series 2007 Bonds. The Series 2010 Bonds are limited obligations of the District payable solely from and secured on a parity with the Series 2002 Bonds, the Series 2005 Bonds, and the Series 2007 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, the Second Supplemental Indenture, and the Third 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, the Second Supplemental Indenture, and the Third Supplemental Indenture have been duly and validly authorized, executed and delivered by, and constitute valid and binding obligations of, the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will not be included as an adjustment in the calculation of alternative minimum taxable income. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

The difference between the issue price of a Series 2010 Bond (the first price at which a substantial amount of the Series 2010 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2010 Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of any Series 2010 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 2010 Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Series 2010 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 2010 Bonds, payment of principal of and interest on the 2010 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2010 Bonds, confirmation and transfer of beneficial ownership interests in the 2010 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2010 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 2010 Bonds. The 2010 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 2010 Bond will be issued for each maturity of the 2010 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidies. 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 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 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 2010 Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the 2010 Bonds, such tenders, defaults, and proposed amendments to the 2010 Bonds documents. For example, Beneficial Owners of the 2010 Bonds may wish to ascertain that the nominee holding the 2010 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Bond for each maturity of the 2010 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 2010 Bonds, then the 2010 Bonds shall no longer be restricted to being registered in the 2010 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 2010 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2010 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2010 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2010 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 2010 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 2010 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 2010 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2010 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 2010 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 2010 Bonds or any error or delay relating thereto.

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APPENDIX H

BOUNDARY MAP OF THE COMMUNITY FACILITIES DISTRICT

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SHEET 1 OF 1

PROPOSED BOUNDARIES OF
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6
(4S Ranch)
SAN DIEGO COUNTY
STATE OF CALIFORNIA

(1) Filed in the office of the Secretary to the Board of Education this 17th day of February, 1998.

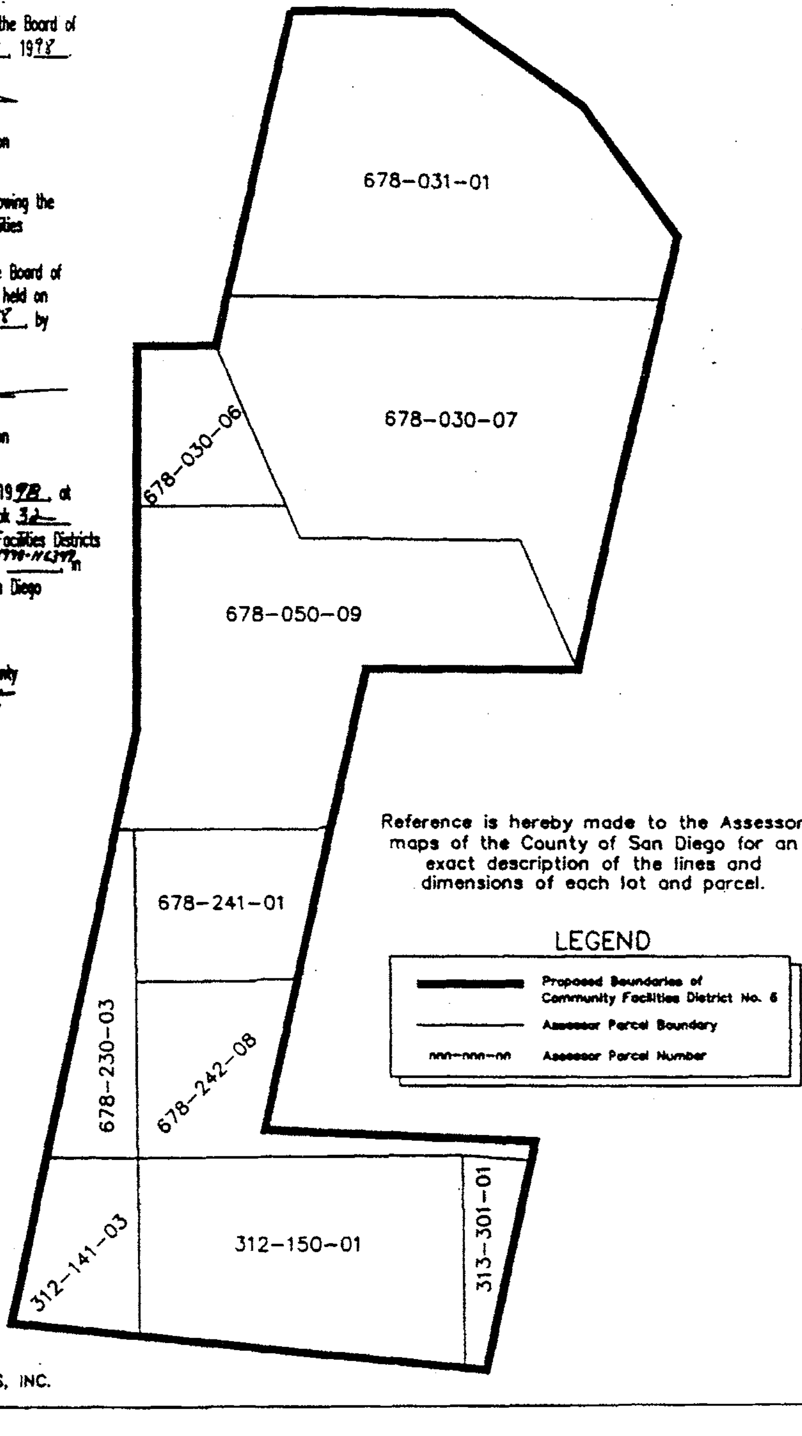
Dr. Robert Reeves
Secretary of the Board of Education

(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 this 17th day of February, 1998, by its Resolution No. 63-98.

Dr. Robert Reeves
Secretary of the Board of Education

(3) Filed this 4th day of March, 1998, at the hour of 1:07 o'clock P.m., in Book 32 of Maps of Assessment and Community Facilities Districts at page 12 and as Instrument No. 1998-116392 in the office of the County Recorder of San Diego County, State of California.

Gregory J. Smith
County Recorder of San Diego County
Therese Sheehan, Deputy



PREPARED BY
DAVID TAUSSIG & ASSOCIATES, INC.

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