

DRAFT

DRAFT

RESOLUTION NO. CFD 95-__

RESOLUTION OF THE BOARD OF TRUSTEES OF THE DEL MAR UNION SCHOOL DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT, AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS OF COMMUNITY FACILITIES DISTRICT NO. 95-1, APPROVING FISCAL AGENT AGREEMENT, APPROVING AN ESCROW AGREEMENT, APPROVING CERTAIN RELATED DOCUMENTS, MAKING RELATED FINDINGS AND DETERMINATIONS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Board of Trustees of the Del Mar Union School District ("School District") located in San Diego County ("County"), California (hereinafter sometimes referred to as the "Board" or the "Legislative Body of CFD No. 95-1"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of Community Facilities District No. 95-1 of the Del Mar Union School District pursuant to the terms and provisions of 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 ("Act"); and

WHEREAS, the Board has previously adopted Community Facilities District Goals and Policies pursuant to Government Code Section 53312.7 by the adoption of Resolution No. CFD 95-1 adopted on January 11, 1995; and

WHEREAS, on April 19, 1995, the Board adopted the "Resolution of the Board of Trustees of the Del Mar Union School District Determining the Validity of Prior Proceedings, Establishing Community Facilities District No. 95-1, Authorizing the Levy of a Special Tax Within Community Facilities District No. 95-1, Establishing an Appropriations Limit and Calling an Election" (Resolution No. CFD 95-07) ("Formation Resolution" or "Resolution of Formation"), which resolution established Community Facilities District No. 95-1 of the Del Mar Union School District ("District" or "CFD No. 95-1"), and authorized the levy of the special taxes to fund authorized public facilities, subject to the approval of the voters within the territory included within CFD No. 95-1; and

WHEREAS, on April 19, 1995, the Board of Trustees adopted the "Resolution of the Board of Trustees of the Del Mar Union School District Determining the Necessity to Incur Bonded Indebtedness in an Amount Not to Exceed \$100,000,000 Within Community Facilities District No. 95-1" (Resolution No. CFD 95-08) ("Bond Authorization Resolution"), which resolution authorized CFD No. 95-1 to issue bonds, in an amount not to exceed \$100,000,000, secured by the special taxes previously authorized by the Board of Trustees under the Act to finance the authorized public facilities for the benefit of CFD No. 95-1; and

WHEREAS, pursuant to the Formation Resolution and the Bond Authorization Resolution, a special combined election ("Election") was duly and legally held and conducted for the territory

within CFD No. 95-1 on May 10, 1995, at which Election there was submitted to the qualified voters of CFD No. 95-1 the following proposition, which provided in pertinent part, as set forth below:

"PROPOSITION A:

Shall Community Facilities District No. 95-1 of the Del Mar Union School District be authorized to finance the cost of K-6 School Facilities, through the annual levy of special taxes on property as set forth in Resolution No. CFD 95-07 of Del Mar Union School District, and shall Community Facilities District No. 95-1 be authorized to incur bonded indebtedness in a maximum amount of \$100,000,000 to finance such facilities and shall an appropriations limit be established for Community Facilities District No. 95-1 as described in Resolution No. CFD 95-07?"

WHEREAS, more than two-thirds of the votes cast at such Election were cast in favor of the above-referenced proposition, and CFD No. 95-1 is now authorized to issue bonds CFD No. 95-1 for the purposes set forth in the foregoing propositions and up to an aggregate principal amount equal to \$100,000,000; and

WHEREAS, in accordance with Section 53340 of the California Government Code, the Board, acting as the Legislative Body of CFD No. 95-1 ("Legislative Body of CFD No. 95-1"), adopted Ordinance No. 1995-1 on June 14, 1995 ("Ordinance"), providing for the levy of the authorized special taxes within CFD No. 95-1 to provide for specified purposes, including, but not limited to, funding debt service on authorized and issued bonds of CFD No. 95-1; and

WHEREAS, in 1999, the School District executed and delivered \$12,660,000 Del Mar Union District 1999 Certificates of Participation (School Facilities Project)("1999 Certificates") to design, acquire, construct and install school facilities for the benefit of the territory within CFD No. 95-1, which school facilities were and are within the scope of public school facilities which CFD No. 95-1 was authorized to finance; and

WHEREAS, in connection with the execution and delivery of the 1999 Certificates, the School District and CFD No. 95-1 entered into that certain agreement entitled "Agreement for Pledge of Special Taxes by and Between Community Facilities District No. 95-1 of the Del Mar Union School District and Del Mar Union School District" dated as of July 1, 1999 ("Pledge Agreement") under which CFD No. 95-1 pledged special taxes levied and collected within CFD No. 95-1 to the payment of lease payments with respect to the 1999 Certificates, subject to the terms and conditions set forth in such Pledge Agreement; and

WHEREAS, The Board, acting as the Legislative Body of the District, previously conducted proceedings to annex additional territory into CFD No. 95-1 pursuant to the provisions of the Act (collectively the "Annexation Proceedings"), including the authorization of the levy of special taxes of the District on such annexed territory and the adoption of ordinances (collectively with Ordinance No. CFD 1995-1, the "Ordinances") authorizing the levy and collection of special taxes on such annexed territory (collectively the "Annexations") and a description of such Annexations and

annexed territory is on file with the Clerk of the Board and is incorporated herein by this reference; and

WHEREAS, based upon the documents and the Election referred to above, CFD No. 95-1 is now authorized to issue bonds, pursuant to the Act, in an aggregate principal amount not-to-exceed \$100,000,000 for the purposes set forth in the Bond Authorization Resolution; and

WHEREAS, pursuant to the Act and the within-referenced proceedings, the Legislative Body of CFD No. 95-1 desires to provide for the prepayment, refunding and defeasance of the currently outstanding 1999 Certificates under the terms and conditions, and for the reasons, set forth herein; and

WHEREAS, the Board, acting as the Legislative Body of CFD No. 95-1, desires to issue bonds in the aggregate principal amount not to exceed \$[22,500,000] for the purposes described herein, designated as the "**COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT SERIES 2007 SPECIAL TAX BONDS**" ("Bonds") as permitted by Section 53356 of the California Government Code and has determined that it would be prudent in the management of its fiscal affairs to issue the Bonds; and

WHEREAS, the Board has previously authorized the retention of certain consultants to assist the School District and CFD No. 95-1 in the issuance and sale of the Bonds; and

WHEREAS, there have been submitted to this Board certain documents described below providing for the issuance of the Bonds, the use of the proceeds of the Bonds, and this Board with the aid of its staff and consultants, has reviewed the documents and found them to be in proper order; and

WHEREAS, the Board has determined to authorize the execution and delivery of a Fiscal Agent Agreement (as further defined herein) for the purpose of issuing the Bonds; and

WHEREAS, the Board determines herein, in accordance with Section 53360.4 of the Government Code that a negotiated sale of the Bonds to Stone & Youngberg LLC ("Underwriter") in accordance with the terms and conditions of the Bond Purchase Agreement relating to the Bonds which is approved herein as to form by the Board, acting as the Legislative Body of CFD No. 95-1 ("Purchase Contract"), and various other matters will result in a lower overall cost to CFD No. 95-1 than a public sale; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the levy of the special taxes upon taxable property within CFD No. 95-1 as security for such Bonds, as contemplated by this Resolution and the documents referred to herein, exists, have happened and have been performed in due time, for and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE DEL MAR UNION SCHOOL DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES

DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Recitals. Each of the above recitals is true and correct and is incorporated herein.

Section 2. Existing Authorization. Reference is hereby made to the Act, the Formation Resolution, the Bond Authorization Resolution, the Election and the Ordinance pursuant to which the Legislative Body of CFD No. 95-1 is authorized to issue the Bonds for the purposes set forth in the within-referenced documents and proceedings and to levy the special tax within CFD No. 95-1 as authorized by the Formation Resolution, the Election, the Annexations, the Annexation Proceedings and the Ordinances.

Section 3. Authorization of CFD No. 95-1 Bonds; Fiscal Agent Agreement. The issuance of the Bonds in an aggregate principal amount not-to-exceed \$[22,500,000] is hereby authorized pursuant to the proceedings referenced herein and the Act. The Bonds shall mature on the dates and pay interest at the rates set forth in the Purchase Contract for the Bonds and otherwise shall be substantially in the form set forth in Exhibit B to the Fiscal Agent Agreement ("Agreement") hereinafter referred to. All other provisions of the Bonds shall be governed by the terms and conditions set forth in the Agreement to be completed by Bond Counsel (Bowie, Arneson, Wiles & Giannone) to CFD No. 95-1 ("Bond Counsel") and executed by the President of the Legislative Body of CFD No. 95-1, or in the President's absence any other member of such body, or the Superintendent of the School District, the Director of Facilities & Human Resources, or the Superintendent's designees ("Authorized Officer(s)"), which Agreement shall be in substantially the form attached hereto as Exhibit "A", which is incorporated herein by this reference, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and Authorized Officer, with such approval to be conclusively evidenced by the execution and delivery of the Agreement. Capitalized terms used in this Resolution which are not defined herein shall have the meaning(s) ascribed to them in the form of the Agreement attached hereto as Exhibit "A".

Section 4. Findings and Determinations

The Legislative Body of CFD No. 95-1 hereby determines as follows:

- (a) That it is prudent in the management of the fiscal affairs of CFD No. 95-1 to issue the Bonds. In satisfaction of the requirements of Section 53356 of the Act, the Legislative Body of CFD No. 95-1 hereby determines:
 - (i) The form of the Bonds, execution of the Bonds and expenditure of the proceeds of the Bonds (including federal rebate requirements), the date, place of repayment, denominations, form and the registration provisions of the Bonds are set forth in the Agreement;
 - (ii) The final par amount of the Bonds, their maturities, interest rate(s) and redemption provisions shall conform to the terms of the Purchase Contract

(discussed below), which shall conform to the limitations of Sections 6 and 7 hereof and shall be set forth in the final form of the Agreement; and

- (iii) The initial fiscal agent for the Bonds is set forth in Section 14 hereof.
- (b) It is prudent in the management of the fiscal affairs of CFD No. 95-1 to issue the Bonds to prepay, refund and defease the 1999 Certificates and to provide funds to finance the facilities which CFD No. 95-1 is authorized to finance. In satisfaction of the requirements of Section 53363.2 of the Act, the Legislative Body of CFD No. 95-1 hereby determines:
 - (i) The Bonds and the 1999 Certificates are described herein and the date for the refunding of the 1999 Certificates shall be specified in the Escrow Agreement (as defined below); and
 - (ii) The designated costs of issuing the Bonds are specified in Section 12 hereof.
- (c) The Board hereby directs and finds that the 1999 Certificates will be prepaid, refunded and defeased with a portion of the proceeds or the Bonds. As part of the sale of the Bonds CFD No. 95-1 shall be provided with documentation to confirm a debt service savings on the remaining lease payments due with respect to the 1999 Certificates compared with the debt service on the allocated portion of the Bonds used for such refunding purposes. The refunding of the 1999 Certificates is also being undertaken for purposes of terminating the provisions of the Pledge Agreement and for other CFD No. 95-1 cash flow purposes.

Section 5. Escrow Agreement. The form of Escrow Agreement ("Escrow Agreement") pertaining to the prepayment and refunding of the 1999 Certificates, as presented at this meeting and on file with the Clerk, is hereby approved. The Authorized Officers are hereby authorized and directed for and in the name of the School District and/or CFD No. 95-1 to execute the Escrow Agreement in substantially the form hereby approved, with such additions thereto and changes therein as are recommended by Bond Counsel and approved by such officers, such approval to be conclusively evidenced by the execution and delivery thereof. For the purpose hereof, the "1999 Certificates Escrow Fund" established under the Escrow Agreement shall constitute the "refunding fund" under the Act and the "designated costs of issuing the refunding bonds" under the Mello-Roos Act shall include the Costs of Issuance as defined in the Agreement and costs set forth in the Escrow Agreement, as further set forth herein.

Union Bank of California, N.A., is hereby appointed to act as the initial Escrow Agent under the terms of the Escrow Agreement. The Authorized Officers are hereby authorized to enter into an agreement with the Escrow Agent to provide such services to or on behalf of CFD No. 95-1.

Section 6. Approval of Purchase Contract. The proposed form of the Purchase Contract presented at this meeting, and the sale of the Bonds pursuant thereto upon the terms and conditions set forth therein, is hereby approved and, subject to the provisions of Section 7 hereof,

the Authorized Officer(s), is hereby authorized and directed for and in the name of CFD No. 95-1 to execute the Purchase Contract in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and officer(s) executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Authorized Officer(s) Authorized to Establish Final Terms of the Sale of the Bonds. The Authorized Officer(s), upon such advice of staff or consultants to CFD No. 95-1 as they may deem necessary, are hereby authorized and directed to act on behalf of CFD No. 95-1 to establish and determine (i) the final principal amount of the Bonds, which amount shall not exceed \$[22,500,000], (ii) the final amounts of the various maturities of the Bonds, the final maturity of which to be no later than September 1, 2036, (iii) the final interest rate on the Bonds, which rate shall not exceed six percent (6.00%) per annum for any maturity of the Bonds, (iv) the maximum underwriting discount, which shall not exceed two percent (2.00%) of the par amount of the Bonds, and (v) the time for the sale and delivery of the Bonds.

If it appears in the best interest of CFD No. 95-1 to acquire or purchase a policy municipal bond insurance and/or a debt service reserve fund surety to secure the Bonds, the Authorized Officer may so provide in the Purchase Contract.

Section 8. Continuing Disclosure Certificate. The proposed form of the Continuing Certificate Agreement of CFD No. 95-1 ("Continuing Disclosure Certificate"), as presented to the Board at this meeting, is hereby approved. The President of the Board, or in the President's absence any other member of such body, or the Authorized Officer(s), are hereby authorized and directed to execute and deliver such agreement in substantially the form hereby approved with such additions thereto and changes therein as are recommended or approved by Bond Counsel, Disclosure Counsel and the Underwriter, such approval to be conclusively evidenced by the execution and delivery thereof prior to, or concurrently with, the delivery of the Bonds. The Authorized Officer(s) are hereby authorized to designate the initial Dissemination Agent to the District for compliance with the terms and requirements of such Continuing Disclosure Certificate.

Section 9. Form of Preliminary Official Statement and Official Statement. The Preliminary Official Statement in substantially the form presented to the Board at this meeting is hereby approved with such additions thereto and changes therein as are recommended or approved by Bond Counsel, Disclosure Counsel and the Underwriter. The Underwriter is hereby authorized to distribute the Preliminary Official Statement (inclusive of any changes deemed necessary by Disclosure Counsel, Bond Counsel and the Underwriter prior to its mailing or distribution) in connection with the marketing of the Bonds at such time as the Preliminary Official Statement is deemed final as indicated by a certificate executed by the Authorized Officer(s), on behalf of CFD No. 95-1, as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule"). The Board hereby authorizes and directs the Authorized Officer(s) to deliver to the Underwriter a certificate to the effect that the District deems the Preliminary Official Statement, in the form approved by the Authorized Officer, to be final as of its date, within the meaning of the Rule (except for the omission of certain final pricing, rating,

and related information as permitted under the Rule). The Authorized Officer(s), for and in the name of CFD No. 95-1, are hereby authorized and directed to execute and deliver the final Official Statement in connection with the Bonds with such additions to the Official Statement and changes therein as are recommended or approved by Disclosure Counsel and Bond Counsel to and approved by such official, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. Execution of Bonds. The Bonds shall be executed on behalf of CFD No. 95-1 by the manual or facsimile signature of the President of the Legislative Body of CFD No. 95-1 (or, in the absence of the President, the Vice-President), and the seal of CFD No. 95-1, or a facsimile thereof, shall be impressed or imprinted thereon and attested with the manual or facsimile signature of the Clerk of the Legislative Body of CFD No. 95-1 (or in the absence of the Clerk of the Legislative Body of CFD No. 95-1, the Secretary to the Board acting as the Legislative Body of CFD No. 95-1).

Section 11. Covenants. The covenants set forth in the Agreement to be executed in accordance with Section 3 above are hereby approved and shall, upon the execution and delivery of the Agreement, be deemed to be covenants of the Board, in its capacity as the Legislative Body of CFD No. 95-1, and shall be complied with by CFD No. 95-1 and its officers. The Agreement shall, upon the execution and delivery of the Agreement, constitute a contract between CFD No. 95-1 and the Owners of the Bonds.

Section 12. Designated Costs of Issuing the Bonds. The Board hereby designates the costs of issuing the Bonds pursuant to California Government Code Sections 53363.2 and 53363.8 as:

- (a) All expenses incident to the calling, retiring, paying, or prepaying of the 1999 Certificates and incident to the issuance of the Bonds, including the charges of the prior fiscal agent(s), the Escrow Agent and the Fiscal Agent in connection with the issuance of the Bonds or in connection with the prepayment or retirement of the 1999 Certificates, a pro rata portion of expenses of issuance of the Bonds which shall include, but not be limited to, printing costs, costs of reproducing and binding documents, bond insurance premiums, reserve fund surety costs, rating agency fees and charges, verification agent fees and charges, closing costs, filing and recording fees, bond (purchaser's) discount, legal fees and charges, including, but not limited to, bond counsel and disclosure counsel costs and expenses, escrow fees and charges, financial consultants' fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing;
- (b) the interest on the 1999 Certificates from the date of sale of the Bonds to the date of prepayment of the 1999 Certificates pursuant to the applicable prepayment provisions or agreement with the Owners of the 1999 Certificates;
- (c) any premium(s) necessary in the prepaying or retiring of the 1999 Certificates; and

- (d) the funding of a reserve fund, to be held by the Fiscal Agent pursuant to the provisions of the Agreement.

Section 13. Compliance with Valuation Requirements. In accordance with the requirements of Section 53345.8(a) of the Act, the Board, acting as the Legislative Body of CFD No. 95-1, hereby finds and determines the value of the real property within CFD No. 95-1 subject to the special tax to pay debt service on the Bonds is at least three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within CFD No. 95-1. This determination is based on the full assessed value of such property as required under State law and upon documents presented to the Legislative Body of CFD No. 95-1 as part of these proceedings. Documentation supporting this finding and determination is on file with the School District and the Legislative Body of CFD No. 95-1.

Section 14. Fiscal Agent. Union Bank of California, N. A., Los Angeles, California, is hereby appointed to act as initial Fiscal Agent for the Bonds and the Authorized Officer(s), is hereby authorized to enter into an agreement with the Fiscal Agent to provide such services to CFD No. 95-1.

Section 15. Official Seal of CFD No. 95-1. A seal consisting of two concentric circles with the name "Community Facilities District No. 95-1 of the Del Mar Union School District" imprinted between such circles and the words "Formed April 19, 1995" imprinted in the center thereof, is hereby approved as the official seal of CFD No. 95-1.

Section 16. Conformance with Community Facilities District Finance Policy. The Legislative Body of CFD No. 95-1 hereby finds and determines that the issuance and sale of the Bonds are consistent with the Community Facilities District Goals and Policies currently in effect with respect to community facilities district financings.

Section 17. Additional Services. The Superintendent of the School District and the Superintendent's designees, are authorized to contract for all services necessary to effect the issuance of the Bonds and related matters. Such services shall include, but not be limited to, printing the Bonds, the Preliminary Official Statement and the final Official Statement, obtaining legal services, fiscal or paying agent services, escrow agent services, verification agent services and costs, the purchase of a policy of bond insurance and/or a debt service reserve surety policy, and any other services deemed appropriate as determined by the Superintendent. The Superintendent, and the Superintendent's designee(s), are authorized to pay for the cost(s) of such services, together with other costs of issuance of the Bonds, with proceeds of the Bonds.

Section 18. Other Actions. All actions heretofore taken by officers and agents of the School District and CFD No. 95-1 with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the Superintendent, the Director of Facilities & Human Resources, the Clerk of the Board (as the Legislative Body of CFD No. 95-1), Secretary to the Board (as the Legislative Body of CFD No. 95-1), and other appropriate officials of the School District and CFD No. 95-1 are hereby authorized and directed to take any actions and execute and deliver any

and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions and directives of this Resolution.

Section 19. Effective Date. This Resolution shall be effective upon adoption by the Board.

[Remainder of this page is blank]

ADOPTED, SIGNED AND APPROVED this 23rd day of May, 2007.

THE BOARD OF TRUSTEES OF THE DEL MAR
UNION SCHOOL DISTRICT, acting as the
Legislative Body of Community Facilities District
No. 95-1:

By: _____
President of the Board of Trustees of the
Del Mar Union School District

ATTEST:

By: _____
Clerk of the Board of Trustees of the
Del Mar Union School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Janet Lamborghini, Clerk of the Board of Trustees of the Del Mar Union School District, do hereby certify that the foregoing resolution was duly adopted by the Board of Trustees of said School District, acting as the Legislative Body of Community Facilities District No. 95-1, at a meeting thereof duly and regularly held at the regular meeting place thereof on May 23, 2007, of which meeting all of the members of said Board had due notice and at which a majority thereof were present; at which a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law and that at said meeting said resolution was adopted by the following vote.

AYES:

NOES:

ABSTAIN:

ABSENT:

Clerk of the Board of Trustees of the
Del Mar Union School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Janet Lamborghini, Clerk of the Board of Trustees of the Del Mar Union School District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. CFD 95- _____ of such Board and that the same has not been amended or repealed.

Dated: May 23, 2007.

Clerk of the Board of Trustees of the
Del Mar Union School District

EXHIBIT "A"

FORM OF FISCAL AGENT AGREEMENT

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2007

NEW ISSUE - FULL BOOK-ENTRY

INSURED RATING: _____; "AAA"
See "RATING."

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Exemption."

\$ _____ *

**COMMUNITY FACILITIES DISTRICT NO. 95-1
OF THE DEL MAR UNION SCHOOL DISTRICT
SERIES 2007 SPECIAL TAX BONDS**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and a Fiscal Agent Agreement, dated as of June 1, 2007, by and between the Community Facilities District No. 95-1 of the Del Mar Union School District (the "Community Facilities District") and Union Bank of California, N.A., as fiscal agent (the "Fiscal Agent"). The Board of Trustees (the "Board") of the Del Mar Union School District (the "School District"), acting as legislative body of the Community Facilities District, and the eligible landowner voters in the Community Facilities District, have authorized the issuance of bonds or other indebtedness in an aggregate principal amount not to exceed \$100,000,000. The Bonds are the first series of special tax bonds to be issued under this authorization, and will be used in part to refund certain outstanding certificates of participation of the School District, which were secured in part by a pledge of the special taxes levied by the Community Facilities District. See "FINANCING PLAN" and "THE BONDS - Authority for Issuance."

Issuance of Parity Debt. The Community Facilities District may issue additional bonds on a parity with the Bonds under the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS - Issuance of Parity Bonds."

Security and Sources of Payment. The Bonds are payable from proceeds of Net Taxes (as defined herein) levied on property within the Community Facilities District according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the Community Facilities District. The Bonds are secured by a first pledge of all revenues derived from the Net Taxes and the moneys deposited in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to (i) finance the acquisition and construction of certain school facilities and improvements to be owned and operated by the School District of benefit to the property in the Community Facilities District, (ii) prepay on an advance basis certain outstanding certificates of participation of the School District captioned "\$12,660,000 Del Mar Union District 1999 Certificates of Participation (School Facilities Project)" (the "1999 Certificates"), (iii) provide a reserve fund for the Bonds [through the purchase of a reserve surety from the Bond Insurer (as defined below)], (iv) fund capitalized interest on a portion of the Bonds through September 1, 2007, (v) pay certain administrative expenses of the Community Facilities District, and (vi) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the Bonds is payable on September 1, 2007, and semiannually thereafter on each September 1 and March 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS - General Bond Terms" and "APPENDIX D - DTC and the Book-Entry Only System."

Redemption. The Bonds are subject to [optional redemption and] mandatory sinking fund redemption before maturity. See "THE BONDS - Redemption."

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

[AMBAC LOGO]

THE BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES 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 IN THIS OFFICIAL STATEMENT), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT) 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 AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of 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 Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Disclosure Counsel to the School District. Certain legal matters will be passed on for

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

the School District and the Community Facilities District by Bowie, Arneson, Wiles & Giannone, special counsel to the Community Facilities District. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about _____, 2007.

STONE & YOUNGBERG LLC

The date of this Official Statement is: _____, 2007

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP†:)

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
---	-----------------------------------	--------------------------------	--------------	--------------	---------------

\$ ____ % Term Bond due September 1, 20____, Yield: ____%, Price: ____%
CUSIP† No. ____

\$ ____ % Term Bond due September 1, 20____, Yield: ____%, Price: ____%
CUSIP† No. ____

† Copyright 2007, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Community Facilities District, the School District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the School District, the Community Facilities District, any other parties described in this Official Statement, or in the condition of property within the Community Facilities District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. 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 "plan," "expect," "estimate," "budget" or other similar words.

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 DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

No Representation or Warranty by Bond Insurer. Other than with respect to information concerning Ambac Assurance Corporation (the "Bond Insurer") contained under the caption "Municipal Bond Insurance" and APPENDIX H herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

DEL MAR UNION SCHOOL DISTRICT

BOARD OF TRUSTEES

Dr. Annette Easton, *President of the Board*
Dr. Janet Lamborghini, *Clerk of the Board*
Linda Crawford, *Member*
Steven McDowell, *Member*
Katherine White, *Member*

SCHOOL DISTRICT STAFF

Thomas F. Bishop, *Superintendent*
Janet Bernard, *Assistant Superintendent, Curriculum*
Dena Whittington, *Assistant Superintendent of Business Services*
Rodger Smith, *Director Facilities Planning and Human Resources*
Linda Luce, *Facilities Construction Coordinator*
Patricia Snider, *Director of Pupil Services*

BOND COUNSEL/DISTRICT SPECIAL COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

**SPECIAL TAX CONSULTANT
and CFD ADMINISTRATOR**

Dolinka Group, Inc.
Newport Beach, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

FISCAL AGENT and ESCROW AGENT

Union Bank of California, N.A.
Los Angeles, California

REGIONAL MAP

?

AERIAL PHOTO

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	2	PROPERTY OWNERSHIP	28
FINANCING PLAN	5	DELINQUENCY HISTORY	29
GENERAL.....	5	PROPERTY TAX DELINQUENCY RATES	29
REFUNDING PLAN.....	5	ASSESSED VALUES AND VALUE TO BURDEN	
ESTIMATED SOURCES AND USES OF FUNDS.....	6	RATIOS	31
FACILITIES TO BE FINANCED WITH PROCEEDS OF		ENVIRONMENTAL CONDITION OF THE DISTRICT	33
THE BONDS	6	BOND OWNERS' RISKS	34
THE BONDS.....	7	LIMITED OBLIGATION OF THE COMMUNITY	
GENERAL BOND TERMS.....	7	FACILITIES DISTRICT TO PAY DEBT SERVICE....	34
AUTHORITY FOR ISSUANCE.....	8	LEVY AND COLLECTION OF THE SPECIAL TAX... 34	
DEBT SERVICE SCHEDULE.....	10	PAYMENT OF SPECIAL TAX IS NOT A PERSONAL	
REDEMPTION	11	OBLIGATION OF THE PROPERTY OWNER	35
REGISTRATION, TRANSFER AND EXCHANGE	13	PROPERTY VALUES.....	35
SECURITY FOR THE BONDS	14	OTHER POSSIBLE CLAIMS UPON THE VALUE OF	
PLEDGE OF NET TAXES AND AMOUNTS HELD		TAXABLE PROPERTY	37
UNDER FISCAL AGENT AGREEMENT.....	14	EXEMPT PROPERTIES	38
LIMITED OBLIGATION	14	DEPLETION OF RESERVE FUND.....	38
SPECIAL TAXES	15	BANKRUPTCY AND FORECLOSURE DELAYS	39
RATE AND METHOD	15	DISCLOSURE TO FUTURE PURCHASERS	39
COVENANT TO FORECLOSE	18	NO ACCELERATION PROVISIONS	39
SPECIAL TAX FUND; FLOW OF FUNDS	20	LOSS OF TAX EXEMPTION	39
BOND FUND.....	21	VOTER INITIATIVES	40
RESERVE FUND.....	22	LEGAL MATTERS	41
ISSUANCE OF PARITY BONDS	23	LEGAL OPINIONS.....	41
INVESTMENT OF MONEYS IN FUNDS.....	24	TAX EXEMPTION.....	41
MUNICIPAL BOND INSURANCE.....	25	NO LITIGATION	42
THE SCHOOL DISTRICT.....	26	CONTINUING DISCLOSURE.....	42
GENERAL INFORMATION	26	VERIFICATION OF MATHEMATICAL	
ADMINISTRATION AND ENROLLMENT.....	26	ACCURACY	43
THE COMMUNITY FACILITIES DISTRICT	28	RATING	43
GENERAL.....	28	UNDERWRITING	43
ESTIMATED MAXIMUM SPECIAL TAX PROCEEDS		PROFESSIONAL FEES	44
AND DEBT SERVICE COVERAGE.....	28		
APPENDIX A – General Information About the City of Del Mar, City of San Diego and San Diego County			
APPENDIX B – Rate and Method of Apportionment for Community Facilities District No. 95-1 of the Del Mar Union School District			
APPENDIX C – Summary of Fiscal Agent Agreement			
APPENDIX D – DTC and the Book-Entry Only System			
APPENDIX E – Form of District Continuing Disclosure Certificate			
APPENDIX F – Form of Opinion of Bond Counsel			
APPENDIX G – Community Facilities District Boundary Map			
APPENDIX H – Specimen Financial Guaranty Insurance Policy			

OFFICIAL STATEMENT

\$ _____ *

COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT SERIES 2007 SPECIAL TAX BONDS

INTRODUCTION

This Official Statement, including the cover page and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**Bonds**") to be issued by Community Facilities District No. 95-1 of the Del Mar Union School District (the "**Community Facilities District**").

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

Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).

The School District. The Del Mar Union School District (the "**School District**") is located in the northern coastal region of San Diego County (the "**County**"). The School District territory includes all of the City of Del Mar and portions of the City of San Diego known as Del Mar Heights, Carmel Valley, Future Urbanizing Area, and Sorrento Hills. See "THE SCHOOL DISTRICT."

Property Ownership. For Fiscal Year 2006-07, approximately _____ individuals and entities are the owners of the taxable property within the Community Facilities District (collectively, the "**Property Owners**"), including approximately _____ individual homeowners. The property is substantially built out, and consists of primarily of single-family homes and other residential uses. For detailed information about property ownership, current land uses and valuation of the property in the Community Facilities District, see "THE COMMUNITY FACILITIES DISTRICT."

The Community Facilities District. The Community Facilities District was formed and established by the School District on April 19, 1995, under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), following a public hearing conducted by the Board of Trustees of the School District (the "**Board**"), as legislative body of the Community Facilities District, and a landowner election at which the qualified electors of the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. See "THE BONDS – Authority for Issuance."

Authority for Issuance of the Bonds. The Bonds are issued under the Act, certain resolutions adopted by the Board and a Fiscal Agent Agreement, dated as of June 1, 2007 (the

* Preliminary; subject to change.

"**Fiscal Agent Agreement**"), between the Community Facilities District and Union Bank of California, N.A., as fiscal agent (the "**Fiscal Agent**"). See "THE BONDS – Authority for Issuance."

Purpose of the Bonds. Proceeds of the Bonds will be used primarily to:

(i) finance the acquisition and construction of certain school facilities and improvements to be owned and operated by the School District of benefit to the property in the Community Facilities District, and

(ii) prepay on an advance basis certain outstanding certificates of participation of the School District captioned "\$12,660,000 Del Mar Union District 1999 Certificates of Participation (School Facilities Project)" (the "**1999 Certificates**").

Bond proceeds will also provide a reserve fund for the Bonds, fund capitalized interest on a portion of the Bonds through September 1, 2007, pay certain administrative expenses of the Community Facilities District, and pay the costs of issuing the Bonds. See "FINANCING PLAN."

Security and Sources of Payment for the Bonds. The Bonds are secured by and payable from a first pledge of the net proceeds of the special taxes levied on the property in the Community Facilities District (the "**Net Taxes**") in accordance with the Rate and Method of Apportionment Community Facilities District No. 95-1 of the Del Mar Union School District (the "**Rate and Method**"). The Bonds will be additionally secured by moneys in certain funds and accounts established under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

The Community Facilities District has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against parcels with delinquent installments of the Special Tax under certain circumstances. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE BONDS - Covenant to Foreclose."

Reserve Fund. Under the Fiscal Agent Agreement, a debt service reserve fund (the "Reserve Fund") will be established for the Bonds. The Reserve Fund will be held and maintained by the Fiscal Agent. It is anticipated that the Reserve Fund will be funded with a debt service reserve surety bond to be issued by Ambac Assurance Corporation at the Closing Date. See "SECURITY FOR THE BONDS – Reserve Fund."

Municipal Bond Insurance. Concurrently with issuance of the Bonds, Ambac Assurance Corporation (the "Bond Insurer"), will issue its Municipal Bond Insurance Policy (the "Insurance Policy") for the Bonds. See "MUNICIPAL BOND INSURANCE" and "APPENDIX H – Specimen Financial Guaranty Insurance Policy."

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

Professionals Involved in the Offering. The following professionals are participating in this financing:

- Union Bank of California, N.A., Los Angeles, California, will serve as the fiscal agent, paying agent, registrar, authentication and transfer agent for the Bonds and will perform the functions required of it under the Fiscal Agent Agreement, and will serve as escrow agent under the Escrow Agreement (as defined below).
- Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is serving as Bond Counsel to the Community Facilities District and as special counsel to the Community Facilities District and the School District.
- Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to the Community Facilities District.
- Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, is acting as counsel to the Underwriter.
- Dolinka Group, Inc., Newport Beach, California, acted as special tax consultant to the Community Facilities District and will act as administrator to the Community Facilities District and dissemination agent for the Community Facilities District under the District Continuing Disclosure Certificate described below.

FINANCING PLAN

General

The proceeds of the Bonds will be primarily used to (i) finance the acquisition and construction of certain school facilities and improvements to be owned and operated by the School District of benefit to the property in the Community Facilities District, and (ii) prepay on an advance basis the 1999 Certificates.

Refunding Plan

1999 Certificates. The 1999 Certificates were originally executed and delivered on July 27, 1999, in the original principal amount of \$12,660,000, and are currently outstanding in the principal amount of \$ _____.

Termination of 1999 Pledge Agreement. The Bonds are the first series of special tax bonds to be issued under the landowner authorization for the Community Facilities District. See "THE BONDS – Authority for Issuance." However, in connection with the execution and delivery of the 1999 Certificates, the School District and the Community Facilities District entered into an agreement entitled "Agreement for Pledge of Special Taxes by and Between Community Facilities District No. 95-1 of the Del Mar Union School District and Del Mar Union School District" dated as of July 1, 1999 (the "**Pledge Agreement**"), under which the Community Facilities District pledged the Special Taxes to the payment of lease payments with respect to the 1999 Certificates. Upon the issuance of the Bonds, the 1999 Certificates will be prepaid and defeased, and the Pledge Agreement will be terminated.

Advance Refunding. All of the outstanding 1999 Certificates will be prepaid on September 1, 2009, at a prepayment price equal to 101% of the principal amount of the outstanding 1999 Certificates, plus accrued interest to the prepayment date.

Escrow. A portion of the proceeds of the Bonds will be deposited with the Fiscal Agent, acting as escrow agent (the "Escrow Agent"), under an Escrow Agreement dated as of the Delivery Date of the Bonds (the "Escrow Agreement"), by and between the School District and the Escrow Agent.

The amounts deposited from the proceeds of the Bonds, together with certain other available moneys, will be held by the Escrow Agent under the Escrow Agreement and invested in United States Treasury Securities—State and Local Government Series (SLGS), the principal of and interest on which, when received, will be sufficient to pay the principal, interest and prepayment premium with respect to the 1999 Certificates on September 1, 2009.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota. See "VERIFICATION OF MATHEMATICAL ACCURACY" below. Assuming the accuracy of Grant Thornton's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 1999 Certificates will be defeased pursuant to the provisions of the financing documents under which the 1999 Certificates were executed and delivered, as of the date of issuance of the Bonds.

Estimated Sources and Uses of Funds

The proceeds from the sale of the Bonds will be deposited into the following funds established by the Community Facilities District under the Fiscal Agent Agreement:

SOURCES

Principal Amount of Bonds	\$
Plus/Less: Original Issue Premium/Discount	
Less: Underwriter's Discount	<u>0</u>
<i>Total Sources</i>	\$

USES

Deposit into Capitalized Interest Subaccount [1]	\$
Deposit into Costs of Issuance Fund [2]	
Deposit into Construction Fund [3]	
Transfer to Escrow Fund [4]	
Deposit into Administrative Expense Fund	
<i>Total Uses</i>	\$

- [1] Represents interest on a portion of the Bonds through September 1, 2007.
- [2] Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the cost of printing the final Official Statement, fees and expenses of the Fiscal Agent, the Insurance Policy premium and reserve surety premium, and the fees of the Special Tax Consultant.
- [3] Will be used to pay the costs of the School Facilities, as defined below. See “- Facilities To Be Financed With Proceeds Of The Bonds” below.
- [4] Will be transferred to the Escrow Agent for deposit in the Escrow Agreement and used to prepay and defease the 1999 COPs. See “- Refunding Plan” above.

Facilities to be Financed with Proceeds of the Bonds

Authorized Facilities. Under the Resolution of Intention adopted by the Community Facilities District on _____, 1995, the Community Facilities District is authorized to finance the school facilities described below, which will be owned and operated by the School District (the “**School Facilities**”).

School Facilities. The School Facilities may include _____ . The School Facilities will be owned and operated by the School District.

The Bonds are anticipated to provide \$ _____* for School Facilities, which the School District currently intends to use for a portion of the construction costs of the Ocean Air School, a new K through 6th grade school currently under construction at 11444 Canter Heights Drive in San Diego.

* Preliminary; subject to change.

THE BONDS

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

Interest. The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement. Interest with respect to each Bond will be payable semiannually on each March 1 and September 1, commencing September 1, 2007 (each, an "Interest Payment Date") until the principal sum of that Bond has been paid; provided, however, that if, at the maturity date of any Bond (or if the Bond is redeemable and is duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with the terms of the Fiscal Agent Agreement, that Bond will then cease to bear interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Payments of Interest and Principal. *As long as Cede & Co. is the registered owner of the Bonds, as described below, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co.*

The Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America.

The principal of the Bonds and any premiums due upon the redemption thereof will be payable upon presentation thereof at the Principal Corporate Trust Office of the Fiscal Agent.

Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as defined herein) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the Dated Date of such Bond; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last date on which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest will be payable from the Dated Date of such Bond.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Fiscal Agent mailed to such Bondowner by first class mail at his or her address as it appears on the Bond Register as of the Record Date; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds, upon the Fiscal Agent's receipt of written request of such Owner prior to the Record Date accompanied by wire transfer instructions, such interest will be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

DTC and Book-Entry Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). See "APPENDIX D – DTC and the Book-Entry Only System."

Authority for Issuance

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

Resolutions of Intention: On _____, 1995, the Board adopted Resolution No. CFD _____ stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein. On the same day the Board adopted Resolution No. CFD _____ stating its intention to incur bonded indebtedness in an amount not to exceed \$100,000,000 in the aggregate within the Community Facilities District for the purpose of financing the Facilities. See "FINANCING PLAN – Facilities to be Financed with Proceeds of the Bonds."

Resolution of Formation: Immediately following a noticed public hearing on April 19, 1995, the Board adopted Resolution No. CFD 95-07 (the "**Resolution of Formation**"), which established the Community Facilities District and authorized the levy of a special tax within the Community Facilities District.

Resolution of Necessity: On April 19, 1995, the Board adopted Resolution No. CFD 95-08 determining the necessity to incur bonded indebtedness in an aggregate amount not to exceed \$100,000,000 within the Community Facilities District and submitting that proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On May 10, 1995, an election was held within the Community Facilities District in which the qualified electors approved a ballot proposition authorizing the issuance of up to \$100,000,000 in bonds to finance the acquisition and construction of the Facilities, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On May 10, 1995, the Board adopted Resolution No. CFD 95-_____ under which the Board approved the canvass of the votes and declared the Community Facilities District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriations limit.

Notice of Special Tax Lien: A Notice of Special Tax Lien was recorded in the real property records of San Diego County on _____, 1995, as Document No. _____.

Ordinance Levying Special Taxes: On June 14, 1995, the Board adopted Ordinance No. 1995-1 levying the Special Tax within the Community Facilities District.

Annexation Proceedings: The Board, acting as the Legislative Body of the Community Facilities District, has previously conducted proceedings to annex additional territory into the Community Facilities District under the Act (collectively the "**Annexation Proceedings**"), including the authorization of the levy of special taxes of the District on

such annexed territory and the adoption of ordinances authorizing the levy and collection of special taxes on such annexed territory (collectively the "**Annexations**") and a description of such Annexations and annexed territory is on file with the Clerk of the Board.

Resolution Authorizing Issuance of the Bonds: On _____, 2007, the Board adopted Resolution No. CFD _____, approving issuance of the Bonds of the Community Facilities District in an amount not to exceed \$_____.

School District's Goals and Policies. The School District adopted "Community Facilities District Financing Policy" on January 11, 1995 (the "Goals and Policies").

The Goals and Policies set forth guidelines for the use of the Act to finance the construction or acquisition of school facilities, and to set forth local goals and policies for the use of community facilities districts.

Among other matters, the Goals and Policies establish certain credit quality requirements for bonds issued by community facilities districts, namely a property value to debt ratio (debt is defined as any existing or pending special tax or improvement liens) of at least 3 to 1 or greater. The Goals and Policies also require that the maximum special tax rate for landowner-approved financings may not cause the total tax burden on residential property to exceed 2% of the anticipated fair market value of each improved parcel upon the completion of all public and private improvements.

The Board of Trustees may impose additional requirements or waive specific requirements listed in the Goals and Policies on a case-by-case basis.

The Community Facilities District has determined that issuance of the Bonds conforms with the Goals and Policies.

Debt Service Schedule

The following table presents the annual Debt Service on the Bonds (including sinking fund redemptions)[, assuming there are no optional redemptions].

<u>Year Ending September 1</u>	<u>Principal</u>	<u>Interest [1]</u>	<u>Total Debt Service</u>
------------------------------------	------------------	---------------------	-------------------------------

Total:

[1] A portion of the interest that will accrue through September 1, 2007, will be capitalized with a portion of the proceeds of the Bonds.

Redemption

[Optional Redemption.* The Bonds may be redeemed prior to maturity, in whole or in part, at the option of the Community Facilities District on _____ 1, 20__, or on any Interest Payment Date thereafter prior to maturity at the redemption prices set forth below, which are expressed as a percentage of the principal amount thereof, together with accrued interest to the date of redemption.] **[TO BE CONFIRMED OR OMITTED]**

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ and March 1, 20__	%
September 1, 20__ and March 1, 20__	
September 1, 20__ and any Interest Payment Date thereafter	100

Mandatory Sinking Payment Redemption. The Outstanding Term Bond maturing on September 1, 20__ (the "**20__ Term Bond**"), is subject to mandatory redemption before maturity on September 1, 20__, and on each September 1 thereafter to and including September 1, 20__. The 20__ Term Bond will be redeemed from Mandatory Sinking Payments that have been deposited one business day prior to each September 1, commencing, September 1, 20__, into the Sinking Fund Redemption Account of the Redemption Fund under the Fiscal Agent Agreement, in accordance with the schedule set forth in below.

Sinking Fund Redemption Date <u>(September 1)</u>	<u>Sinking Payments</u> \$
---	-------------------------------

(maturity)

The Outstanding Term Bond maturing on September 1, 20__ (the "**20__ Term Bond**"), is subject to mandatory redemption before maturity on September 1, 20__, and on each September 1 thereafter to and including September 1, 20__. The 20__ Term Bond will be redeemed from Mandatory Sinking Payments that have been deposited one business day prior to each September 1, commencing, September 1, 20__, into the Sinking Fund Redemption Account of the Redemption Fund under the Fiscal Agent Agreement, in accordance with the schedule set forth in below.

Sinking Fund Redemption Date <u>(September 1)</u>	<u>Sinking Payments</u> \$
---	-------------------------------

(maturity)

* Preliminary; subject to change.

The Term Bonds to be so redeemed will be determined by lot, and will be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

[In the event of a partial redemption of a Term Bond through an optional redemption as described above, Mandatory Sinking Payments for such Term Bond set forth above will be proportionately reduced pursuant to calculations made by the Fiscal Agent.]

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed, the Fiscal Agent will select the Bonds to be redeemed in the order and manner directed by the Community Facilities District in writing to the Fiscal Agent and by lot within a single maturity. The portion of any such Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any [[optional redemption or]] mandatory sinking fund redemption, monies deposited in an account of the Redemption Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner described below. Purchases of Outstanding Bonds may be made by the Community Facilities District prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the Community Facilities District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, and, in the case of funds in the [Optional Redemption Account or] Mandatory Redemption Account, the applicable premium to be paid in connection with the proposed redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

Notice of Redemption. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent will mail by first class mail a copy of the redemption notice, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Series 2007 Special Tax Bond of notice of such redemption shall not be a condition precedent thereto, and neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bond, or the cessation of interest on the redemption date.

However, while the Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Community Facilities District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.

Effect of Redemption. If notice of redemption has been duly given, as provided in the Fiscal Agent Agreement, and if the amount necessary for the redemption has been made available for that purpose and is available therefor on the date fixed for such redemption:

(1) The Bonds, or portions thereof, designated for redemption, will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement, anything in this Fiscal Agent Agreement, or in the Bonds, to the contrary notwithstanding;

(2) Upon presentation and surrender thereof at the Principal Corporate Trust Office of the Fiscal Agent, or such other location as may be designated by the Fiscal Agent, such Bond will be redeemed at the such redemption price;

(3) From and after the redemption date, the Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or portions thereof will cease to bear further interest; and

(4) From and after the date fixed for redemption, no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available

Registration, Transfer and Exchange

The provisions of the Fiscal Agent Agreement regarding the exchange and transfer of the Bonds, as set forth in APPENDIX C, apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX C – Summary of Fiscal Agent Agreement" and "APPENDIX D – DTC and the Book-Entry Only System."

SECURITY FOR THE BONDS

Pledge of Net Taxes and Amounts Held under Fiscal Agent Agreement

General. The Bonds are limited obligations of the Community Facilities District and will be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the "Net Taxes" (as defined below) and amounts in certain funds, accounts and subaccounts created under the Fiscal Agent Agreement. The Net Taxes will be pledged and set aside for the payment of the Bonds.

Under the Fiscal Agent Agreement, all of the Net Taxes are pledged and set aside for the payment of the Bonds, and such Net Taxes and any interest earned on the Net Taxes constitute a trust fund for the payment of the interest on and principal of the Bonds. So long as any of the Bonds or interest thereon are unpaid, the Net Taxes and interest thereon may not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement, and will be held in trust for the benefit of the Bondowners and will be applied pursuant to the Fiscal Agent Agreement (or as modified pursuant to its terms).

Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Construction Fund (and the accounts and subaccounts thereof), and the Rebate Fund will no longer be considered to be pledged to the Bonds, and the Administrative Expense Fund, the Construction Fund (and the accounts and subaccounts thereof) and the Rebate Fund will not be construed as trust funds held for the benefit of the Bondowners.

The Facilities to be financed 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 and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Net Taxes. The Fiscal Agent Agreement defines "Net Taxes" as all "Gross Taxes" minus the "Administrative Expense Requirement," which are defined in the fiscal Agent Agreement as follows:

"Gross Taxes" is defined as all Special Taxes collected within the Community Facilities District and proceeds from the sale of property collected under the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes).

"Administrative Expense Requirement" is defined as an amount up to a maximum of \$_____ per Fiscal Year, which amount will escalate at ___% per Fiscal Year beginning in Fiscal Year 2007-08.

Limited Obligation

The Bonds and interest thereon are not payable from the general fund of the Community Facilities District or the School District. Except with respect to the Special Taxes, neither the credit nor the taxing power of the Community Facilities District or the School District is pledged for the payment of the Bonds or interest thereon, and no Owner of the Bonds may compel the exercise of the taxing power by the Community Facilities District or the School District or the forfeiture of any of their property.

The principal of and interest on the Bonds and premiums upon the redemption of any thereof are not a debt of the Community Facilities District or the School District, the State of California nor any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the Community Facilities District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged and set aside for the payment of the Bonds and interest thereon. Neither the members of the Board nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Special Taxes

Covenant to Levy Special Taxes. The Community Facilities District will covenant in the Fiscal Agent Agreement that, subject to the maximum Special Tax rates, it will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

The Community Facilities District will fix and levy the amount of Special Taxes within the Community Facilities District required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes (up to the Maximum Special Tax Rates).

Manner of Collection. The Fiscal Agent Agreement provides that the Special Taxes are payable and will be collected in the same manner and at the same time and in the same installment as the general taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. However, the Board may provide for direct collection of the Special Taxes in certain circumstances.

Because the Special Tax levy is limited to the Maximum Annual Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.

Rate and Method

General. The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Board may annually levy the Special Taxes within the Community Facilities District, up to the "Maximum Annual Special Tax," and to determine the amount of the Special Tax that will need to be collected each Fiscal Year from the "Taxable Property" within the Community Facilities District.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as "APPENDIX B." The meaning of the defined terms used in this section are

as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

Developed and Undeveloped Property; Exempt Property. All property within the Community Facilities District will be classified for each Fiscal Year as Taxable Property or Exempt Property, and all Taxable Property will be further classified as Developed Property or Undeveloped Property, all as defined below. In addition, all Developed Property will be further assigned to a Land Use Class based on the number of residential units per Gross Acre within the Final Subdivision Map in which it is located.

"Developed Property" means any Assessor's Parcel of Taxable Property for which a residential building permit was issued prior to March 1 of the previous Fiscal Year.

"Undeveloped Property" means any Assessor's Parcel of Taxable Property zoned for residential development and for which no residential building permit was issued prior to March 1 of the previous Fiscal Year.

"Taxable Property" means all property within the boundaries of the Community Facilities District that are not exempt from the Maximum Annual Special Tax under the Act or the Rate and Method (as described below).

"Exempt Property:" The Rate and Method provides that the Board may not levy any Special Taxes on the following:

- properties owned by the State of California, Federal or other local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Government Code,
- properties owned by a homeowners' association, or
- properties with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

Maximum Annual Special Tax Rates. The Maximum Annual Special Tax rates are defined in the Rate and Method as follows:

Undeveloped Property. The Maximum Annual Special Tax (subject to any reimbursement as provided in the Rate and Method) may be levied on Undeveloped Property only in cases where delinquencies or defaults of the Maximum Annual Special Taxes paid by Developed Property owners create a situation in which additional revenues are needed to make principal and interest payments, replenish the reserve fund, or pay Administrative Expenses.

The Fiscal Year 2007-08 Maximum Annual Special Tax on Undeveloped Property will be the lesser of:

(1) \$ _____ per Gross Acre (calculated based on the initial Fiscal Year 1995-96 amount of \$500 per Gross Acre, escalated each Fiscal Year as described below), or

(2) the aggregate amount of the actual delinquencies in the payment of the Maximum Annual Special Taxes for Developed Property for the prior Fiscal Year, divided by the total number of Gross Acres of Undeveloped Property.

Each Fiscal Year, the Maximum Annual Special Tax on Undeveloped Property has been and will be increased by an amount equal to the greater of (i) the annual percentage change in the Lee Saylor Class D Construction Index published by the State Allocation Board (the "Index") or (ii) 2% per year.

Developed Property. The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property is based on the Initial Maximum Annual Special Tax set forth in the Rate and Method for Fiscal Year 1995-96, increased by the greater of the annual percentage change in the Index or 2% (as described above) until that Assessor's Parcel becomes Developed Property. The Maximum Annual Special Tax for all Developed Property which was classified as Developed Property in previous Fiscal Years will equal the Initial Maximum Annual Special Tax for the Fiscal Year in which the Assessor's Parcel was first classified as "Developed Property."

The Fiscal Year 1995-96 Initial Maximum Annual Special Tax rates are set forth in the Rate and Method. See APPENDIX B.

Method of Apportionment. Under the Rate and Method, the Board will levy the Maximum Annual Special Taxes each Fiscal Year as follows:

First: The Board will levy the Maximum Annual Special Tax on each Assessor's Parcel of Developed Property (except for each Assessor's Parcel for which the property owner previously elected to pay and has paid the One-Time Supplemental Prepayment Special Tax). The Maximum Annual Special Tax will be based on the Fiscal Year 1995-96 Initial Maximum Annual Special Tax rates set forth in the Rate and Method (see APPENDIX B), as adjusted as described above. If the Board chooses to levy less than the Maximum Annual Special Tax or portion thereof, the Board must do so Proportionately for all Land Use Classes listed in that table.

Second: In the event of delinquency or default by any Developed Property within the Community Facilities District as to the Maximum Annual Special Tax in any Fiscal Year, the Maximum Annual Special Taxes levied under the first step above may be insufficient to make all current principal and interest payments, replenish the reserve fund, or pay Administrative Expenses. In such cases, the annual special tax will be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to the Maximum Annual Special Tax for Undeveloped Property.

No Prepayment of Special Taxes. The Rate and Method does not permit the prepayment of Special Taxes with respect to parcels in the Community Facilities District for which a final subdivision map has been recorded. (Because final subdivision maps have been recorded for all of the taxable property in the Community Facilities District, no prepayments of the Special Taxes are now permitted.)

Appeals. Any landowner or resident who contends that the amount of the Maximum Annual Special Tax levied is in error or pertains to property that the Board determines is reasonably probable to be zoned other than for development purposes may file a notice with the

Board appealing the levy of the Maximum Annual Special Tax. A representative of the Community Facilities District will then review the appeal and, if necessary, meet with the appellant. If the findings of the representative verify that the amount of the Maximum Annual Special Tax should be modified or changed, then, as appropriate, the Maximum Annual Special Tax levy will be corrected. If the appellant is in disagreement with the findings of the representative, he or she may appeal the representative's decision to the Board.

Duration of Special Tax Levy. Assessor's Parcels for which a building permit was issued prior to March 1 of a given Fiscal Year will commence paying Maximum Annual Special Taxes in the following Fiscal Year. The Maximum Annual Special Tax will be levied for a period of 35 years for each Assessor's Parcel of Taxable Property.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement 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 below and in the Act, is to be 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. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Mello-Roos Law. Under Section 53356.1 of the Act, if any delinquency occurs 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. However, the Community Facilities District will covenant in the Fiscal Agent Agreement that, on or about March 1 and July 1 of each Fiscal Year, the Community Facilities District will compare the amount of Special Taxes theretofore levied within the Community Facilities District to the amount of Special Taxes theretofore received by the Community Facilities District, and proceed as follows:

Individual Delinquencies. If the Community Facilities District determines that

(i) any single parcel within the Community Facilities District is subject to a Special Tax delinquency in the aggregate amount of \$_____ or more or

(ii) any owner owns one or more parcels subject to a Special Tax delinquency in an aggregate amount of \$_____ or more,

then the Community Facilities District will send, or cause to be sent, a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) action to authorize the commencement of foreclosure proceedings will be taken by the District within 90 days of such determination to the extent permissible under applicable law.

Aggregate Delinquencies. If the Community Facilities District determines that the total amount of delinquent Special Taxes for the prior Fiscal Year for the Community Facilities District (including the total of delinquencies under paragraph (A) above)

exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, the Community Facilities District will notify, or cause to be notified, property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and will take action to authorize commencement of foreclosure proceedings within 90 days of such determination against each parcel of land within the Community Facilities District with a Special Tax delinquency to the extent possible under applicable law.

Acceptance of Enrolled Amount of Special Taxes Following Delinquency. Under the Fiscal Agent Agreement, the Community Facilities District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys' fees related to the Special Tax delinquency for such parcel(s). The Fiscal Agent Agreement provides that Bondowners are deemed to have consented to this reserved right of the Community Facilities District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Fiscal Agent Agreement also provides that Bondowners, by their acceptance of the Bonds, consent to such payment for such lesser amounts.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Mello-Roos Law does not require the Community Facilities District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

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

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the Community Facilities District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "BOND OWNERS' RISKS – Exempt Properties."

No Teeter Plan. Because the Community Facilities District does not participate in the "Teeter Plan" (which is the County's Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code), collections of Special Taxes will reflect actual delinquencies.

Special Tax Fund; Flow of Funds

Deposits. Under the Fiscal Agent Agreement, the Special Taxes and other amounts constituting Gross Taxes collected by the Community Facilities District will be transferred no later than 10 days after receipt thereof to the Fiscal Agent, and shall be held by the Fiscal Agent in trust in the Special Tax Fund for the benefit of the Community Facilities District and the Bondowners.

Disbursements. The Fiscal Agent shall transfer amounts from the Special Tax Fund in the following order of priority:

(a) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement as such funds are requested by the Community Facilities District.

(b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one business day prior to each Interest Payment Date equals the installment of interest due on the Bonds on that Interest Payment Date. Monies in the Interest Account will be used for the payment of interest on the Bonds as it becomes due.

(c) To the Principal Account of the Bond Fund, one business day prior to each maturity date for the Bonds, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year.

(d) To the Sinking Fund Redemption Account of the Redemption Fund, an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds during the current Bond Year, as set forth in the Fiscal Agent Agreement.

(e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the "Reserve Requirement" (as defined below).

(f) To the extent that Administrative Expenses are not fully satisfied in (a) above, to the Administrative Expense Fund in the amount(s) required to bring the balance therein to the amount identified by the Community Facilities District to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expenses from a prior Fiscal Year which remain unpaid.

[(g) To the Redemption Fund, the amount, if any, the Community Facilities District directs the Fiscal Agent to deposit to carry out an optional redemption of the Bonds under the Fiscal Agent Agreement.] **[TO BE CONFIRMED]**

(h) Any remaining Special Taxes and other amounts constituting Net Taxes shall remain in the Special Tax Fund subject to the provisions of (i), below.

(i) Any remaining Special Taxes and other amounts constituting Net Taxes, if any, will remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Fund Payments due during the current Bond Year), to restore the

Reserve Fund as described in (e) above, or to pay current or pending Administrative Expenses as provided for in (a) and (f) above, will be retained in the Special Tax Fund and applied to the purposes described in (a) through (f) above.

At the end of the corresponding Bond Year, any remaining funds in the Special Tax Fund not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Fund Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as described in (a) and (f) above, will, without further action by any party, be transferred by the Fiscal Agent to the District free and clear of any lien thereon. Any funds required to cure any such delinquency will be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, monies in the Special Tax Fund will be transferred to the Community Facilities District by the Fiscal Agent and may be used by the District for any lawful purpose.

Investment. Funds in the Special Tax Fund will be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, will be retained therein.

Bond Fund

Deposits. One Business Day prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund or monies or security on deposit in the Reserve Fund (if sufficient monies are unavailable in the Special Tax Fund), and deposit in the Principal Account and the Interest Account of the Bond Fund established for Bonds an amount equal to all of the principal and all of the interest due and payable on Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund (including funds available in the Capitalized Interest Subaccount) or the Redemption Fund available to pay principal and/or interest on such Bonds.

Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund will be used to pay the principal of and interest on such Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

Disbursements. The Fiscal Agent will apply monies in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

Investments. Monies in the Bond Fund will be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment will be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Bonds.

Upon final maturity of the Bonds and the payment of all principal of and interest on the Bonds, any monies remaining in the Bond Fund will be transferred to the Special Tax Fund.

Reserve Fund

Establishment and Reserve Requirement. In order to further secure the payment of principal of and interest on the Bonds, under the Fiscal Agent Agreement the Community Facilities District is required to establish the Reserve Fund, which will be held by the Fiscal Agent and maintained in an amount equal to the Reserve Requirement.

The Community Facilities District intends to initially satisfy the Reserve Requirement through the deposit of a reserve fund surety to be issued by the Bond Insurer on the Closing Date. See "MUNICIPAL BOND INSURANCE" below for a description of the Bond Insurer.

The "**Reserve Requirement**" is defined in the Fiscal Agent Agreement to mean, as of any date of calculation, an amount equal to the least of the following:

(i) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any,

(ii) Maximum Annual Debt Service (defined as the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Bonds by totaling the following for each Bond Year: (1) the principal amount of all Outstanding Bonds payable in such Bond Year, whether at maturity or by redemption, together with a premium thereon, if any premium is payable; and (2) the interest payable on the aggregate principal amount of Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled), or

(iii) 125% of average annual debt service on the Bonds.

Disbursement. Monies in the Reserve Fund will be used solely for the following purposes:

(i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest on the Bonds when due to the extent that monies in the Interest Account and the Principal Account of the Bond Fund, or monies in the Sinking Fund Redemption Account, are insufficient therefor,

(ii) making any required transfer to the Rebate Fund,

(iii) paying the principal and interest due on the Bonds in the final Bond Year, and

(iv) application to the defeasance of Bonds in accordance with the Fiscal Agent Agreement.

See "APPENDIX C – Summary of Fiscal Agent Agreement" for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Investment. Monies in the Reserve Fund will be invested in accordance with the Fiscal Agent Agreement. Any monies in the Reserve Fund in excess of the Reserve Requirement will be withdrawn by the Fiscal Agent 2 Business Days prior to each Interest Payment Date and deposited into the Interest Account of the Bond Fund and thereafter applied for the purposes specified for that account.

Application of Reserve Fund Surety. The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund monies, a letter of credit, a bond insurance policy, or any other comparable credit facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; however, the long-term unsecured debt or claim-paying ability, as the case may be, of the provider of any such letter of credit, bond insurance policy or any other comparable credit facility, must have a rating of at least "A1" from Moody's (if Moody's then rates the Bonds) and "A+" from S&P (if S&P then rates the Bonds) (provided that the Fiscal Agent will be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery).

Issuance of Parity Bonds

The Community Facilities District may, at any time after the issuance and delivery of the Bonds, issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and the Reserve Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds.

The Fiscal Agent Agreement provides that Parity Bonds may be issued subject to the conditions contained in the Fiscal Agent Agreement, which include, among others, the following:

- The issuance of the Parity Bonds must conform to Section 53345.8 of the Act and the Community Facilities District Finance Policy then applicable to the Community Facilities District (specifically, and in accordance with the requirements of Government Code Section 53345.8, the Board must be provided with documentation to determine, and must determine, that the value of the real property within the Community Facilities District subject to the Special Taxes is at least three times the principal amount of the Outstanding Bonds, the Parity Bonds, and of all other bonds that are secured by a special tax (pursuant to the Act) or a special assessment on property within the Community Facilities District. This determination will be based on the full value of such property as required under State law and upon documents presented to the Board.

- The Fiscal Agent must receive one or more certificates from one or more Independent Financial Consultants which, when taken together, certify that the amount of the Net Taxes allocated to the payment on the Bonds based upon of the maximum Special Taxes that may be levied by the Community Facilities District on then-existing Developed Property (as defined in the Rate and Method) pursuant to the Act and the applicable resolutions and ordinances of the District in each remaining Bond Year is at least _____ times Annual Debt Service for each corresponding Bond Year on all the then-Outstanding Bonds, any Parity Bonds previously issued and the Parity Bonds proposed to be issued. For purposes of making the certifications required by this provision, the Independent Financial Consultants may rely on reports or certificates as may be acceptable to the Community Facilities District, the School District, Bond Counsel and the underwriter(s) of the proposed Parity Bonds.

See "APPENDIX C – Summary of Fiscal Agent Agreement" for a full description of the conditions for issuing Parity Bonds.

Investment of Moneys in Funds

Moneys in the funds and accounts created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in "Authorized Investments," as defined in the Fiscal Agent Agreement. See "APPENDIX C – Summary of Fiscal Agent Agreement."

MUNICIPAL BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made by the School District, the Community Facilities District or the Underwriter as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Bond Insurer's Policy.

THE 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 Bonds, and the Bonds will not be payable from any of the School District's revenues or assets.

General Information

The School District provides public education within a 14.6 square mile area including all of the City of Del Mar and portions of the City of San Diego known as Del Mar Heights, Carmel Valley, Future Urbanizing Area, and Sorrento Hills. The administration headquarters of the School District are located at 225 Ninth Street, Del Mar, California. For further information on the School District see its Internet home page at www.dmusd.org.

The School District currently operates 7 kindergarten through sixth grade elementary schools, with an 8th school, the Ocean Air School, currently under construction. The current 2006-07 enrollment for the School District as reported to the State of California is _____ students.

Administration and Enrollment

The five-member Board is an elected body. Members serve four-year terms. The Board is responsible for the approval of the scope and focus of the School District, as well as all Board Policy decisions. The Board is responsible for the appointment of the Superintendent, who administers the day-to-day operations of the School District and who is answerable to the Board.

The Board meets every month and the meetings are public. The community is invited to attend these meetings, and the Board welcomes the participation the community.

The names and terms of the current Board members are set forth below.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Annette Easton	President of the Board	November 2010
Dr. Janet Lamborghini	Clerk of the Board	November 2008
Linda Crawford	Member	November 2008
Steven McDowell	Member	November 2010
Katherine White	Member	November 2010

The table below sets forth official enrollment figures for the current and nine prior Fiscal Years, all as reported to the State of California Department of Education.

**Del Mar Union School District
Student Enrollment [1]**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percentage Increase</u>
1997-98	1,858	11.32%
1998-99	2,106	13.35%
1999-00	2,304	9.40%
2000-01	2,705	17.40%
2001-02	3,019	11.61%
2002-03	3,325	10.10%
2003-04		
2004-05		
2005-06		
2006-07		

[1] Represent CBEDS (California Basic Educational Data System) calculations.
Source: California Department of Education and the School District.

THE COMMUNITY FACILITIES DISTRICT

General

Description and Location. The Community Facilities District is located in the _____ portion of _____.

The Community Facilities District is located _____.

See "APPENDIX A – General Information About the City of Del Mar, City of San Diego and San Diego County" for certain demographic information on the area surrounding the Community Facilities District. The boundary map of the Community Facilities District is attached as APPENDIX G.

Gross and Anticipated Net Taxable Acres. The property in the Community Facilities District currently contains approximately ____ net acres currently classified as Taxable Property.

Estimated Maximum Special Tax Proceeds and Debt Service Coverage

The Rate and Method is structured to produce Special Tax revenues from the Assigned Annual Special Tax and the Maximum Special Tax which, when applied to the projected debt service on the Bonds, is anticipated to result in a debt service coverage ratio of ____% for the life of the Bonds.

[TO BE DISCUSSED: ADD A TABLE SHOWING COVERAGE FOR THE LIFE OF THE BONDS?]

Property Ownership

The table below shows the property ownership within the Community Facilities District as of _____, 20__.

**Table 1
Property Ownership**

<u>Property Ownership</u>	<u>Land Use</u>	<u>Number of Parcels</u>	<u>Percentage Share of Parcels</u>	<u>Fiscal Year 2006-07 Net Special Tax Revenues</u>	<u>Percentage Share of 2006-07 Special Tax Revenues</u>	<u>Total Assessed Value</u>
Individual owners	Single-family					
Torrey Villas LLC	Multi-family					
Total	Total		100.00%		100.00%	

Source: Dolinka Group, Inc.

Delinquency History

The County Assessor's records of delinquent Special Tax payments frequently include nonpayment of Special Taxes resulting from delays in recording changes in property ownership on the Assessor's tax rolls, which are subsequently paid when corrections to property tax bills are made and the new property owner is notified that Special Tax payments are due.

The table below presents a history of the delinquency in the payment of Special Taxes in the Community Facilities District.

Table 2
Delinquency History

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>Tax Collected for Current Fiscal Year</u>	<u>Amount Delinquent [1]</u>	<u>Percent Delinquent</u>	<u>Current Amount Delinquent [2]</u>	<u>Current Percent Delinquent</u>
1996-97						
1997-98						
1998-99						
1999-00						
2000-01						
2001-02						
2002-03						
2003-04						
2004-05						
2005-06						
2006-07 [3]						
Total						

[1] Delinquent amounts based on information provided by National Tax Data, Inc.
 [2] Current Amounts Delinquent based on information provided by San Diego County Assessor.
 [3] Based on the collection of the first installment of the Fiscal Year 2006-07 Special Tax levy.
 Source: Dolinka Group, Inc.

Property Tax Delinquency Rates
[TO BE DISCUSSED]

During the prior year, delinquencies in the payment of ad valorem property taxes within counties throughout southern California have generally been higher than the reported delinquency levels for prior years.

The School District is not aware of the causes for the increased delinquencies in the payment of property taxes, although publicly available information indicates that in recent years some county assessors' offices have experienced (a) delays in processing property ownership transfers that in many cases have led to property tax bills being sent to former, not current, owners and to consequent delays in the actual property owners receiving and paying their property taxes, and (b) delays in processing property tax payments that have led to delays in crediting special taxes toward the accounts of the appropriate community facilities districts. To the extent these increases in delinquencies are indicative of a trend toward actual property tax delinquencies by homeowners who received property tax bills, delinquencies in the payment of property taxes (and, if affecting properties within the Community Facilities District, delinquencies in the payment of Special Taxes) may occur and continue at similar levels or increase in the near future.

Under the Fiscal Agent Agreement, the Community Facilities District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners in the Community Facilities District if other owners are delinquent in the payment of Special Taxes. However, the Community Facilities District's ability to increase Special Tax levies for this purpose is limited by two factors: (a) the maximum Special Tax rates set forth in the Rate and Method, and (b) the limitations on such increases set forth in the Act, which provides that under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by owner of any other parcel or parcels within the Community Facilities District by more than 10%. Thus, the Community Facilities District may not be able to increase Special Tax levies in future Fiscal Years by enough to make up for delinquencies for prior Fiscal Years. This would result in defaults in the payment of principal and interest on the Bonds.

Although the Community Facilities District has covenanted under the Fiscal Agent Agreement to commence and diligently pursue foreclosure under certain circumstances (see "SECURITY FOR THE BONDS – Covenant to Foreclose"), foreclosure delays may occur due to bankruptcy of delinquent property owners and other circumstances (see "BOND OWNERS' RISKS – Bankruptcy and Foreclosure Delays").

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors (including the state of the local economy and the local real estate market) affecting individual property owners, which may or may not apply to the property owners in the Community Facilities District. See "BOND OWNERS' RISKS" generally for discussions of certain potential causes of property tax delinquencies.

Assessed Values and Value to Burden Ratios

[TO BE DISCUSSED: ADD ASSESSED VALUE HISTORY?]

Assessed Values and Value to Burden Ratios The table below shows the projected value to burden ratio for the Taxable Property in the Community Facilities District based on the Fiscal Year 2006-07 assessed values for Taxable Property in the Community Facilities District and the principal amount of the Bonds.

No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of any of the Special Taxes.

Table 3
Assessed Values and Value to Burden Ratio

<u>Value-to-Lien Category</u>	<u>Number of Parcels</u>	<u>Proposed Bond Lien Amount* [1]</u>	<u>2006-07 Taxable Property Assessed Value</u>	<u>Value-to-Burden Ratio*</u>	<u>Fiscal Year 2006-07 Special Tax</u>	<u>Percentage of Special Tax</u>
25:1 and above						
11:1 to 25:1						
5:1 to 11:1						
3:1 to 5:1						
3:1 and below						
Total						100.00%

* Preliminary; subject to change.

[1] Debt has been allocated based on actual Fiscal Year 2006-07 levy amounts.

Source: Dolinka Group, Inc.

Direct and Overlapping Governmental Obligations. Certain local agencies provide public services and assess property taxes, assessments, special taxes and other charges on the property in the Community Facilities District. Many of these local agencies have outstanding debt. The direct and overlapping obligations affecting the property in the Community Facilities District is shown in the following table.

This table was prepared by National Tax Data, Inc., doing business in California as California Tax Data, and is included for general information purposes only. The Authority has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

**Table 4
Detailed Direct and Overlapping Debt
(As of _____, 2007)**

I. Assessed Value
2006-2007 Secured Roll Assessed Value \$ _____

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy Amount
-------------------------	------	------------------	------------	--------------	---------	-------------

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

III. Land Secured Bond Indebtedness (1)

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
--	------	--------	-------------	--------------	---------	--------

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
--	------	--------	-------------	--------------	---------	--------

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

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

Source: National Tax Data, Inc.

Estimated Tax Burden on Single Family Home. The following table sets forth the estimated total tax burden on a representative single-family home in the Community Facilities District. **[TO BE DISCUSSED -- INCLUDE?]**

**Table 5
Fiscal Year 2006-07 Effective Tax Rates
(Representative Single Family Residence)**

ASSESSED VALUATION AND PROPERTY TAXES			
Median Assessed Value [1]			
Homeowner's Exemption	(\$7,000)		
Median Net Assessed Value [2]		Percent of Total AV	Projected Amount
AD VALOREM PROPERTY TAXES			
General Purposes		1.00000%	
Ad Valorem Tax Overrides			
<hr/>			
Total Ad Valorem Property Taxes			
 ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES [3]			

Total Assessments, Special Taxes, and Parcel Charges

PROJECTED TOTAL PROPERTY TAXES

Projected Total Effective Tax Rate (as % of Sales Price) %

- [1] Represents the median assessed value of home containing _____ building square feet as of January 1, 2007.
 - [2] Assessed value reflects estimated total assessed value for the parcel net of homeowner's exemption.
 - [3] All Charges and Special Assessments are based on actual Fiscal Year 2006-07 Tax Obligation.
- Source: Dolinka Group, Inc.

Environmental Condition of the District

No environmentally hazardous or toxic conditions are known to exist in the Community Facilities District as of the date of the Bonds. However, no assurance can be given that hazardous or toxic conditions will not be found to exist, nor that regulations relating to such conditions will not become more stringent, thus requiring remediation by the owners of property within the Community Facilities District. In either or both such events, the value of some or all of the property comprising the Taxable Property in the Community Facilities District could be reduced and the security for the Bonds could be impaired. The valuations presented in this Official Statement do not take into account the possible reduction in marketability or value of any existing or subsequent findings of hazardous or toxic conditions affecting the District. See "BOND OWNERS' RISKS."

BOND OWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision.

Limited Obligation of the Community Facilities District to Pay Debt Service

The Community Facilities District has no obligation to pay principal of and interest on the Bonds if 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 for Special Tax delinquencies. The Community Facilities District is not obligated to advance funds to pay debt service on the Bonds.

Levy and Collection of the Special Tax

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the Maximum Annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

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

- Reduction in the number of parcels of Taxable Property for such reasons as acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.
- 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.

Except as set forth above under "SECURITY FOR THE BONDS – Special Taxes" and "– Rate and Method," the Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS – Covenant to Foreclose" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem

property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE BONDS – Covenant to Foreclose."

Payment of Special Tax is not a Personal Obligation of the Property Owner

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

Property Values

The value of Taxable Property within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the Community Facilities District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the Community Facilities District's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

Neither the Community Facilities District nor the School District has evaluated development risks. Since these are largely business risks of the type that the property owner customarily evaluates individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the Community Facilities District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the Community Facilities District and the issuance of the Bonds in no way implies that the Community Facilities District or the School District has evaluated these risks or the reasonableness of these risks. On the contrary, the Board has made no such evaluation and is undertaking acquisition and construction of the Facilities even though these risks may be serious and may ultimately forestall the realization of Taxable Property values in the event of delinquency and foreclosure.

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

Residential Real Estate Market. The value of the Taxable Property within the Community Facilities District may be adversely affected by changes in general or local economic conditions, including changes in the local real estate market for homes similar to the homes within the Community Facilities District.

Although the housing market in southern California experienced significant price appreciation and accelerating demand starting in approximately 2002, recent trends indicate

that this housing market is weakening, with slowdowns in both price appreciation and demand for new housing. In 2006, home developers, appraisers and market absorption consultants began to report weakening new home market conditions due to factors such as: (i) lower demand for new homes, (ii) significant increases in cancellation rates for homes under contract, (iii) the exit of speculators from the new home market, (iv) a growing supply of new and existing homes available to be purchased, (v) increases in competition for new home orders, (vi) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment, and (vii) higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts.

Prolonged weakening or declines in the residential real estate market could adversely affect the value of the property within the Community Facilities District. See "THE COMMUNITY FACILITIES DISTRICT – Assessed Values and Value to Burden Ratios."

In addition, housing prices, real estate values and the market for new home sales could be adversely affected by (i) increases in mortgage interest rates due to factors such as adjustments from low initial mortgage rates to market rates, adjustments from variable rate mortgages to fixed rate mortgages, general increases in interest rates (resulting from interest rate hikes implemented by the Federal Reserve or other factors), and (ii) the inability of homebuyers to obtain "creative" financing options that have been available in recent years, such as interest-only loans, payment option loans, or initial teaser interest rates with very low initial payments that result in negative amortizations.

There can be no assurance that property values within the Community Facilities District will not be adversely affected by these risks.

Natural Disasters. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the Community Facilities District, like those in much of California, may be subject to unpredictable seismic activity. See "THE COMMUNITY FACILITIES DISTRICT – Environmental Conditions."

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

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a

hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Although the Community Facilities District is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

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

Other Possible Claims Upon the Value of Taxable Property

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

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

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

In general, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the

time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy and Foreclosure Delays” below.

Exempt Properties

Exemptions Under Rate and Method and the Act. Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the 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. See “SECURITY FOR THE BONDS – Rate and Method.” In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Property Owned by FDIC. The ability of the School District to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax installment may be limited in certain respects with regard to property in which the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. The FDIC has asserted a sovereign immunity defense to the payment of special taxes and assessments. The School District is unable to predict what effect this assertion 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. In addition, although the FDIC does not claim immunity from *ad valorem* property taxation, it requires a foreclosing entity to obtain FDIC’s consent to foreclosure proceedings. Prohibiting a foreclosure on property owned by the FDIC could significantly reduce the amount available to pay the principal of and interest on the Bonds. Either outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in the payment on the Bonds. According to the School District, there is no indication that the FDIC currently owns any property in the Community Facilities District.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See “SECURITY FOR THE BONDS – Reserve Fund.” Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the Community Facilities District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

Bankruptcy and Foreclosure Delays

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

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Disclosure to Future Purchasers

The Community Facilities District has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the Community Facilities District. California Civil Code Section 1102.6b requires that in the case of transfers of property, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

No Acceleration Provisions

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

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Exemption," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable

in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Tax. See "THE BONDS - Redemption."

Voter Initiatives

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

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

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

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

Like its antecedents, Proposition 218 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 Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

LEGAL MATTERS

Legal Opinions

The legal opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached as APPENDIX F. A copy of the legal opinion will be attached to each Bond.

Jones Hall, A Professional Law Corporation, San Francisco, California is serving as Disclosure Counsel to the School District and the Community Facilities District. Bowie, Arneson, Wiles & Giannone will also pass upon certain legal matters for the School District and the Community Facilities District as special counsel to these entities.

Tax Exemption

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the 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 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 to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Fiscal Agent Agreements and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in certain 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 by Bond Counsel as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel.

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

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

No Litigation

At the time of delivery of the Bonds, the School District and the Community Facilities District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the Community Facilities District has been served with process or threatened, which:

- in any way questions the powers of the Board or the Community Facilities District, or
- in any way questions the validity of any proceeding taken by the Board in connection with the issuance of the Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the Bond Purchase Contract, or
- which, in any way, could adversely affect the validity or enforceability of the Resolutions, the Bonds, the Fiscal Agent Agreement, the District Continuing Disclosure Certificate or the Bond Purchase Contract, or
- to the knowledge of the Community Facilities District, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or
- in any other way questions the status of the Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

The Community Facilities District has covenanted in a continuing disclosure certificate, the form of which is set forth in "APPENDIX E – Form of District Continuing Disclosure Certificate" (the "**District Continuing Disclosure Certificate**"), for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Community Facilities District and the Bonds by not later than seven months after the end of the Community Facilities District's fiscal year, or January 31 of each year. The District Continuing Disclosure Certificate also requires the Community Facilities District to provide notices of the occurrence of certain enumerated events, if material. The initial Dissemination Agent under the District Continuing Disclosure Certificate will be Dolinka Group, Inc.

The covenants of the Community Facilities District in the District Continuing Disclosure Certificate will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). A default under the District Continuing Disclosure Certificate will not, in itself, constitute an Event of Default under the Fiscal Agent Agreement, and the sole remedy under the District Continuing Disclosure Certificate in the event of any failure of the Community Facilities District or the Dissemination Agent to comply will be an action to compel specific 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.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Bonds, Grant Thornton LLP, Minneapolis, Minnesota, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them on behalf of the Community Facilities District relating to (a) the sufficiency of the anticipated receipts from the cash deposited in the Escrow Fund to prepay the 1999 Certificates in full, and (b) the "yield" on the Federal Securities deposited in the Escrow Fund and on the Bonds considered by Bond Counsel in connection with the opinion rendered by such firm that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

RATING

It is anticipated that _____ will assign its municipal bond rating of "AAA" to the Bonds with the understanding that the Bond Insurer will issue its Insurance Policy with respect to the Bonds at Closing.

This rating reflects only the views of the rating agency and any desired explanation of the significance of this ratings should be obtained from the rating agency. 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 this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by the Stone & Youngberg LLC at a purchase price of \$_____ (which represents the aggregate principal amount of the Bonds (\$_____)) less an underwriter's discount of \$_____).

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

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

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Disclosure Counsel;
- Bowie, Arneson, Wiles & Giannone, as Bond Counsel;
- a portion of the fees of Dolinka Group, Inc., as special tax consultant; and
- Union Bank of California, N.A., as Fiscal Agent and Escrow Agent.

EXECUTION

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

COMMUNITY FACILITIES DISTRICT NO.
95-1 OF THE DEL MAR UNION SCHOOL
DISTRICT

By: _____

_____,
Del Mar Union School District, on behalf
of Community Facilities District No. 95-1
of the Del Mar Union School District

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF DEL MAR, CITY OF SAN DIEGO AND SAN DIEGO COUNTY

The following information is included only for the purpose of supplying general information regarding the City of Del Mar, the City of San Diego and San Diego County. This information is provided only for general informational purposes, and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 95-1
OF THE DEL MAR UNION SCHOOL DISTRICT**

APPENDIX C

SUMMARY OF FISCAL AGENT AGREEMENT

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX E

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE (Community Facilities District)

§ _____

COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT SERIES 2007 SPECIAL TAX BONDS

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by Community Facilities District No. 95-1 of the Del Mar Union School District (the "**District**") in connection with the issuance of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of June 1, 2007 (the "**Fiscal Agent Agreement**"), by and between the District and Union Bank of California, N.A., as fiscal agent (the "**Fiscal Agent**"). The District hereby covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is seven months after the end of the District's fiscal year (currently January 31 based on the District's fiscal year end of June 30).

"*Central Post Office*" means DisclosureUSA (information regarding which is currently located at www.DisclosureUSA.org), the Internet-based filing system approved by the Securities and Exchange Commission to receive and submit filings to the National Repositories, or any similar filing system approved by the Securities and Exchange Commission.

"*Dissemination Agent*" means Dolinka Group, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*District*" means Community Facilities District No. 95-1 of the Del Mar Union School District.

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

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission's Internet site at www.sec.gov.

"Official Statement" means the final official statement executed by the District in connection with the issuance of the Bonds.

"Participating Underwriter" means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" means each National Repository and each State Repository, if any.

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

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 31, 2008, with the report for the 2006-07 fiscal year, provide to the Participating Underwriter and to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. In lieu of filing the Annual Report with each Repository, the District or the Dissemination Agent may file the Annual Report with the Central Post Office, with a copy to the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). 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 Certificate; provided that the audited financial statements of the 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. The audited financial statements of the District may be included within or constitute a portion of the audited financial statements of the Del Mar Union School District. If the 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).

(b) If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report to the Repositories by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to (i) each National Repository or the Municipal Securities Rulemaking Board, and (ii) the appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter. In lieu of filing the notice with each Repository, the District or the Dissemination Agent may file the notice with the Central Post Office, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the name and address of each National Repository and each State Repository, if any; and

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

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

(a) The District's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE DISTRICT OR THE DEL MAR UNION SCHOOL DISTRICT ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE DISTRICT NOR THE DEL MAR UNION SCHOOL DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE DISTRICT OR THE DEL MAR UNION SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) Total assessed value (per the San Diego County Assessor's records) of all parcels currently subject to the Special Tax within the District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the District and distinguishing between the assessed value of improved and unimproved parcels. Parcels are considered improved if there is an assessed value for the improvements in the Assessor's records.

(c) The total dollar amount of delinquencies in the District as of August 1 of any year and, in the event that the total delinquencies within the District as of August 1 in any year exceed 5% of the Special Tax for the previous year, delinquency information for each parcel responsible for more than \$5,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(d) The amount of prepayments of the Special Tax with respect to the District for the prior Fiscal Year.

(e) A land ownership summary listing the property owner responsible for more than 5% of the annual Special Tax levy, as shown on the San Diego County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(f) The principal amount of the Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date.

(g) An updated table in substantially the form of the table in the Official Statement entitled "Assessed Values and Value to Burden Ratios" based upon the San Diego County assessor's most recent equalized tax roll prior to the September next preceding the Annual Report Date.

(h) An updated table in substantially the form of the table in the Official Statement entitled "Direct and Overlapping Governmental Obligations" as of the District's most recently completed fiscal year, *but only* until all of the property in the District is classified as "Developed Property" under the Rate and Method of Apportionment for the District.

(i) Any changes to the Rate and Method of Apportionment for the District set forth in Appendix B to the Official Statement.

(j) A copy of the annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Each Annual Report shall include the form of cover sheet attached as Exhibit B, completed with the appropriate information relating to the Bonds.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.

- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board, and (ii) each appropriate State Repository, if any, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter. Each notice of the occurrence of a Listed Event shall include the form of cover sheet attached as Exhibit B, completed with the appropriate information relating to the Bonds. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

(d) In lieu of filing the notice of the occurrence of a Listed Event with each Repository, the District or the Dissemination Agent may file the notice of the occurrence of a Listed Event with the Central Post Office, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Dolinka Group, Inc.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule

at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the 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 Certificate, the District shall have no obligation under this Disclosure Certificate 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 District to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder,

including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the negligence or willful misconduct of the Dissemination Agent, its officers, directors or employees. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Fiscal Agent, the Bond owners or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Community Facilities District No. 95-1 of the Del Mar Union School District 225 Ninth Street Del Mar, CA 92014 Fax: (858) 523-6114
To the Fiscal Agent:	Union Bank of California, N.A. 120 South San Pedro Street, Suite 400 Los Angeles, CA 90071 Attention: Corporate Trust Services Fax: (213) 972-5694
To the Dissemination Agent:	Dolinka Group, Inc. 1301 Dove Street, Suite 700 Newport Beach, California 92660 Fax: (949) 955-1590
To the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111 Attention: Municipal Research Department Fax: (415) 445-2395

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2007

COMMUNITY FACILITIES DISTRICT
NO. 95-1 OF THE DEL MAR UNION SCHOOL
DISTRICT

By: _____

Del Mar Union School District
on behalf of Community Facilities District
No. 95-1 of the Del Mar Union School District

AGREED AND ACCEPTED:
Dolinka Group, Inc., as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 95-1 of the Del Mar Union School District (the "District")

Name of Bond Issue: Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of June 1, 2007, between the District and Union Bank of California, N.A. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

Dolinka Group, Inc.

By: _____
Its: _____

EXHIBIT B

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

Provide nine-digit CUSIP* numbers if available, to which the information relates:

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) _____ Paper (number of pages attached) _____

If information is also available on the Internet, give URL: _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

- Annual
 Semi-annual
 Quarterly

Fiscal Period Covered: _____

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: _____

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer/Filer Contact:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Relationship to Issuer _____

Obligor Contact, if any:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Obligor Web site Address _____

Investor Relations Contact, if any:

Name _____ Title _____

Telephone _____ Email Address _____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

APPENDIX G

COMMUNITY FACILITIES DISTRICT BOUNDARY MAP

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY