

**DEL MAR UNION SCHOOL DISTRICT
BOARD OF TRUSTEES
Del Mar Hills School – Multipurpose Room
14085 Mango Drive
Del Mar, CA 92014**

**MEETING OF THE LEGISLATIVE BODY OF CFD NO. 95-1
5:15 P.M.**

**OFFICIAL AGENDA
May 23, 2007**

Written notice is hereby given in accordance with Education Code Section 35144, Government Code 54956, and other applicable law that the following Special Meeting of the Legislative Body of CFD No. 95-1 will be held on Wednesday May 23, 2007, at the Del Mar Hills School Multi-use Building 14085 Mango Drive, Del Mar, CA 92014. Meeting beginning at 5:15 P.M.

PLEASE NOTE: Any member of the public who wishes to address the board on an item on the agenda or on another topic which lies within the governing board's jurisdiction may do so, but must present a written request on the form provided, before the meeting is called to order. A member of the public who wishes to address the Board on such item is limited to three minutes unless such time limit is waived by a majority vote of the Board. The total amount of time to be allowed on any item is twenty minutes, unless the time limit is waived by a majority vote of the Board.

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Board may 1) acknowledge receipt of the information, 2) refer to staff for further study, 3) refer the matter to the next agenda.

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meetings of the District's governing board, please contact the office of the District Superintendent at (858) 523-6198. Notification 72 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.

BUSINESS TO BE TRANSACTED WILL BE LIMITED TO THE FOLLOWING:

1. CALL TO ORDER time: _____
2. Approval of Agenda _____ motion _____ second

3. Communications from the Public

This section of the agenda is provided for the public to address any item which lies within the Governing board's jurisdiction that is not on the agenda.

4. Approval of Meeting Minutes

April 25, 2007

_____motion _____second

5. Approval of Consent Items

*5.1 Board Approval of Purchase Orders and Commercial Warrant Payments

_____motion _____second

6. Approval of Non-Consent Items

6.1 Conduct Second Reading of Ordinance No. 2001-01

The board will conduct the second reading of Ordinance No. 2001-01 entitled:

“ORDINANCE OF COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN TERRITORY ANNEXED TO COMMUNITY FACILITIES DISTRICT NO. 95-1”

Adopt Ordinance NO. 2001-01 authorizing the levy of the Special Tax within certain territory annexed into Community Facilities District No. 95-1.

_____motion _____second

6.2 Board Approval of Resolution No. 95-59, 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

_____motion _____second

6.3 Board Approval of Resolution NO. 95-60, 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, DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM PROCEEDS OF ISSUED DEBT AND SECURITIES

_____ *motion* _____ *second*

7. Informational Item Only

Documents for Review Regarding Bond Sale

Letter from Jones Hall

Bond Purchase Contract

Continuing Disclosure Certificate

Preliminary Official Statement

8. Adjournment of Meeting

_____ *motion* _____ *second*

time: _____

**DEL MAR UNION SCHOOL DISTRICT
BOARD OF TRUSTEES
Del Mar Hills School – MPR
14085 Mango Drive
Del Mar, CA 92014**

**MEETING MINUTES OF THE LEGISLATIVE BODY OF CFD NO. 95-1
April 25, 2007**

Board Members Present: Linda Crawford, Annette Easton, Janet Lamborghini
Steven McDowell, Katherine White

Members Absent: None

Staff: Thomas F. Bishop, Superintendent
Rodger Smith, Director of Facility Planning & Human Resource

BUSINESS TRANSACTED WAS LIMITED TO THE FOLLOWING:

- | | |
|---|--|
| 1. Call To Order | 1.0 President, <i>Easton</i> , called the meeting to order at 5:18 P.M. |
| 1.1 Approval of Agenda | 1.1 On motion by Member <i>McDowell</i> , seconded by Member <i>White</i> , and carried unanimously, the Board approved the agenda as shown. |
| 1.2 Approval of Minutes
March 21, 2007 | 1.2 On motion by Member <i>Lamborghini</i> , seconded by Member <i>Crawford</i> , and carried unanimously, the Board approved the minutes as shown. |
| 1.3 Approval of Consent Items | 1.3 On motion by Member <i>Lamborghini</i> , seconded by Member <i>Crawford</i> , and carried unanimously, the Board approved the Consent Items |
| | *4.1 Board Ratification of Purchase Orders |
| 1.4 Informational Presentation
And Questions | 1.4 Board was given a presentation and question and answer period on two scenarios for the sale of bonds in order to meet the financial obligation of Ocean Air School construction project. |

- 1.4 The board would like to see a financial comparison done by the Bond team with the two scenarios presented so they have time to review before voting in the May 23, 2007 board meeting.

Kathryn White would like to understand the lack of State Funding on the financials of Ocean Air School.

On motion by Member *McDowell*, seconded by Member *White*, and carried unanimously, the meeting Of the Legislative Body of CFD NO. 95-1 was adjourned at 6:14 P.M..

Janet Lamborghini, Clerk of the Board of Trustees

Date

Thomas F. Bishop, Secretary

Date

May 16, 2007

To: Board Members
From: Rodger Smith
Through: Tom Bishop
Subject: Board Ratification of CFD No. 95-1 Purchase Orders and
Commercial Warrants

Ratification of purchase orders are in order at this time. It is recommended that the Board of Trustees ratify the purchase orders in the amount of \$3,491,682.58 and commercial warrants in the amount of \$224,161.80.

The purchase orders and commercial warrants are for construction costs at Ocean Air school.

FISCAL IMPACT: Supported by CFD 95-1

RECOMMENDATION: Board Approval to Ratify the CFD 95-1 Purchase Orders in the Amount of \$3,491,682.58 and Commercial Warrants in the amount of \$224,161.80.

*5.1

Communities Facilities District 95-1
Purchase Orders

P/O Number	Date Issued	Vendor Name	Description	Amount
60041	04/23/07	Highland Products Group	F& E Ocean Air	\$ 1,505.52
60042	05/04/07	Consulting & Inspection Services	Inspection-Ocean Air	29,546.00
60044	05/04/07	Philadelphia Insurance Company	Builders Risk Policy	25,911.99
60045	05/04/07	PB Americas, Inc	Labor Compliance Contract	4,820.00
60046	05/04/07	Southern Ca Soil & Testing	Testing	13,636.00
60048	05/10/07	douglas e. barnhart	Trade Contractors Payment	3,414,219.00
60049	05/10/07	City of San Diego	Fire Water Service OAS	33.40
60050	05/10/07	Stormwater Compliance Specialist	Contract Work OAS	325.00
60051	05/11/07	Apple Computer, Inc	F& E Ocean Air school	1,685.67
Total Purchase Orders				<u>\$ 3,491,682.58</u>

**Community Facilities District 95-1
Commercial Warrants**

Date	Warrant Number	Vendor Name	Description	Amount
04/18/07	305705	David Taussig & Assoc	Professional Consulting Services	\$ 500.00
04/18/07	305706	Nexus Integration Services	F&E 50% Pmt-Ocean Air	132,832.48
05/07/07	314467	Apple Computer, Inc.	Furniture & Equipment- Ocean Air	10,604.28
05/07/07	314468	Consulting & Inspection	Inspection-Ocean Air	29,546.00
05/07/07	314469	David Taussig & Assoc	Professional Consulting Services	6,311.05
05/07/07	314470	PB Americas, Inc	Labor Compliance Contract	4,820.00
05/07/07	314471	Philadelphia Insurance	Builders Risk	25,911.99
05/07/07	314472	Southern Ca Soil & Testing	Testing-Ocean Air	13,636.00
Total				\$ 224,161.80

May 17, 2007

To: Board Members
From: Rodger Smith
Through: Tom Bishop
Subject: Conduct Second Reading of Ordinance No. 2001-01 &
Adopt Ordinance No. 2001-01

This item was previously discussed with the Board at the meeting of May 16, 2007. This Ordinance would provide for the future authorization of special taxes within the designated annexation territory of CFD No. 95-1.

As previously described, the ordinance procedure prescribed by law requires a two-step (first reading/second reading) process before the ordinance may be adopted. The "first reading" was conducted on May 16, 2007. This item is to conduct the "second reading" of Ordinance No. 2001-01. As part of conducting this first reading the Board may, by motion passed by the Board, have only the title of the Ordinance read and then having the Ordinance made available for any member of the public who desires to review it. Such a motion could be in the following form:

"Motion - I move that Ordinance No. 2001-01 be presented by reading of the title only and that the secretary forego the reading of the entire Ordinance."

If the foregoing motion, or an equivalent, is not passed then Ordinance No. 2001-01 must be read in its entirety at the Board meeting.

Following the second reading of the ordinance, Ordinance No. 2001-01 would be considered for adoption by the Board.

Fiscal Impact: None

Recommendation: Board Approval in Adopting Ordinance 2001-01 Authorizing
The Levy of the Special Tax Within Certain Territory
Annexed into Community Facilities District No. 95-1.

ORDINANCE NO. 2001-01

ORDINANCE OF COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN TERRITORY ANNEXED TO COMMUNITY FACILITIES DISTRICT NO. 95-1

WHEREAS, on February 21, 2001, the Board of Trustees ("Board") of the Del Mar Union School District ("DMUSD"), adopted Resolution No. CFD 95-25 stating its intention to annex territory ("Annexation No. 2001-1") to Community Facilities District No. 95-1 of the Del Mar Union School District ("CFD 95-1") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, ("Act"); and

WHEREAS, in March, 2001, CFD No. 95-1 completed proceedings for the authorization for annexation of certain specified territory into CFD No. 95-1 pursuant to the provisions of Resolution Nos. CFD 95-25 and CFD 95-26, which territory is described within documents, maps and within Resolution No. CFD 95-27 and is hereinafter referred to as the "Subject Property"; and

WHEREAS, proceedings for the authorization for levying the special taxes and annexing such Subject Property into CFD No. 95-1 by the owners of such Subject Property have been completed pursuant to the provisions and directives of Resolution Nos. CFD 95-25 and CFD 95-26

WHEREAS, the Board, subsequent to such proceedings, adopted Resolution No. CFD 95-27, on April 25, 2001, making determinations and providing for the annexation of the Subject Property to CFD No. 95-1, which Resolution No. CFD 95-27 included a description of the Subject Property, the Rate and Method of Apportionment of Special Taxes to be levied within the annexed territory; and

WHEREAS, the Subject Property was annexed into CFD No. 95-1 under the provisions of the Act and the provisions of Resolution No. CFD 95-27.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF TRUSTEES OF THE DEL MAR UNION SCHOOL DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 95-1, AS FOLLOWS:

Section 1. By the passage of this Ordinance, the Board authorizes the levy of a special tax pursuant to the formula set forth in Exhibit "A," attached hereto and incorporated by reference, in an amount necessary to pay all amounts payable with respect to the bonded indebtedness and other obligations, and to finance school facilities to benefit the property concerned, within the boundaries of the Subject Property annexed to CFD No. 95-1, which boundaries are described in Resolution No. CFD 95-27.

Section 2. That the Board is hereby further authorized each year, by resolution, to determine the specific special tax rate and amount to be levied for the next fiscal year, except that the special tax rate to be levied shall not exceed that as set forth in Exhibit "A."

Section 3. Pursuant to the provisions of the Act, properties or entities of the state, federal or other local governments shall be exempt from the above authorized special tax except that when property not otherwise exempt from the above-authorized special tax levied pursuant to the Act is acquired by a public entity through a negotiated transaction, or by gift or devise, the above authorized special tax shall, notwithstanding this Ordinance, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property.

Section 4. No other properties or entities are exempt from the above authorized special tax unless the properties or entities are expressly exempted in Resolution No. CFD 95-25 or the Rate and Method of Apportionment of Special Tax.

Section 5. All of the collections of the above authorized special tax shall be used as provided for in the Act and Resolution No. CFD 95-25.

Section 6. The above-authorized special tax may be collected in the same manner as ordinary ad valorem taxes are collected and may be subject to the same penalties and the same procedure, sale, and lien priority in cases of delinquency as provided for ad valorem taxes, or another procedure may be adopted by the Board.

Section 7. The tax collector may deduct reasonable administration costs incurred in collecting the above authorized special tax.

Section 8. As a cumulative remedy, if any amount levied pursuant thereto as a special tax for payment of bond interest or principal together with any penalties and other charges accruing under this Ordinance of DMUSD are not paid when due, the Board may, not later than four (4) years after the due date of the last installment of principal, order that the same be collected by an action brought in the superior court to foreclose any lien therefor.

Section 9. The President and Clerk of DMUSD shall sign this Ordinance and the Clerk of the Board shall cause the same to be published within fifteen (15) days after its passage at least once in a newspaper of general circulation published and circulated in DMUSD.

Section 10. That this Ordinance relating to the levy of the special tax shall take effect thirty (30) days after adoption hereof.

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

BOARD OF TRUSTEES OF THE DEL MAR
UNION SCHOOL DISTRICT, ACTING AS THE
LEGISLATIVE BODY OF COMMUNITY
FACILITIES DISTRICT NO. 95-1:

By: _____
President/Vice-President

By: _____
Clerk of the Board of Trustees

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 Ordinance was duly adopted by the Board of Trustees of said District, acting as the Legislative Body of Community Facilities District No. 95-1, 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 it was so adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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 above and foregoing is a full, true and correct copy of Ordinance No. 2001-01 of said Board, and that the same has not been amended or repealed.

Dated: May 23, 2007

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

EXHIBIT "A"

**RATE AND METHOD OF
APPORTIONMENT OF SPECIAL TAX**

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

The following sets forth the Rate and Method of Apportionment for the levy and collection of the special taxes of Del Mar Union School District Community Facilities District No. 95-1 ("CFD No. 95-1"). The special taxes include a One-Time Special Tax, an Initial Maximum Annual Special Tax, a Maximum Annual Special Tax and, if elected by a Property Owner, a One-Time Supplemental Prepayment Special Tax. The initial amounts and annual adjustment of the special taxes are as set forth herein.

A special tax shall be levied on and collected in CFD No. 95-1 each Fiscal Year by the Board of Trustees of the Del Mar Union School District (the "Board") through the application of the appropriate Maximum Annual Special Tax for "Developed Property" as described below. All of the Undeveloped and Developed Property in CFD No. 95-1, unless exempted by law or by the provisions hereof, shall be taxed for the purpose, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

"**Administrative Expenses**" means any ordinary and necessary expenses of CFD No. 95-1, including, not by way of limitation, all expenses incurred by the Board, including reasonable staff time and consultant expense, to carry out its duties as the legislative body of CFD No. 95-1.

"**Assessor's Parcel**" means a parcel of land designated on a map of the County of San Diego Assessor which has been assigned a discrete identifying number.

"**Board**" means the Board of Trustees of the Del Mar Union School District acting as the legislative body of CFD No. 95-1.

"**Bond Issue**" means a CFD Bond Issue, a Certificate of Participation issue, or any other type of financing selected by the Board to finance eligible costs of school facilities.

"**Building Square Foot**" means the square footage of internal living space of a Developed Property, exclusive of garages or other structures not used as living space.

"**Developed Property**" means any Assessor's Parcel in CFD No. 95-1 which is Taxable Property and for which a residential building permit was issued prior to March 1 of the previous Fiscal Year.

"Eligible Costs" means those costs which can be paid with Special Tax revenues, including: (1) debt service or payments on all Bond Issues or other financing or other periodic costs on the bonds or other indebtedness of CFD No. 95-1, which is expected to have authorization for \$100,000,000 in debt (2) the cost of acquisition of land or facilities, (3) the construction, furnishing or equipping of facilities and busses, (4) the reasonable and necessary Administrative Expenses of CFD No. 95-1, (5) the accumulation of funds reasonably required for future debt service, (6) costs associated with the release of funds from an escrow account, (7) any amounts required to establish or replenish any reserve fund established in association with Bond Issues or other indebtedness of CFD No. 95-1, (8) lease payments for existing or future facilities, and (9) any other payments permitted by law.

"Final Subdivision Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, exclusive of maps created strictly for planning, financing or conveyance purposes, recorded in the County of San Diego Office of the Recorder.

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

"Gross Acreage" unless otherwise determined pursuant to Section F for a given Fiscal Year or Years means either (i) the acreage specified within a recorded Final Subdivision Map, exclusive of regional arterial streets and highways, if any, and parcels of open space, if any, within such recorded Final Subdivision Map, as determined by the Board or (ii) in the case where a Final Subdivision Map has not yet been recorded, the land area of an Assessor's Parcel as shown on an official map of the County of San Diego Assessor.

"Index" means the Lee Saylor Class D Construction Index published by the State Allocation Board. In the event the Lee Saylor Class D Construction Index ceases to be published, the index used by the State Allocation Board in place of the Lee Saylor Class D Construction Index shall be applied.

"Initial Maximum Annual Special Tax" for a specific Fiscal Year means the Maximum Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

"Land Use Class" means any of the five classes listed in Tables I and II.

"Maximum Annual Special Tax" means the highest special tax which shall be paid during a Fiscal Year by a Property Owner of Developed Property or Undeveloped Property as determined by the Board in accordance with Section C.

"One-Time Special Tax" means the special tax per Building Square Foot collected prior to building permit issuance for a lot or parcel which is Taxable Property as determined in accordance with Section C.

"One-Time Supplemental Prepayment Special Tax" for any lot or parcel of Taxable Property means the optional special tax established for that parcel, which may be paid prior to building permit issuance in order to prepay the entire Maximum Annual Special Tax, as determined in accordance with Section C.

"Proportionately" means that the ratio of the actual annual special tax levy to the applicable Maximum Annual Special Tax is equal for all Assessor's Parcels falling into the Land Use Classes. For example, for all Developed Property classified as belonging to the Land Use Classes in Tables I and II, Proportionately shall mean that the ratio of the annual special tax levy to the Maximum Annual Special Tax is equal for all Assessor's Parcels classified in any of the Land Use Classes in these tables.

"Taxable Property" means property within the boundaries of CFD No. 95-1 which is not exempt from the Maximum Annual Special Tax pursuant to the Act or pursuant to Section E below.

"Undeveloped Property" means any Assessor's Parcel of Taxable Property in CFD No. 95-1 zoned for residential development and for which no residential building permit was issued prior to March 1 of the prior Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

On July 1 of each Fiscal Year, beginning July 1, 1995, all Taxable Property within CFD No. 95-1 shall be classified as Developed Property or Undeveloped Property. At such time, Developed Property will be assigned to one of the five Land Use Classes as described below, and shall be subject to special taxes determined in accordance with Sections C and D of this rate and method of apportionment. Developed Property shall be 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, as indicated in Tables I and II. Undeveloped Property shall also be taxed in conformance with Sections C and D.

C. SPECIAL TAX RATES

Each Assessor's Parcel classified as Taxable Property shall pay the Maximum Annual Special Tax levied by the Board. Taxable Property for which a residential building permit has been issued also shall be subject to the One-Time Special Tax. However, a property owner of such residential Taxable Property may elect, as herein provided in Section C.1.c, to pay the One-Time Supplemental Prepayment Special Tax to prepay all of the future Maximum Annual Special Taxes. All of the special tax rates for each Land Use Class are listed below.

1. **Undeveloped Property**

a. **Maximum Annual Special Tax**

This Maximum Annual Special Tax, subject to any reimbursement as herein provided, may be levied 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 as discussed in Section D (below). The 1995-96 Fiscal Year Maximum Annual Special Tax for a lot or parcel of Undeveloped Property shall not exceed the lesser of (1) \$500 per Gross Acre 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 of CFD No. 95-1.

On each July 1, commencing July 1, 1995, the Maximum Annual Special Tax for all Undeveloped Property shall be increased from the previous Fiscal Year's Maximum Annual Special Tax for Undeveloped Property by an amount equal to the percentage change in the Index or two percent (2%), whichever is greater. The Index shall be measured for the twelve month period ending May 31 of the prior Fiscal Year.

b. **One-Time Special Tax**

Prior to the time a residential building permit is issued for a lot or parcel of Taxable Property, the property owner shall pay the One-Time Special Tax based on the square footage of floor space from the building permit to be issued for each lot or parcel. The One-Time Special Tax in the 1994-95 Fiscal Year for Undeveloped Property is \$0.79 per residential Building Square Foot. There shall be no One-Time Special Tax on property for which no residential building permit is being issued.

On each July 1, commencing July 1, 1995, the One-Time Special Tax for all residential Taxable Property will be increased from the previous Fiscal Year's One-Time Special Tax by an amount equal to the annual percentage change in the Index or two percent (2%), whichever is greater. The Index shall be measured for the twelve month period ending May 31 of the prior Fiscal Year.

c. **One-Time Supplemental Prepayment Special Tax**

At the time a residential Final Subdivision Map is recorded for any Taxable Property within CFD No. 95-1, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all lots or parcels

created by said Final Subdivision Map to prepay the entire future Maximum Annual Special Taxes through the application of the One-Time Supplemental Prepayment Special Tax. In order to prepay the entire future Maximum Annual Special Taxes of CFD No. 95-1, the residential Final Subdivision Map must contain at least 25 single family detached units or 100 multi-family attached units. Table I below lists the One-Time Supplemental Prepayment Special Tax in the 1994-95 Fiscal Year for each Land Use Class. While the decision to apply the One-Time Supplemental Prepayment Special Tax to all of the Assessor's Parcels in a Final Subdivision Map shall be made at the time of map recordation, the actual payment of this One-Time Supplemental Prepayment Special Tax shall occur prior to building permit issuance.

TABLE I One-Time Supplemental Prepayment Special Taxes Community Facilities District No. 95-1 (Fiscal Year 1994-95)			
Land Use Class	Description	Designation	Supplemental Prepayment One-Time Special Tax
1	Developed Property	Density $\leq$ eight (8) residential units per Gross Acre	\$6,510 per unit
2	Developed Property	Density $>$ eight (8) and $\leq$ fifteen (15) residential units per Gross Acre	\$4,337 per unit
3	Developed Property	Density $>$ fifteen (15) and $\leq$ eighteen (18) residential units per Gross Acre	\$2,021 per unit
4	Developed Property	Density $>$ eighteen (18) and $\leq$ twenty-five (25) residential units per Gross Acre	\$1,516 per unit
5	Developed Property	Density $>$ twenty-five (25) residential units per Gross Acre	\$1,011 per unit

On each July 1, commencing July 1, 1995, the One-Time Supplemental Prepayment Special Tax rates will be increased from the previous Fiscal Year's One-Time Supplemental Prepayment Special Tax by an amount equal to the annual percentage change in the Index or two percent (2%), whichever is greater. The Index shall be measured for the twelve month period ending May 31 of the prior Fiscal Year.

2. **Developed Property**

a. **Maximum Annual Special Tax without One-Time Supplemental Prepayment Special Tax**

The 1995-96 Fiscal Year Initial Maximum Annual Special Tax for a lot or parcel of Developed Property is listed in Table II. This table applies only to those Assessor's Parcels of Developed Property for which the One-Time Supplemental Prepayment Special Tax was not paid at the time of building permit issuance. Developed Property for which this One-Time Supplemental Prepayment Special Tax has been paid is discussed in Section 2b, below.

TABLE II Initial Maximum Annual Special Taxes for Developed Property Community Facilities District No. 95-1 (Fiscal Year 1995-96)			
Land Use Class	Description	Designation	Supplemental Prepayment One-Time Special Tax
1	Developed Property	Density $\leq$ eight (8) residential units per Gross Acre	\$788 per unit
2	Developed Property	Density $>$ eight (8) and $\leq$ fifteen (15) residential units per Gross Acre	\$533 per unit
3	Developed Property	Density $>$ fifteen (15) and $\leq$ eighteen (18) residential units per Gross Acre	\$262 per unit
4	Developed Property	Density $>$ eighteen (18) and $\leq$ twenty-five (25) residential units per Gross Acre	\$203 per unit
5	Developed Property	Density $>$ twenty-five (25) residential units per Gross Acre	\$144 per unit

On each July 1, commencing on July 1, 1996, the Initial Maximum Annual Special Tax for lots or parcels of Taxable Property being classified as Developed Property for the first time in that Fiscal Year and for which the One-Time Prepayment Special Tax has not been paid will be increased from the previous Fiscal Year's Initial Maximum Annual Special Tax by an amount equal to the annual percentage change in the Index or two percent

(2%), whichever is greater. The Index shall be measured for the twelve month period ending May 31 of the prior Fiscal Year.

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".

b. Maximum Annual Special Tax with One-Time Supplemental Prepayment Special Tax

There shall be no Maximum Annual Special Tax collected from Developed Property for which the One-Time Supplemental Prepayment Special Tax has been paid.

D. METHOD OF APPORTIONMENT OF THE MAXIMUM ANNUAL SPECIAL TAX TO PROPERTY IN CFD NO. 95-1

Commencing Fiscal Year 1995-96 and for each subsequent Fiscal Year, the Board shall levy the Maximum Annual Special Taxes as follows:

First: The Maximum Annual Special Tax shall be levied 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 as set forth in Section C.1.c. above, for which the Maximum Annual Special Tax shall be waived. The Maximum Annual Special Tax shall be based on the Initial Maximum Annual Special Tax listed in Table II, which shall be adjusted by the Index as explained in Section C. If the Board chooses to levy less than the Maximum Annual Special Tax or portion thereof, they shall do so Proportionately for all Land Use Classes listed in these tables.

Second: In the event of delinquency or default by any Developed Property within CFD No. 95-1 as to the Maximum Annual Special Tax in any Fiscal Year, the Maximum Annual Special Taxes levied under the first step 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 shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to the Maximum Annual Special Tax for Undeveloped Property as listed in Section C.1.a., adjusted by the Index as explained in Section C.

In the event that said delinquency or default is satisfied by the Developed Property that was in delinquency or default, the Undeveloped Property owner(s) of record who paid Maximum Annual Special Taxes at the time of the delinquency or default shall be reimbursed to the extent possible under applicable law, subject to the review and approval of the Board. Reimbursements, if any, shall be made only after the obligations of CFD No. 95-1 for that Fiscal Year (i.e., principal and interest payments, replenishment of the reserve fund, and Administrative Expenses) have been completely satisfied.

E. EXEMPTIONS

The Board shall not levy any special taxes on 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. Furthermore, the Board shall not levy any special taxes on 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.

F. 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 CFD No. 95-1 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 shall be corrected. If the appellant is in disagreement with the findings of the representative, he may appeal the representative's decision to the Board.

G. COLLECTION OF MAXIMUM ANNUAL SPECIAL TAX

The Maximum Annual Special Tax will be collected in the same manner and at the same time as ordinary ad valorem property taxes.

H. TERM OF MAXIMUM ANNUAL SPECIAL TAX

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

May 17, 2007

To: Board Members

From: Rodger Smith

Through: Tom Bishop

Subject: Board Consideration of Resolution No. 95-59, 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

The Board of Trustees ("Board") of the Del Mar Union School District ("School District") previously adopted a Community Facilities District Finance Policy of the Del Mar Union School District pursuant to the requirements of the Mello-Roos Community Facilities Act of 1982, as amended ("Act"), to provide for various requirements relating to the formation of community facilities districts pursuant to the Act and any sale of bonds by such a community facilities district.

The Board previously took action to form Community Facilities District No. 95-1 ("CFD No. 95-1") of the Del Mar Union School District pursuant to the provisions and requirements of the Act. Proceedings for the formation of CFD No. 95-1 were completed in 1995 and it was expected that certain properties would ultimately annex into CFD No. 95-1 at some future point in time. CFD No. 95-1 approved a Rate and Method of Apportionment of Special Taxes ("Rate and Method") and authorized bonded indebtedness in an amount not to exceed one hundred million dollars (\$100,000,000) in order to finance schools and school facilities to benefit the area within CFD No. 95-1 and the District.

Subsequent to the formation of CFD No. 95-1, a number of separate annexation proceedings were undertaken and completed. CFD No. 95-1 has been collecting special taxes within the boundaries of the CFD for a number of years on the developed property located within CFD No. 95-1 pursuant to the Rate and Method (to fund the payments due on the 1999 Certificates, discussed below). The Dolinka Group (formerly David Taussig & Associates) has acted as the special tax consultant to CFD No. 95-1 for these purposes.

In 1999, the District authorized the execution and delivery of its Del Mar Union School 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 in the scope of the public school facilities which CFD No. 95-1 was authorized to finance. The 1999 Certificates provided that under certain circumstances once special tax revenues of CFD No. 95-1 (which were pledged to the 1999 Certificates) were sufficient to pay all necessary lease and supporting payments for the 1999 Certificates that the pledge of the District's general fund to pay lease payments on the 1999 Certificates would cease. The District's general fund ceased to be liable for the payment of lease payments and related costs on the 1999 Certificates during calendar year 2002. A portion of the 1999 Certificates are still outstanding at this time and the lease payments thereon are supported by special taxes collected within CFD No. 95-1.

Based on School District financing needs and financing alternatives previously presented and discussed with the School District and the Board, it is currently proposed to issue the Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds ("Bonds") in an amount not to exceed \$22,500,000. The Bonds would be issued for the purposes of refinancing the 1999 Certificates (which will also result in the termination of the Pledge Agreement for the use of the CFD No. 95-1 special taxes to support that financing) and to provide funds to assist the School District in completing the Ocean Air Elementary School District construction and expansion. Ocean Air Elementary School is a school which students generated within CFD No. 95-1 would attend.

Based on the foregoing actions and the provisions of the Community Facilities District Finance Policy, Resolution No. CFD 95-59 ("Resolution") authorizes the issuance and sale of not to exceed \$22,500,000 of Bonds of CFD No. 95-1. The Resolution also makes various findings and determinations as required under the Act and related law.

The Bonds will be secured by payment of special taxes levied against taxable property located within the boundaries of CFD No. 95-1. The special tax coverage for the payment of principal and interest coming due on the Bonds will be at least 110% in each year the Bonds will be outstanding, to conform with the Community Facilities District Finance Policy previously adopted by the Board. The Bonds will be issued pursuant to the provisions of a Fiscal Agent Agreement which will be entered into between CFD No. 95-1 and the Fiscal Agent (Union Bank of California, N.A.). The current form of the Fiscal Agent Agreement is attached to the Resolution as an exhibit.

Repayment of the Bonds will also be secured by a reserve fund which will be funded at the time the Bonds are issued and which will be available to cover special tax delinquencies for the Bonds. These Bonds are generally similar to prior issues of bonds that have been approved by the Board for CFD No. 99-1 of the School District.

The forms of the Continuing Disclosure Certificate, the Escrow Agreement (to provide for the refinancing of the 1999 Certificates) and the Bond Purchase Agreement (providing for the terms and conditions under which the Bonds will be sold to the underwriter) are being provided to the Board members for review and consideration. These documents are approved as to form within the Resolution.

A Preliminary Official Statement, which will be utilized by the underwriter (Stone & Youngberg LLC) to market the Bonds, has been prepared by the District's Disclosure Counsel (Jones Hall). Copies of the draft Preliminary Official Statement are being provided to the Board members. **It is important that each of the Board members read and be familiar with the matters set forth in the Preliminary Official Statement as further described in Jones Hall's cover letter.**

Under the provisions of the Resolution the Bonds will be sold by a negotiated sale to Stone & Youngberg LLC. Authority to approve the final form of the Bond Purchase Agreement and the Bond terms (subject to the limitations and parameters set out in the Resolution) are delegated to the School District's Superintendent, and other School District staff members, upon consultation with the School District's consultants. The School District and CFD No. 95-1 are also represented by Bowie, Arneson, Wiles & Giannone as Bond Counsel, Jones Hall as Disclosure Counsel and the Dolinka Group as Special Tax Consultant.

District staff has considered two options for the bonds that are to be sold in this transaction: the two options were "callable" and "non-callable" bonds. After careful consideration of the two options, district staff recommends that the bonds be configured as "non-callable." The basis for this recommendation is:

- The "non-callable" option provides the greater amount of proceeds to the district
- The "non-callable" option involves lower costs of issuance
- Due to the fact that CFD 95-1 is nearing complete build-out, there are no additional anticipated needs for additional financing for school facilities within CFD 95-1 beyond what will be provided through the normal flow of revenue into and out of the CFD.

FISCAL IMPACT: Issuance of Special Tax Bonds in the Amount Not to Exceed
\$22,500,000

RECOMMENDATION: The Superintendent Recommends the Board of Trustees Approve the Resolution No. 95-59, 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

6.2

RESOLUTION NO. CFD 95-59

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 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 territory annexed into the District as a result thereof 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, 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 (each an "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), 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 date of issuance, 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 outstanding 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 outstanding 1999 Certificates shall be specified in the Escrow Agreement (as defined below);
 - (ii) The maturities of the Bonds allocated to prepay, refund and defease the outstanding 1999 Certificates shall not exceed the final maturity term of the 1999 Certificates; and
 - (iii) The designated costs of issuing the Bonds are specified in Section 12 hereof.
- (c) The Board hereby directs and finds that the outstanding 1999 Certificates will be prepaid, refunded and defeased with a portion of the proceeds of 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 outstanding 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 outstanding 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. CFD No. 95-1 shall be provided with a report of the verification agent retained by or on behalf of CFD No. 95-1 at the time the Bonds are delivered, that the funding of the refunding fund (as defined below) under the terms of the Escrow Agreement will be sufficient, with interest earnings thereon, to prepay, refund and defease the outstanding 1999 Certificates in accordance with their terms. 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 allocated Costs of Issuance as defined in the Agreement (and as set forth herein), 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 Bond Purchase Contract ("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.

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 Purchase Contract, and various other matters will result in a lower overall cost to CFD No. 95-1 than a public sale.

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 total net interest cost of the Bonds shall not exceed five percent (5.00%), (iv) the maximum underwriting discount, which shall not exceed one and one-quarter percent (1.25%) of the aggregate principal 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. The Authorized Officer(s) are further hereby authorized to take such other actions, and execute and deliver such other documents, certifications and agreements as are necessary or desirable to provide for the purchase and delivery of such a policy municipal bond insurance and/or a debt service reserve fund surety to secure the Bonds.

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 for (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 outstanding 1999 Certificates and incident to the issuance of the Bonds, including the charges of the prior fiscal agent(s) or trustee(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 outstanding 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 outstanding 1999 Certificates from the date of sale of the Bonds to the date of prepayment of the outstanding 1999 Certificates pursuant to the applicable prepayment provisions or agreement with the Owners of the outstanding 1999 Certificates;
- (c) any premium(s) necessary in the prepaying or retiring of the outstanding 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 95-59 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

FISCAL AGENT AGREEMENT

By and Between

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

AND

UNION BANK OF CALIFORNIA, N.A.

**\$ _____
SERIES 2007 SPECIAL TAX BONDS**

June 1, 2007

FISCAL AGENT AGREEMENT

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FISCAL AGENT AGREEMENT

This Fiscal Agent Agreement ("Fiscal Agent Agreement") dated as of June 1, 2007, is approved and entered into by **COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT** ("District"), a Mello-Roos community facilities district formed and existing pursuant to California law, and **UNION BANK OF CALIFORNIA, N.A.**, a national banking association, as fiscal agent ("Fiscal Agent").

RECITALS

1. The Board of Trustees of the Del Mar Union School District ("School District") located in San Diego 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

2. 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

3. 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

4. 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

5. 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?"

6. 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

7. In accordance with Section 53340 of the California Government Code, the Board, acting as the 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

8. 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 public 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

9. 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

10. The Board, acting as the Legislative Body of CFD No. 95-1, has 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", as further described and defined herein) authorizing the levy and collection of special taxes on such annexed territory (collectively the "Annexations") and a description of such Annexations and such annexed territory is on file with the Clerk of the Board and is incorporated herein by this reference; and

11. 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

12. Under the provisions of the Act, on May 23, 2007, the Board of Trustees, acting in the capacity as the Legislative Body of the District, adopted its Resolution No. CFD 95-59 ("Resolution of Issuance" or "Resolution of Bond Issuance"), which resolution, among other matters, authorized the issuance of the Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds in an aggregate principal amount not-to-exceed \$22,500,000 upon the security of the Special Taxes and provided that such issuance would be in accordance with the Act and this Fiscal Agent Agreement, and authorized the execution hereof.

13. The bonds to be issued hereunder are for purposes of financing authorized public facilities for the benefit of the District, prepayment and refunding of the outstanding 1999 Certificates (pursuant to their terms) for reasons set forth in the Resolution of Issuance and for payment of certain costs incident to the issuance of the bonds.

14. The Board of Trustees, acting in its capacity as the Legislative Body of CFD No. 95-1, has directed to proceed to issue authorized bonds in the aggregate principal amount of \$_____ designated as **"Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds"** ("Series 2007 Special Tax Bonds").

15. It is in the public interest and for the benefit of the School District, the District and the owners of the Series 2007 Special Tax Bonds (as defined in Section 1.02 hereof) that the District enter into this Fiscal Agent Agreement to provide for the issuance and security of the Series 2007 Special Tax Bonds, the disbursement of proceeds of the Series 2007 Special Tax Bonds, the disposition of Net Taxes (as defined herein) securing the Series 2007 Special Tax Bonds, the administration and payment of the Series 2007 Special Tax Bonds and certain related matters.

16. The District has determined that all things necessary to cause the Series 2007 Special Tax Bonds, when authenticated by the District and issued as provided in the Act, the Resolution of Issuance and this Fiscal Agent Agreement, to be legal, valid and binding special obligations of the District in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Fiscal Agent Agreement and the creation, authorization, execution and issuance of the Series 2007 Special Tax Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, IN CONSIDERATION OF THE COVENANTS AND PROVISIONS SET FORTH HEREIN AND FOR THE VALUABLE CONSIDERATION THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Fiscal Agent Agreement. This Fiscal Agent Agreement is entered into pursuant to the provisions of the Act and the Resolution of Issuance.

Section 1.02. Definitions. In addition to the definitions heretofore included in the Recitals, and unless the context otherwise requires, the following terms shall have the following meanings:

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311, et seq., of the Government Code of the State of California.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Bonds and the Fiscal Agent Agreement, including the fees and expenses of the Fiscal Agent and any persons, parties, consultants or attorneys employed pursuant to Covenants 2, 3 or 12 of Section 5.02 and Section 5.03 hereof, costs and legal expenses of foreclosure actions undertaken pursuant to the terms hereof to the extent not recovered pursuant to statutory authorization, costs otherwise incurred by the District in order to carry out the authorized purposes of the Bonds, including statutory disclosure, for both the District and relating to the developer continuing disclosure obligations, if any, and reporting requirements and “Administrative Expenses” as defined in the Rate and Method of Apportionment of Special Taxes for the District.

“Administrative Expense Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to Sections 3.01 and 3.05 of this Fiscal Agent Agreement.

“Administrative Expense Requirement” means an amount up to \$40,000 per Fiscal Year.

“Annual Debt Service” means, with respect to any Outstanding Bonds, for each Bond Year, the sum of (a) the interest payable on such Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Authorized Investments” means, subject to Section 3.13 hereof, any of the following investments, if and to the extent the same are at the time legal for investment of the School District’s funds:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, and which have a maximum term to maturity not to exceed five years.

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed five years, including:

- Export-Import Bank
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed five years:

- Senior debt obligations rated "AAA" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System.
- Senior debt obligations of other government sponsored agencies approved in advance by the Bond Insurer.

(d) U. S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Fiscal Agent and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(e) Commercial paper which is rated at the time of purchase in the single highest calculation, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P. Such money market funds include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(g) Pre-funded Municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on the bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(h) Municipal Obligations rated "Aaa/AAA" or general obligations of states with a rating of "A-2/A" or higher by both Moody's and S&P.

(i) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel).

(j) A taxable or tax exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and rated in one of the two highest categories by Moody's or S&P. Such money market funds may include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State of California to the extent the Fiscal Agent may deposit and withdraw funds directly.

(l) The San Diego County Investment Pool provided the District may statutorily invest funds in such Investment Pool.

(m) The California Asset Management Program (CAMP).

“Authorized Representative(s)” or “District Representative(s)” means an officer of the School District authorized to provide written directives on behalf of the District, which shall include the School District’s Superintendent, the Director of Facilities & Human Resources, and such other persons as shall be designated in writing by the School District.

“Board” or “Board of Trustees” means the Board of Trustees of the Del Mar Union School District.

“Bond Counsel” means a firm of nationally recognized bond attorneys, initially Bowie, Arneson, Wiles & Giannone.

“Bond Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to Sections 3.01 and 3.06 of this Fiscal Agent Agreement.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

“Bond Year” means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 1, 2007, both dates inclusive.

“Bondowner(s)” or “Owner(s)” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the Series 2007 Special Tax Bonds and any Parity Bonds issued pursuant to the terms of this Fiscal Agent Agreement and any Supplement(s) thereto.

“Business Day” means a day which is not a Saturday or a Sunday or a day on which banks in Los Angeles, California and New York, New York are not required or permitted to be closed.

“Capitalized Interest Subaccount” means that subaccount of the Interest Account of the Bond Fund established under and held by the Fiscal Agent pursuant to Section 3.01 and 3.06 of this Fiscal Agent Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Completion Date” means the date on which the Project is completed and all Project Costs have been paid as evidenced by a certificate to that effect delivered to the Fiscal Agent by the District.

“Construction Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to Sections 3.01 and 3.09 of this Fiscal Agent Agreement.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, sale and issuance of the Series 2007 Special Tax Bonds, which items of expense shall include, but not be limited to, printing costs, cost of reproducing and binding documents, closing costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Fiscal Agent, including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the authorization and issuance of the Series 2007 Special Tax Bonds, Underwriter's discount, legal fees and charges, including Bond Counsel, District financial consultants' fees, charges for execution, transportation and safekeeping of the Series 2007 Special Tax Bonds and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Account" means the account of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.09 of this Fiscal Agent Agreement.

"Dated Date" or **"Delivery Date"** means June __, 2007, the date the Series 2007 Special Tax Bonds are delivered, and with respect to any Parity Bonds which may be issued, means the date each such series of Parity Bonds are delivered.

"Depository" means any depository which holds Bonds pursuant to the terms of this Fiscal Agent Agreement, initially, with respect to the Series 2007 Special Tax Bonds, The Depository Trust Company.

"Developed Property" shall have the same meaning set forth in the Rate and Method.

"Dissemination Agent" means the Dolinka Group, Inc., or any successor dissemination agent appointed by the District pursuant to the District's Continuing Disclosure Agreement.

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

"District Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate provided by the School District on behalf of the District, dated the Delivery Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Escrow Agreement" means the Escrow Agreement entered into by and between the Fiscal Agent, as the Escrow Holder, and the District dated as of the Delivery Date and providing for the prepayment and defeasance of the outstanding 1999 Certificates.

"Escrow Fund" means the 1999 Certificates Escrow Fund established and administered under the Escrow Agreement and described in the Escrow Agreement.

"Excess Investment Earnings" shall mean an amount equal to the sum of:

(i) the excess of

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds are invested (other than amounts attributable to an excess described in this subparagraph (i)), over

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and annual debt service on the Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of annual debt service on the Bonds, as well as amounts earned on such earnings. The District intends that the Bond Fund, including the Principal Account and the Interest Account established therein, the Special Tax Fund and the Redemption Fund will be the type of funds described in the preceding sentence.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent:

(i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development and (vi) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means Union Bank of California, N.A., and its successors and assigns or any and other fiscal agent which may be appointed pursuant to Section 7.01 hereof.

"Fiscal Agent Agreement" means this Fiscal Agent Agreement, as amended or supplemented pursuant to the terms hereof.

"Fiscal Year" means the period from July 1 to June 30 in any year.

"Fitch" means Fitch Ratings, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Gross Proceeds" means any proceeds of the Bonds and any funds (other than proceeds of the Series 2007 Special Tax Bonds) that are part of a reserve or replacement fund for the Bonds within the meaning of Section 1.148-1(b) of the Regulations.

"Gross Taxes" means the amount of all Special Taxes collected within the District and proceeds from the sale of property collected pursuant to the foreclosure provisions of this Fiscal Agent Agreement for the delinquency of such Special Taxes.

"Independent Financial Consultant" means a consultant or firm of such consultants generally recognized to be qualified in the field of implementation and administration of community facilities districts, or the financial consulting field, appointed and paid by the District and who, or each of whom:

(1) is independent of the District and the School District or any of the property owners within the District;

(2) does not have any substantial interest, direct or indirect, with the District or any of the property owners within the District; and

(3) is not connected with the District or Developer as a member, officer or employee of the District or any of the property owners within the District, but who may be regularly retained to make annual or other reports to the District.

"Insurance Policy" or "Bond Insurance Policy" means the financial guaranty insurance policy issued by the Insurer insuring the scheduled payment of principal of and interest on the Series 2007 Special Tax Bonds as provided for therein.

"Insurer" or "Bond Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor thereto.

"Interest Account" means the account of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.06 of this Fiscal Agent Agreement.

"Interest Payment Date" means March 1 and September 1 of each year during which Bonds are Outstanding, commencing September 1, 2007.

“Legislative Body” means the Board of Trustees, acting as the Legislative Body of the District.

“Mandatory Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, Section 3.01 and 3.08 of this Fiscal Agent Agreement.

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Series 2007 Special Tax Bonds in accordance with the schedule set forth in Exhibit “A” hereto and any subsequent schedule set forth in any Supplement hereto.

“Maximum Annual Debt Service” means 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.

“Moody’s” means Moody’s Investors Services, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Taxes” means the amount of all Gross Taxes minus the Administrative Expense Requirement, as further set forth in Section 3.03.

“1999 Certificates” means the outstanding Del Mar Union School District 1999 Certificates of Participation (School Facilities Project).

“Nominee” means the nominee of DTC, which may be DTC, as determined from time to time pursuant to Section 2.08.

“Nonpurpose Investments” means any security, investment, obligation, annuity, investment-type property, specified private activity bond or any other type of investment property defined in Section 148 of the Code in which Gross Proceeds are invested (other than tax-exempt securities which are described in Section 103(a) of the Code) and which is not acquired to carry out the governmental purpose of the Bonds.

“Optional Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, Section 3.01 and 3.08 of this Fiscal Agent Agreement.]

"Ordinance" means, collectively, Ordinance No.1995-1 adopted by the Board of Trustees on June 14, 1995, Ordinance No. 1997-01 adopted by the Board of Trustees on December 10, 1997, Ordinance No. 2001-01, adopted by the Board of Trustees on May 23, 2007, Ordinance No. 2002-01 adopted by the Board of Trustees on March 20, 2002, Ordinance No. 2002-02 adopted by the Board of Trustees on December 18, 2002, Ordinance No. 2004-01 adopted by the Board of Trustees on April 28, 2004, and those other and further ordinances which may be adopted by the Board of Trustees, providing for the levy and collection of the Special Taxes within territory which may in the future be annexed into the District pursuant to the Act.

"Outstanding" means all Bonds theretofore issued by the District, except:

(1) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and

(3) Bonds paid and discharged pursuant to Article IX hereof.

"Parity Bonds" means all bonds, notes or similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided for in this Fiscal Agent Agreement, rank on a parity with the Series 2007 Special Tax Bonds.

"Participating Underwriter" shall have the meaning ascribed thereto in the District Continuing Disclosure Agreement.

"Principal Account" means the account of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.06 of this Fiscal Agent Agreement.

"Principal Corporate Trust Office" means the corporate trust office of the Fiscal Agent, which, at the date of execution of this Fiscal Agent Agreement, is located at Corporate Trust Services, Union Bank of California, N.A., 120 South San Pedro Street, Suite 400, Los Angeles, California 90012, or such other office(s) as the Fiscal Agent may designate from time to time; provided, however that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

"Project" means the "Facilities," or any portion thereof, as defined in the Resolution of Formation, and the Community Facilities District Report dated April 14, 1995, to be designed, constructed, acquired, installed, financed or completed by the District. The Project also includes the prepayment of lease payments for the 1999 Certificates.

"Project Costs" means the costs of design, acquisition, construction, financing, refinancing and installation of the Project and all costs related thereto. Project Costs may include the payment, or prepayment, of lease payments necessary for the acquisition of all or part of the Project. The Project also includes the prepayment of lease payments for the 1999 Certificates.

"Purchase Price" for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Sections 1273 (b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser. The term "Purchase Price," for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property (as defined in Section 148(b)(2) and (3) of the Code) constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds, as the case may be.

"Rate and Method" means the Rate and Method of Apportionment of Special Taxes of the District as set forth in the Ordinance, as approved pursuant to the Act and as such may be amended or interpreted from time to time.

"Rating Agencies" means S&P and Fitch.

"Rebate Fund" means the fund of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.10 of this Fiscal Agent Agreement.

"Record Date" means the 15th day of the calendar month preceding an Interest Payment Date whether or not such day is a business day.

"Redemption Fund" means the fund of that name established under, and held by the Fiscal Agent pursuant to Sections 3.01 and 3.08 of this Fiscal Agent Agreement.

"Regulations" means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

"Reserve Fund" means the fund of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.07 of the Fiscal Agent Agreement.

"Reserve Requirement" means with respect to the Bonds an amount, as of any date of calculation, equal to the least of (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, or (iii) 125% of average annual debt service on the Bonds.

“Responsible Officer” of the Fiscal Agent means and includes the president, every senior vice president, every vice president, every assistant vice president, every trust officer or any other authorized officer of the Fiscal Agent at its Principal Corporate Trust Office.

“School Construction Account” means the account of that name established under, and held by the Fiscal Agent pursuant to Sections 3.01 and 3.09 of this Fiscal Agent Agreement.

“School District” means the Del Mar Union School District.

“Securities Depositories” means The Depository Trust Company at its then-current address; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Fiscal Agent.

“Series 2007 Special Tax Bonds” means the Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds.

“Sinking Fund Payment” means the annual sinking fund payment to be deposited in the Sinking Fund Redemption Account of the Redemption Fund to redeem a portion of the Term Bonds.

“Sinking Fund Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.08 of this Fiscal Agent Agreement.

“Special Tax Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, Sections 3.01 and 3.03 of this Fiscal Agent Agreement.

“Special Taxes” means the special taxes levied by the Legislative Body within the District pursuant to the Act, the Resolution of Formation, the Ordinance and the voter approvals obtained at the May 10, 1995, combined special election held within the District and the special tax elections conducted for the within-referenced Annexations. Special Taxes also include such special taxes authorized in future annexation proceedings authorised pursuant to the Act for territory annexed into the District in the future.

“Standard & Poors” or “S&P” means Standard & Poors Ratings Group, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Supplement” means any supplemental agreement amending or supplementing this Fiscal Agent Agreement.

[“Surety Bond” means the surety bond issued by the Bond Insurer guaranteeing certain payments into the Reserve Fund with respect to the Series 2007 Special Tax Bonds as provided or therein and subject to the limitations set forth therein.]

"Tax Certificate" means the certificate of that name to be executed by an authorized representative of the District on the closing date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

"Term Bond(s)" means the Series 2007 Special Tax Bonds maturing on September 1, 20__ and September 1, 20__, and any Parity Bonds issued and designated as Term Bonds.

"Underwriter" means Stone & Youngberg LLC.

"Undeveloped Property" shall have the same meaning set forth in the Rate and Method and as set forth in the Ordinance.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural, and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to be corresponding Articles or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Articles, Section or subdivision thereof.

ARTICLE II GENERAL AUTHORIZATION AND BOND TERMS

Section 2.01. Amount, Issuance, Purpose and Nature of Series 2007 Special Tax Bonds.

Under and pursuant to the Act, the Series 2007 Special Tax Bonds in the amount of \$_____ authorized pursuant to the Act and issued in accordance with Article II hereof, shall be issued for the purposes of constructing, acquiring and completing the Project, or a portion thereof, refunding and defeasing the 1999 Certificates, funding the Reserve Requirement (which may be done, in full or in part, by purchasing a reserve fund surety therefore), funding capitalized interest for a stated period

of time and funding Costs of Issuance. The Series 2007 Special Tax Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and amounts in certain funds, accounts and subaccounts created hereunder as specified hereinafter. The Net Taxes are hereby pledged and set aside for the payment of the Bonds.

Section 2.02. Limited Obligation. The Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Special Taxes, neither the credit nor the taxing power of the 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 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 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 District or the School District, except the Net Taxes which are, under the terms of this Fiscal Agent Agreement, pledged and set aside for the payment of the Bonds and interest thereon. Neither the members of the Legislative Body or the Board of Trustees nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Section 2.03. Equality of Bonds, Pledge of Net Taxes. Pursuant to the Act and this Fiscal Agent Agreement, the Bonds shall be equally payable from the Net Taxes without priority for number, date of the Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Taxes and amounts held in certain funds and accounts created hereunder, specifically including the Special Tax Fund, the Bond Fund and Redemption Fund (and the accounts and subaccounts thereof). All of the Net Taxes are hereby pledged and set aside for the payment of the Bonds, and such Net Taxes and any interest earned on the Net Taxes shall constitute a trust fund for the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon are unpaid the Net Taxes and interest thereon shall not be used for any other purpose, except as permitted by this Fiscal Agent Agreement or any Supplement, and shall be held in trust for the benefit of the Bondowners and shall be applied pursuant to this Fiscal Agent Agreement, or to this Fiscal Agent Agreement as modified pursuant to provisions herein. Notwithstanding any provision contained in this Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Construction Fund (and the account and subaccounts thereof) and the Rebate Fund shall 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 shall not be construed as trust funds held for the benefit of the Bondowners.

In the event that the Fiscal Agent lacks sufficient amounts to make timely payment of principal and interest and premium upon redemption, if any, on the Bonds when due, such principal of and interest and premium on the Bonds shall be paid from available amounts held by the Fiscal Agent in the Special Tax Fund (and its accounts), Bond Fund, Reserve Fund and/or Redemption

Fund under this Fiscal Agent Agreement (not including those amounts deposited in the Construction Fund (and the accounts and subaccounts thereof), Administrative Expense Fund and the Rebate Fund) in accordance with such terms without preference or priority of interest over principal or principal over interest, or of any installment of principal or interest over any other installment of principal or interest, ratably to the aggregate amount of such principal and interest.

Nothing in this Fiscal Agent Agreement or any Supplement shall preclude the redemption of any Bonds subject to call and redemption prior to maturity, and payment of the Bonds from proceeds of refunding bonds issued under the Act as the same now exists or is hereafter amended, or under any other law of the State of California.

Section 2.04. Description of Series 2007 Special Tax Bonds; Interest Rates. The Series 2007 Special Tax Bonds shall be issued in fully registered form without coupons, in denominations of \$5,000 or any multiple thereof and shall be numbered consecutively from one upwards. The Series 2007 Special Tax Bonds shall be originally dated the Dated Date, shall mature and be payable on September 1 in the aggregate principal amounts, and shall bear interest at the rates as set forth in Exhibit "A" attached hereto. Interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest shall be payable with respect to each Series 2007 Special Tax Bond on each Interest Payment Date, commencing September 1, 2007, until the principal sum of that Series 2007 Special Tax Bond has been paid; provided, however, that if, at the maturity date of any Series 2007 Special Tax Bond (or if the same is redeemable and shall be 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 this Fiscal Agent Agreement, such Series 2007 Special Tax Bond shall then cease to bear interest.

"CUSIP[®]" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of the purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the District to use such CUSIP[®] numbers in any notice to Owners of the Bonds shall not constitute an event of default or any violation of the District's contract with such Owners and shall not impair the effectiveness of any such notice.

Section 2.05. Medium and Payment. The Bonds shall 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 shall 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 shall 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 shall 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 shall be payable from the Dated Date of such Bond. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest shall 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 shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

Section 2.06. Form of Series 2007 Special Tax Bonds and Certificate of Authentication; Temporary Bonds. The definitive Series 2007 Special Tax Bonds shall be in typewritten form. The Series 2007 Special Tax Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit "B", which form is hereby approved and adopted as the form of the Series 2007 Special Tax Bonds and of the certificate of authentication.

Any Bond(s) issued under this Fiscal Agent Agreement, or any Supplement, may be initially issued in temporary form exchangeable for definitive Bond(s). The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District and may contain such reference to any of the provisions of this Fiscal Agent Agreement as may be appropriate. Every temporary Bond shall be executed and sealed by the District in substantially the same manner as provided in this Section 2.06. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds may be surrendered for cancellation at the Principal Corporate Trust Office of the Fiscal Agent, and the District shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same interest rates and maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Fiscal Agent Agreement as definitive Bonds issued hereunder.

Section 2.07. Execution and Authentication. The Bonds shall be signed on behalf of the District by the facsimile signature of the President of the Board of Trustees of the School District (or in the absence of the President, the Vice President) and the seal of the District (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of the Clerk of the Board of Trustees of the School District (or in the absence of the Clerk, an Assistant Clerk or the Secretary of the Board) acting as the Legislative Body. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bond may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bond had not ceased to hold such offices.

The Bonds shall bear thereon a certificate of authentication, in the form set forth in Exhibit "B" hereto, executed manually by the Fiscal Agent. Only such Bonds bearing such certificate of authentication shall be entitled to any right or benefit under this Fiscal Agent Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Fiscal Agent.

Section 2.08. Registration Books/Book Entry. The Fiscal Agent will keep or cause to be kept, at the Principal Corporate Trust Office of the Fiscal Agent, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the District; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

With respect to the Bonds registered in the Bond Register in the name of the Nominee, neither the District nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository ("Participant") or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the District nor the Fiscal Agent shall have any responsibility or obligation (unless the District is at such time the Depository) with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the District redeems the Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the Bond Registrar as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The District shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owner of a Bond, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the District to make payments of principal and interest pursuant to this Fiscal Agent Agreement. Upon delivery by the Depository to the Owners of the Bonds, and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Date, the word Nominee in this Fiscal Agent Agreement shall refer to such nominee of the Depository.

In order to qualify the Bonds for the Depository's book-entry system, the District is executing and delivering to the Depository a Representation Letter in the form prescribed by Depository. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Bonds other than the owners of the Bonds, as shown on the Bond Register. In addition to the execution and delivery of the Representation Letter, the District shall take such other actions, consistent with this Fiscal Agent Agreement, as are reasonably necessary to qualify the Bonds for the Depository's book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names owners of the Bonds transferring or exchanging Bonds shall designate, in accordance with provisions of Section 2.09, hereof, and the District shall prepare and deliver Bonds to the owners thereof for such purposes.

In the event of a reduction in aggregate principal amount of Bonds Outstanding or an advance refunding of part of the Bonds outstanding, DTC in its discretion, (a) may request the District to prepare and issue a new Bond or (b) may make an appropriate notation on the Special Tax Bond indicating the date and amounts of such reduction in principal, but in such event the District records maintained by the Fiscal Agent shall be conclusive as to what amounts are outstanding on the Bond, except in the case of final maturity in which case the Bond must be presented to the Fiscal Agent prior to payment.

Notwithstanding any other provisions of this Fiscal Agent Agreement to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository and acceptable to the District.

The initial Depository under this Article shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

Section 2.09. Registration of Exchange or Transfer. The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at the Principal

Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount and maturity of Bonds of other authorized denominations. The Fiscal Agent may charge the Bondowner any tax or other governmental charge required with respect to such transfer or exchange. Whenever any Bonds shall be surrendered for registration of transfer or exchange, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond, for a like aggregate principal amount and maturity; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor, date, maturity and amount in exchange and substitution for the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be destroyed and a certificate of destruction delivered to the District by the Fiscal Agent. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and if an indemnity satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Bondowner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as such Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby. The Fiscal Agent shall not treat both the original Bond(s) and any replacement Bond(s) as being Outstanding for the purpose of determining the principal amount of Bonds for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond(s) shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or been called for redemption, the Fiscal Agent may make payment with respect to such Bond upon receipt of an indemnity satisfactory to the Fiscal Agent.

ARTICLE III CREATION OF FUNDS AND APPLICATION OF PROCEEDS AND SPECIAL TAXES

Section 3.01. Funds and Accounts. The following funds and accounts are hereby created and established and shall be maintained by the Fiscal Agent:

(a) Community Facilities District No. 95-1 Special Tax Fund ("Special Tax Fund");

(b) Community Facilities District No. 95-1 Bond Fund ("Bond Fund") in which there is established an Interest Account (including a Capitalized Interest Subaccount) and a Principal Account;

(c) Community Facilities District No. 95-1 Reserve Fund ("Reserve Fund");

(d) Community Facilities District No. 95-1 Administrative Expense Fund ("Administrative Expense Fund");

(e) Community Facilities District No. 95-1 Construction Fund ("Construction Fund"), in which there is established a School Construction Account and a Costs of Issuance Account;

(f) Community Facilities District No. 95-1 Redemption Fund ("Redemption Fund"), in which there is established an Optional Redemption Account and a Sinking Fund Redemption Account; and

(g) Community Facilities District No. 95-1 Rebate Fund ("Rebate Fund"), as directed by the terms hereof.

The Fiscal Agent may establish additional accounts or subaccounts of the above-described funds and accounts as the Fiscal Agent shall deem necessary and prudent in furtherance of its duties pursuant to this Fiscal Agent Agreement upon written notification to the District.

The District hereby determines that the arrangement of such funds and account, pursuant to the provisions hereof, is in the best interests of the Bond Owners and the District.

Section 3.02. Disposition of Series 2007 Special Tax Bond Proceeds. The net proceeds of the sale of the Series 2007 Special Tax Bonds shall be received by the Fiscal Agent and deposited as follows:

(a) The sum of \$_____ shall be deposited into the Capitalized Interest Subaccount of the Interest Account of the Bond Fund;

(b) The sum of \$_____ shall be deposited in the Costs of Issuance Account of the Construction Fund;

(c) The sum of \$_____ shall be deposited in the School Construction Account of the Construction Fund; and

(d) The sum of \$_____ shall be transferred on the Delivery Date to the Escrow Holder for deposit into the Escrow Fund established under the terms of the Escrow Agreement.

The Fiscal Agent may, at its discretion, establish temporary fund(s) or account(s) to facilitate the foregoing deposits.

Section 3.03. Special Tax Fund. The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in the Special Tax Fund for the benefit of the District and the Bondowners and shall be transferred 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.

(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 shall be equal to the installment of interest due on the Bonds on such Interest Payment Date. Monies in the Interest Account shall be used for the payment of interest on the Bonds as the same become 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 Section 3.08.

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

(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 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 District directs the Fiscal Agent to deposit pursuant to Section 3.08(b).]

(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, shall remain in the Special Tax Fund until the end of the corresponding Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are 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 provided for in (a) and (f), above, shall, without further action by any party, be transferred by the Fiscal Agent to the District free and clear of any lien thereon. Any funds which are required to cure any such delinquency shall

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 District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund shall be invested in accordance with Section 3.13 herein. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein.

Section 3.04. [Reserved]

Section 3.05. Administrative Expense Fund. Upon receipt of Net Taxes the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund, from time to time, the Administrative Expense Requirement, and any amount(s) that the District has determined and of which the District has notified the Fiscal Agent of pursuant to Section 3.03(f) as set forth herein. The Administrative Expense Requirement, and the deposit of funds into the Administrative Expense Fund, shall be subject to the provisions and priorities set forth in Section 3.03. Upon receipt of a duly executed payment request in substantially the form attached hereto as Exhibit "E", the Fiscal Agent shall pay Administrative Expenses from amounts in the Administrative Expense Fund, directly to the contractor or such other person, corporation or entity designated as the payee on such form, which payee may include the District, or School District, or shall reimburse the District, or School District, for Administrative Expenses paid by the District, or School District, from such amounts.

Investment earnings on amounts in the Administrative Expense Fund, if any, shall be retained therein.

Section 3.06. Bond Fund. Funds held in the Bond Fund (and the accounts and subaccounts thereof) are pledged to the payment of principal and interest on the Bonds, as applicable.

(a) One Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund or monies or security on deposit in the Reserve Fund, in the event that 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 pursuant to Section 3.09(d) shall 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. The Fiscal Agent shall 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.

(b) Monies in the Bond Fund shall be invested in accordance with Section 3.13. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Series 2007 Special Tax 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 shall be transferred to the Special Tax Fund.

(c) Within the Interest Account of the Bond Fund, there is hereby established a Capitalized Interest Subaccount. The Fiscal Agent shall, on the Delivery Date, deposit funds, as specified in Section 3.02, into the Capitalized Interest Subaccount. On or prior to September 1, 2007, the Fiscal Agent shall withdraw all monies from the Capitalized Interest Subaccount and shall cause such funds to be deposited in the Interest Account of the Bond Fund for application on September 1, 2007. On September 2, 2007, the Fiscal Agent shall transfer any amounts remaining in the Capitalized Interest Subaccount into the Interest Account of the Bond Fund and shall thereupon close the Capitalized Interest Subaccount. Upon transfer of such amounts to the Interest Account, such amounts shall be applied to payment of interest becoming due on the Series 2007 Special Tax Bonds for application on the next Interest Payment Date as provided herein. Upon such transfer, the Fiscal Agent shall provide written notice to the District of the amount of such transfer. Monies in the Capitalized Interest Subaccount shall be invested in accordance with Section 3.13 and earnings thereon shall be retained in such Subaccount.

Section 3.07. Reserve Fund.

(a) There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Series 2007 Special Tax Bonds, the Reserve Requirement shall thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in this Section 3.07.

(b) Monies in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest on Series 2007 Special Tax 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 pursuant to Section 3.10 upon written direction from the District, (iii) paying the principal and interest due on Series 2007 Special Tax Bonds in the final Bond Year, and (iv) application to the defeasance of such Series 2007 Special Tax Bonds in accordance with Article IX. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund, are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Series 2007 Special Tax Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, monies necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund

Payment Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Monies in the Reserve Fund shall be invested in accordance with Section 3.13. Any monies in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn by the Fiscal Agent two (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 such account. The Fiscal Agent shall transfer to the Rebate Fund Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the provisions of Section 3.10 hereof.

(c) 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 each a ("Debt Service Reserve Surety"), 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 Debt Service Reserve Surety must have a rating of at least "A+" from Fitch if Fitch shall then be rating the Series 2007 Special Tax Bonds and "A+" from S&P, if S&P shall then be rating the Series 2007 Special Tax Bonds (provided that the Fiscal Agent shall be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery). In the event of the use of such a Debt Service Reserve Surety, the Fiscal Agent shall be provided with copies of all documents in regard thereto and shall, to the extent not in conflict with the provisions of this Fiscal Agent Agreement, conform to the forms thereof for purposes of submitting draws, and making reimbursements, thereon.

(d) Notwithstanding anything herein to the contrary, the Fiscal Agent shall transfer to the Reserve Fund, from available monies in the Special Tax Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement as specified in Section 3.03. Monies in the Special Tax Fund shall be deemed available for transfer to the Reserve Fund only if such amounts will not be needed to make the deposit required to be made to the Interest Account and the Principal Account of the Bond Fund or the Sinking Fund Redemption Account of the Redemption Fund for the next Interest Payment Date.

Section 3.08. Redemption Fund.

(a) One Business Day prior to March 1 or September 1 of each year beginning March 1, 20__, after the deposits have been made to the Bond Fund as required by Section 3.06, the Fiscal Agent shall next transfer Net Taxes into the Sinking Fund Redemption Account of the Redemption Fund from the Special Tax Fund an amount equal to one-half of the Mandatory Sinking Payment due on the next September 1. Monies so deposited in the Sinking Fund Redemption Account of the Redemption Fund shall be used and applied by the Fiscal Agent to call and redeem the Bonds, in accordance with the provisions of Section 4.01(b) hereof.

[(b) One business day prior to September 1 of each year, after making the deposits to the Bond Fund pursuant to Section 3.06 above and to the Sinking Fund Redemption Account of the Redemption Fund for Mandatory Sinking Payments then due pursuant to subparagraph (a) of this section, and after making any deposits to the Reserve Fund to bring its balance to the Reserve Requirement, the District may elect to deposit Net Taxes to the Redemption Fund to call Bonds for optional redemption as set forth in Section 4.01(a). The Fiscal Agent, at the direction of the District, shall transfer from the Special Tax Fund and deposit in the Optional Redemption Account of the Redemption Fund monies available for the purpose and sufficient to redeem, at the premiums payable as provided in Section 4.01(a), the Bonds called for optional redemption.]

[Monies set aside in the Optional Redemption Account of the Redemption Fund shall be used solely for the purpose of redeeming the Bonds and shall be applied on or after the redemption date to the payment of principal of and premium on the Bonds to be redeemed upon presentation and surrender of such Bonds.]

If there are monies remaining in the Redemption Fund after any of the Bonds so designated for redemption have been redeemed and canceled or paid and canceled, such monies shall be transferred to the Special Tax Fund; provided that, if such monies are part of the proceeds of refunding Bonds, such monies shall be transferred to the fund or account created for the payment of principal of and interest on such refunding Bonds. Monies held in any account of the Redemption Fund shall be invested in accordance with Section 3.13. Investment earnings on amounts in the Redemption Fund, if any, shall be retained therein.

Section 3.09. Construction Fund.

(a) The monies in the Construction Fund and the accounts (and any subaccounts thereof) thereof shall be used exclusively to pay (i) the Costs of Issuance and (ii) Project Costs.

(b) School Construction Account. Monies deposited into the School Construction Account shall be expended to pay Project Costs. Funds in such Account shall be expended and paid at the direction of the District pursuant to a payment request form (which may be in the form of a facsimile confirmed promptly in writing) substantially in the form attached hereto as Exhibit "D". All investment earnings on funds in such Account, other than Excess Investment Earnings, shall be retained therein and applied exclusively to pay the Project Costs. The Fiscal Agent shall transfer Excess Investment Earnings from such Account to the Rebate Fund upon written direction of the District pursuant to Section 3.10.

(c) Upon receipt of a duly executed payment request in substantially the form attached hereto as Exhibit "D," the Fiscal Agent shall pay the Project Costs from amounts in the School Construction Account directly to the contractor or such other person, corporation or entity designated as the payee on such form, or shall reimburse the School District or District for Project Costs paid by the School District or the District, from such amounts. The District may request payment to be made to the contractor or such other party and another party jointly, in which case such Project Costs shall be paid by joint check delivered to the party specified by the District to the

Fiscal Agent in writing. The Fiscal Agent may rely on an executed payment request form as complete authorization for such payments and shall bear no responsibility for inquiring into the accuracy of, or underlying basis for, the information contained in the payment request forms. The Fiscal Agent shall be responsible for the safekeeping and investment (pursuant to written direction of the District) of the monies held in the School Construction Account and the disposition thereof in accordance with this Section 3.09.

(d) Upon receipt by the Fiscal Agent of a certification by the District of the final payment or reimbursement of all Project Costs, the Fiscal Agent shall, exclusive of Excess Investment Earnings, transfer all monies on deposit in the School Construction Account, if any, first to the Interest Account of the Bond Fund, then to the Principal Account of the Bond Fund or, if applicable, the Sinking Fund Redemption Account of the Redemption Fund and apply the amount so transferred to the payment of the Series 2007 Special Tax Bonds in accordance with Section 3.06 and 3.08. Notwithstanding anything herein to the contrary, monies transferred to the Bond Fund or the Sinking Fund Redemption Account in accordance with this Section 3.09(d) shall, unless in the opinion of nationally recognized Bond Counsel, another use of such funds will not impair the exclusion of interest on the Series 2007 Special Tax Bonds from gross income for federal income tax purposes, be invested at the written direction of the District in tax-exempt Authorized Investments which are not subject to the federal alternative minimum tax, or in Authorized Investments the yield on which does not exceed the Yield on the Series 2007 Special Tax Bonds and shall be applied only to the payment of the Series 2007 Special Tax Bonds.

(e) Notwithstanding anything herein to the contrary, if any funds remain on deposit in the School Construction Account on a date which is three years from the Delivery Date, the Fiscal Agent, at the written direction of the District, shall invest such amounts in Authorized Investments which are not subject to the federal alternative minimum tax or in Authorized Investments the yield on which does not exceed the Yield on the Series 2007 Special Tax Bonds, unless in the opinion of nationally recognized Bond Counsel another use of such funds will not impair the exclusion of interest on any of the Series 2007 Special Tax Bonds from gross income for federal income tax purposes.

(f) Costs of Issuance Account. Monies in the Costs of Issuance Account shall be disbursed from time to time to pay or reimburse Costs of Issuance. Upon receipt of a duly executed payment request in substantially the form attached hereto as Exhibit "C", the Fiscal Agent shall pay the Costs of Issuance from amounts in the Costs of Issuance Account directly to the District or other person, corporation or entity designated as the payee on such form. Any such amounts remaining in the Costs of Issuance Account on a date six months from the Delivery Date shall be transferred to the School Construction Account, and may be used to pay Project Costs for school facilities or Costs of Issuance. The Fiscal Agent shall thereafter close the Costs of Issuance Account.

(g) All investment earnings on amounts in the Costs of Issuance Account shall be retained therein. Amounts in the accounts of the Construction Fund are subject to additional investment limitations set forth in Section 3.13 hereof.

Section 3.10. Rebate Fund.

(a) Establishment. At such time as monies are to be deposited therein, the Fiscal Agent shall establish a Rebate Fund and shall maintain such fund for the Bonds. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section 3.10 and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section 3.10 and the Tax Certificate for such Bonds, unless and to the extent that the District delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of this Fiscal Agent Agreement, the Fiscal Agent shall be deemed conclusively to have complied with this Section 3.10 and the Tax Certificate if it follows the directions set forth in any written directive of the District and shall be fully protected in so doing. The Fiscal Agent shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the terms of this Section 3.10 or the Tax Certificate.

(1) Rebate Requirements. The following requirements shall be satisfied with respect to the Rebate Fund:

(i) Fifth Year Computation. Within 55 days of the end of the fifth Bond Year and every fifth Bond Year thereafter, the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations, for this purpose treating the last day of the fifth Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations ("Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section 3.10.

(ii) Payment to the Treasury. The Fiscal Agent shall pay, as directed by written directive of the District, to the United States Treasury, out of amounts in the Rebate Fund:

(X) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage (as defined in the Tax Certificate) as set forth in a certificate of the District delivered to the Fiscal Agent calculated as of the end of such Bond Year; and

(Y) Not later than 60 days after the payment of all Bonds, an amount equal to 100% of the Rebatable Arbitrage as set forth in a certificate of the District delivered to the Fiscal Agent calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, as set forth in a certificate of the District delivered to the Fiscal Agent computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit with the Fiscal Agent an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84207 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (which form shall be completed and provided by the District to the Fiscal Agent), or shall be made in such other manner as provided under the Code, in each case as specified in a written request of the District delivered to the Fiscal Agent.

(b) Disposition of Unexpended Funds. Any funds remaining in the accounts of the Rebate Fund for the Bonds after redemption and payment of the Bonds and the payments of all amounts described in Subsection (a)(1)(ii), may be withdrawn by the Fiscal Agent and remitted to the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section 3.10 to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds.

(d) Notwithstanding the foregoing, if the District shall obtain an opinion of Bond Counsel that any specified action under this Section 3.10 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Bonds, the District and the Fiscal Agent may conclusively rely on such opinion in complying with the requirements hereunder, and the terms of this Section 3.10 shall be deemed modified to that extent.

Section 3.11. [Reserved]

Section 3.12. [Reserved]

Section 3.13. Investments. The Fiscal Agent shall maintain separate books and records regarding the investment of monies in any of the funds, accounts or subaccounts established pursuant to this Fiscal Agent Agreement. Authorized Investments shall be deemed at all times to be a part of such funds, accounts or subaccounts. Any loss resulting from such Authorized Investments shall be charged to such funds, accounts or subaccount. Subject to limitations set forth in Section 5.02 of this Fiscal Agent Agreement, the limitations as to maturities set forth below and any additional limitations or requirements established by the District and consistent with the foregoing, the Fiscal Agent shall invest the amounts on deposit in all funds, accounts or subaccounts in Authorized Investments as directed in writing by the District, not less than two (2) Business Days prior to the investment date, subject to the following restrictions:

(a) Monies in the School Construction Account (and any subaccounts thereof) of the Construction Fund shall be invested in Authorized Investments which will by their terms

mature as close as practicable to the date the District estimates the monies represented by the particular investment will be needed for withdrawal from such account or subaccount;

(b) Monies in the Bond Fund shall be invested only in Authorized Investments which will by their terms mature as close as practicable to the date the monies therein will be needed for withdrawal, so as to ensure the payment of principal and interest on the Bonds as the same become due;

(c) Monies in the Reserve Fund may be invested only in Authorized Investments which, taken together, have a weighted average maturity not in excess of three years; provided that such amounts may be invested in an Authorized Investment to the later of the final maturity of the 2007 Special Tax Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.07 hereof; and provided that no such Authorized Investment of amounts in the Reserve Fund shall mature later than the respective final maturity date of the 2007 Special Tax Bonds.

(d) Monies in the Special Tax Fund, including the [Optional and] Mandatory Redemption Accounts of the Redemption Fund, shall be invested in Authorized Investments which will by their terms mature as close as practicable to the date the monies therein will be needed for withdrawal, unless in the opinion of Bond Counsel such restriction will not be required to preserve the exclusion from gross income for federal income tax purposes of interest on any of the Bonds;

(e) Monies in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States pursuant to Section 3.10.

(f) Valuation of Investments. The value of the Authorized Investments in the funds, accounts and subaccounts established hereunder shall be determined as follows:

- (i) for purposes of determining the amount in any fund, account or subaccount hereunder, all Authorized Investments shall be valued as fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets, Inc., Bear Stearns or Lehman Brothers;
- (ii) As to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest thereon; and

- (iii) As to any investment not specified above: the value thereof established by prior agreement among the District, the Fiscal Agent and the Bond Insurer.

The Fiscal Agent shall determine the value of such Authorized Investments held in the funds, accounts and subaccount established hereunder no less often than monthly.

Absent direction from the District, **and subject to any limitations on investment yield or other limitations set forth in this Fiscal Agent Agreement**, the Fiscal Agent shall invest monies in any of the funds or accounts created by this Fiscal Agent Agreement solely in Authorized Investments described in clause (j) of the definition thereof. The Fiscal Agent shall sell at the best price obtainable or present for redemption any Authorized Investments so purchased whenever it may be necessary to do so in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited. The Fiscal Agent may purchase or sell to itself or any affiliate, as principal or agent, such investments. Subject to Section 7.02, the Fiscal Agent shall not be responsible for any loss from any investment authorized pursuant to this Fiscal Agent Agreement. Any Authorized Investment that are registerable securities shall be registered in the name of the Fiscal Agent to the benefit of the District. For investment purposes only, the Fiscal Agent may commingle the funds and accounts established hereunder, but shall account for each separately. The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements (including brokerage confirmations of security transactions as requested in writing by the District) that include detail for all investment transactions made by the Fiscal Agent hereunder.

ARTICLE IV REDEMPTION OF BONDS

Section 4.01. Redemption of Series 2007 Special Tax Bonds.

[(a) Optional Redemption. The Series 2007 Special Tax Bonds may be redeemed prior to maturity, in whole or in part, at the option of the District on _____ 1, 20__, or on any Interest Payment Date thereafter prior to maturity, from any source of available funds, at the redemption prices set forth in Exhibit "A", which are expressed as a percentage of the principal amount thereof, together with accrued interest to the date of redemption.]

In the event the District shall elect to redeem the Series 2007 Special Tax Bonds as provided in this Section 4.01(a), the District shall give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the principal amount of the Series 2007 Special Tax Bonds to be redeemed. Such notice shall be given to the Fiscal Agent at least 45 but no more than 90 days prior to the redemption date.]

(b) Mandatory Sinking Fund Redemption. The Outstanding Term Bond maturing on September 1, 20__, is subject to mandatory redemption before maturity on September 1, 20__, and on each September 1 thereafter to and including September 1, 20__. The Term Bond shall 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 pursuant to Section 3.08 (a) hereof, in accordance with the schedules set forth in Exhibit "A".

The Outstanding Term Bond maturing on September 1, 20__, is subject to mandatory redemption before maturity on September 1, 20__, and on each September 1 thereafter to and including September 1, 20__. The Term Bond shall 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 pursuant to Section 3.08 (a) hereof, in accordance with the schedules set forth in Exhibit "A".

The Term Bonds to be so redeemed shall be determined by lot, and shall 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 pursuant to Section 4.01(a) hereof, Mandatory Sinking Payments for such Term Series 2007 Special Tax Bond set forth on Exhibit "A" shall be proportionately reduced pursuant to calculations made by the Fiscal Agent.

Section 4.02. Selection of Series 2007 Special Tax Bonds for Redemption.

(a) If less than all of the Outstanding Series 2007 Special Tax Bonds are to be redeemed, the Fiscal Agent shall select the Series 2007 Special Tax Bonds to be redeemed in the order and manner directed by the District in writing to the Fiscal Agent and by lot within a single maturity. The portion of any such Series 2007 Special Tax Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Series 2007 Special Tax Bonds for redemption, the Fiscal Agent shall treat such Series 2007 Special Tax Bond as representing that number of Series 2007 Special Tax Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

(b) The Fiscal Agent shall promptly notify the District of the Series 2007 Special Tax Bonds, or portions thereof, selected for redemption by sending the District a copy of the Notice required pursuant to Section 4.03 hereof.

(c) 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 Series 2007 Special Tax Bonds that were to be redeemed with such funds in the manner hereinafter provided. Purchases of Outstanding Series 2007 Special Tax Bonds may be made by the District prior to the selection of Series 2007 Special

Tax Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the 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 Series 2007 Special Tax Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

Section 4.03. Notice of Redemption. When the Fiscal Agent shall receive notice from the District of its election to redeem Series 2007 Special Tax Bonds, or when the Fiscal Agent is required to redeem Series 2007 Special Tax Bonds, the Fiscal Agent shall give notice, in the name of the District of the redemption of such Series 2007 Special Tax Bonds. Such notice of redemption shall: (a) specify the CUSIP[®] numbers and serial numbers of the Series 2007 Special Tax Bonds selected for redemption, except that where all the Series 2007 Special Tax Bonds or all Series 2007 Special Tax Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (b) state the original issue date, the interest rate and the maturity date of the Bond selected for redemption; (c) state the date fixed for redemption; (d) state the redemption price; (e) state the place or places where the Series 2007 Special Tax Bonds are to be redeemed; and (f) in the case of Series 2007 Special Tax Bonds to be redeemed only in part, state the portion of such Series 2007 Special Tax Bond which is to be redeemed. Such notice shall further state that, on the date fixed for redemption, there shall become due and payable on each Series 2007 Special Tax Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall mail by first class mail a copy of such 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 shall affect the validity of the proceedings for the redemption of such Series 2007 Special Tax Bond, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties, and it shall not be open to any Owner to show that he or she failed to receive notice of such redemption.

To the extent that the District issues securities to currently or advance refund all or a portion of the then-Outstanding Bonds the District may include a statement in the notice of redemption that the redemption of such Bonds is contingent on such securities being issued.

In addition to the foregoing notice, further notice shall be given by the Fiscal Agent as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

1. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the date of issue of

the Series 2007 Special Tax Bonds as originally issued; (ii) the rate of interest borne by each Series 2007 Special Tax Bond being redeemed; and (iii) any other descriptive information needed to identify accurately the Series 2007 Special Tax Bonds being redeemed.

2. Each further notice of redemption shall be sent at least 30 days before the redemption date to the securities depository listed below, at such address as shall then be in effect, and, upon written request of the District, to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2007 Special Tax Bonds and to one or more of the national information services listed below, as such address as shall then be in effect, that disseminate notice of redemption of obligations as the Series 2007 Special Tax Bonds.

Registered Securities Depositories

The Depository Trust Company
55 Water Street
50th Floor
New York, New York, 10041-0099
Attn: Call Notification Department
Fax (212) 855-7232

National Information Services

Financial Information, Inc.'s Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, New Jersey 07302
Attention: Editor

Interactive Data Corporation's Bond Service
22 Cortlandt Street
New York, New York 10007

Xcitek
5 Hanover Street
New York, New York 10004

FIS/Mergent, Inc.
5250 77 Center Drive, Suite 150
Charlotte, North Carolina 28217
Attention: Municipal News Reports

Standard & Poor's "Called Bond Record"
55 Water Street, 45th Floor
New York, NY 10041

Upon the payment of the redemption price of any Series 2007 Special Tax Bonds being redeemed, each check or other transfer of funds issued to a registered securities depository for such purpose shall bear the CUSIP® number identifying, by issue and maturity, or otherwise be identified to the satisfaction of such Securities Depository and the Fiscal Agent, the Series 2007 Special Tax Bonds being redeemed with the proceeds of such check or other transfer.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.03, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(1) The Series 2007 Special Tax Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Fiscal Agent Agreement, anything in this Fiscal Agent Agreement, or in the Series 2007 Special Tax 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 Series 2007 Special Tax Bond shall be redeemed at the such redemption price;

(3) From and after the redemption date, the Series 2007 Special Tax Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series 2007 Special Tax Bonds or portions thereof shall cease to bear further interest; and

(4) From and after the date fixed for redemption, no Owner of any of the Series 2007 Special Tax Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this 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.

ARTICLE V COVENANTS AND WARRANTY

Section 5.01. Warranty. The District shall preserve and protect the security of the Bonds and the rights of the Owners and warrant and defend their rights against all claims and demands of all persons.

Section 5.02. Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Owners under the provisions of the Act and this Fiscal Agent Agreement and all Supplements (to be performed by the District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds; provided, however, that such covenants do not require the District to expend any funds or monies other than the Net Taxes or any monies deposited in the funds and accounts created hereunder and legally available therefor.

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Bond issued hereunder, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Bonds and in accordance with this Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Bonds and this Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Fiscal Agent Agreement and any Supplement and of the Bonds issued hereunder, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 2. Levy and Collection of Special Taxes. Subject to the maximum Special Tax rates, the District 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.

On or before each June 1, commencing June 1, 2007, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by this Fiscal Agent Agreement. The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the San Diego County Treasurer-Tax Collector or other appropriate official of the County of San Diego to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The District shall retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, commencing Fiscal Year 2007-2008, in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the San Diego County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. The first such levy shall occur in Fiscal Year 2007-2008. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District shall prepare or cause to be prepared, and shall transmit to the San Diego County Treasurer-Tax Collector, such data as the San Diego County Treasurer-Tax Collector requires to include the levy of the Special Taxes on the next secured tax roll.

The District shall fix and levy the amount of Special Taxes within the 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.

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and 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; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

In order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than February 15 and June 15, commencing February 15, 2008, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes actually received by the District.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties hereunder, shall be an Administrative Expense hereunder.

Covenant 3. Commence Foreclosure Proceedings. Pursuant to Section 53356.1 of the Act, the District hereby covenants with and for the benefit of the Bondowners, that on or about February 15 and June 15 of each Fiscal Year, the District will determine, or cause to be determined, whether or not any owners of Taxable Property (as defined in the Rate and Method) within the District are delinquent in the payment of Special Taxes.

(A) Individual Delinquencies. If the District determines that (i) any single parcel within the District is subject to a Special Tax delinquency in the aggregate amount of \$4,000 or more or (ii) any owner owns one or more parcels subject to a Special Tax delinquency in an aggregate amount of \$4,000 or more, then the District shall send, or cause to be sent, a notice of delinquency (and a demand for immediate payment thereof) to the property owner within forty-five (45) days of such determination, and (if the delinquency remains uncured) the District shall take action to authorize the commencement of foreclosure proceedings within ninety (90) days of such determination, to the extent permissible under applicable law, and shall thereafter diligently prosecute such proceedings in superior court to the extent permitted by law.

(B) Aggregate Delinquencies. If the District determines that (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under paragraph (A) above) exceeds five percent

(5%) of the total Special Taxes due and payable for the prior Fiscal Year, the District shall 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 forty-five (45) days of such determination, and (to the extent such delinquencies remain uncured) the District shall take action to authorize the commencement of foreclosure proceedings within ninety (90) days of such determination against each parcel of land within the District with a Special Tax delinquency to the extent permissible under applicable law, and shall thereafter diligently prosecute such proceedings in superior court to the extent permitted by law.

(C) Additional Notices. Additionally, the District shall determine, or cause to be determined, on or about June 30 of each year, whether or not any owners of Taxable Property within the District are delinquent in the payment of Special Taxes. If such delinquencies exist, the District will send, or cause to be sent, a notice of delinquency thereof to be sent to the owner of such property within forty-five (45) days of such determination.

(D) Limiting Provision. Notwithstanding the foregoing, however, the District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under subsections (A) or (B), above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement (excluding for purposes of this determination any additional revenue received by the District as part of any "Teeter Plan" payments, as may be applicable) and no draw has been made on the Reserve Fund that has not been fully replenished. Provided that the foregoing sentence shall not affect the requirement(s) for notices of delinquencies as provided for above. However, notwithstanding the foregoing, if the District determines that any single property owner in the District is delinquent in excess of \$4,000 of payment of Special Taxes, then the District will diligently take action to institute and pursue foreclosure proceedings against such property owner, notwithstanding the first sentence of this subsection (D).

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Tax revenues pledged to the payment of principal of and interest on the Bonds under this Fiscal Agent Agreement.

The 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 Bondowners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in this

Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Bonds, hereby consent to such payment for such lesser amounts.

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in this Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes, the District or the Fiscal Agent is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid in the amount specified in Section 53356.5 of the Act or otherwise under Section 53356.6 of the Act.

The Board hereby specifically delegates to the School District's Superintendent, or the Superintendent's designee(s), all necessary authority in order to:

- (a) pursue collection of all such special taxes pursuant to the provisions of this Covenant 3 and the terms and conditions of this Fiscal Agent Agreement;
- (b) retain or employ consultants or legal counsel to complete the tasks set forth in this paragraph (subject to Board ratification of any such expenditures which are not drawn from the Administrative Expense Fund);
- (c) file, or authorize to be filed, actions up to and including legal action(s) necessary to collect any delinquent Special Taxes including foreclosure of any lien securing such Special Taxes;
- (d) that as provided by the Act, the payment of the costs and attorneys fees for prosecution of such litigation as is authorized on behalf of the District on redemption prior to entry of judgment as well as on post-judgment redemption, and the District hereby authorizes such counsel retained by the District to require payment on the District's behalf of all costs and all attorneys fees incurred in applicable litigation as a condition of such redemption; and/or
- (e) in conjunction with counsel retained by the District, and other District consultants, authorization, pursuant to Government Code Section 53356.2:
 - (i) to record notices of intent to remove the delinquent Special Taxes from the tax rolls, and (ii) to request that the applicable County officials remove current and future delinquent Special Taxes from the tax rolls.

All actions undertaken by the Superintendent pursuant to the provisions of this Covenant shall be reported to the Board on a regular basis and are subject to the authority of the Board to subsequently direct different or alternative action(s) in such regard.

The District is hereby expressly authorized to include costs and attorneys fees related to foreclosure of delinquent Special Taxes as Administrative Expenses under this Fiscal Agent Agreement,

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien herein created for the benefit of the Bonds, except as expressly permitted by the provisions of this Fiscal Agent Agreement.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes shall be approved by the District which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Special Taxes from Developed Property in each Fiscal Year at least equal to the amount required to satisfy Annual Debt Service on the Outstanding Bonds.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Authorized Special Taxes, it will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Series 2007 Special Tax Bonds by the District, the Bonds shall be incontestable by the District.

Covenant 7. Compliance with Law, Completion of Project. The District will comply with all applicable provisions of the Act and law in completing the acquisition and construction of the Project; provided, that the District shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefore in the School Construction Account of the Construction Fund.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Bonds, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District hereby covenants and represents that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. The District hereby covenants, without limiting the generality of Covenant 9, that:

(a) the District will make no use of the proceeds of the Bonds which at any time will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Regulations;

(b) the District will ensure that the payment of principal and interest on the Bonds shall not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and no portion of the monies contained in any of the funds or accounts created herein shall be (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof); (ii) invested directly or indirectly in deposits or accounts insured by the Federal Deposit Insurance Corporation, National Credit Union Administration or any other similar federally chartered corporation; (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); except (a) investments during the initial temporary period following issuance of the Bonds until the Completion Date; (b) investment of amounts held in the Reserve Fund, or other reserve funds satisfying Section 148(d) of the Code; (c) investment of amounts held in the Special Tax Fund, Bond Fund and other bona fide debt service funds; (d) for investments in obligations issued by the United States Treasury; (e) for investments in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation; or, (f) investments permitted under Regulations issued pursuant to Section 149(b)(3)(B) of the Code.

(c) the District will ensure that no portion of the monies contained in any of the funds or accounts created herein shall be used so as to cause any of the Bonds to meet the "private activity bond" tests of Section 141 of the Code and any Regulations issued thereunder;

(d) the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and the applicable Regulations and this Fiscal Agent Agreement (including, but not limited to, Section 3.10 hereof) and any further documents executed in connection with the Bonds. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined above the amounts required to be so paid by this Fiscal Agent Agreement and further documents executed in connection with the Bonds, the Code and the Regulations;

(e) the District (i) shall neither invest Gross Proceeds nor cause Gross Proceeds to be invested in Nonpurpose Investments if the Yield on such Nonpurpose Investments would be less than the Yield that would have resulted in an arm's length transaction; (ii) will not sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Investments if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm's length transaction; (iii) shall keep a detailed accounting of all transactions contemplated under this Fiscal Agent Agreement or in any way relating to the

receipt or disbursement of any of the Gross Proceeds of the Bonds for a period of six years after the later of the date of payment of all Excess Investment Earnings to the United States or the date the District disburses the last of the Gross Proceeds of the Bonds; and

(f) notwithstanding any provision of this Fiscal Agent Agreement, if the District shall provide to the Fiscal Agent an opinion of Bond Counsel that any specified action required under this Fiscal Agent Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of this Fiscal Agent Agreement, and the covenants hereunder shall be deemed to be modified to that extent notwithstanding the provisions of Article VI hereof.

Covenant 11. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the obligations and covenants under this Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action this Fiscal Agent Agreement or related documents require an opinion of nationally recognized Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in this Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Conditions for the Issuance of Parity Bonds. The District may, at any time after the issuance and delivery of the Series 2007 Special Tax Bonds hereunder, issue Parity Bonds as hereinafter provided.

Parity Bonds may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

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

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplement duly adopted by the District which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited including payment of all costs incidental to or connected therewith;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that

(i) each maturity date shall fall on September 1 and shall pay interest on the Interest Payment Dates,

(ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and

(iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each Mandatory Sinking Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in a reserve fund;

(8) The form of such Parity Bonds;

(9) The terms of redemption for such Parity Bonds, which shall be consistent with the terms (other than dates for redemption premium rates and amounts) specified in Article IV, hereof.

(10) The issuance of such Parity Bonds is consistent with the applicable goals and policies of the District and the School District;

(11) The issuance of such Parity Bonds conforms to the provisions of Section 53345.8 of the Act, the Community Facilities District Finance Policy then applicable to the District and the limits of this Covenant 13 (in which the District requires that the lien to value ratio shall be not less than 10 to 1 as set out below) (specifically, the Legislative Body shall be provided with documentation to determine, and shall determine, that the value of the real property within the District (which is subject to the Special Taxes) is at least ten times the principal amount of the Outstanding Series 2007 Special Tax 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 District, such determination shall be based on the full assessed value of such property as required under State law and upon documents presented to the Legislative Body); and

(12) Such other provisions as are necessary or appropriate and not inconsistent with this Fiscal Agent Agreement.

(c) The Fiscal Agent shall have received from the District the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplement authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or special counsel for the District substantially to the effect that: (a) the District has the right and power under the Act to adopt the Resolution, and the Supplement to the Fiscal Agent Agreement relating to such Parity Bonds, and the Resolution and Supplement to the Fiscal Agent Agreement have been duly and lawfully adopted by the District, the Resolutions and Fiscal Agent Agreement as so supplemented, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their term (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Supplement to the Fiscal Agent Agreement creates a valid pledge of the Net Taxes and other amounts as provided in this Fiscal Agent Agreement, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Fiscal Agent Agreement and all Supplements thereto and entitled to the benefits of the Fiscal Agent Agreement and all such

Supplements, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Fiscal Agent Agreement and all such Supplements;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Fiscal Agent Agreement;

(5) A certificate(s) 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 District on then-existing Developed Property (as defined in the Rate and Method of Apportionment of Special Tax for the District as approved by the Legislative Body of the District) pursuant to the Act and the applicable resolutions and ordinances of the District in each remaining Bond Year is at least 1.10 times Annual Debt Service for each corresponding Bond Year on all the then-Outstanding Series 2007 Special Tax Bonds, any Parity Bonds previously issued and the Parity Bonds proposed to be issued. For purposes of making the certifications required by this paragraph (c)(5), the Independent Financial Consultants may rely on reports or certificates as may be acceptable to the District, the School District, Bond Counsel and the underwriter(s) of the proposed Parity Bonds; and

(6) The balance in the Reserve Fund (which may be in the form of cash, a Debt Service Reserve Surety, or a combination thereof), which may include one or more accounts thereof, on account established for the Parity Bonds shall be equal to the Reserve Requirement for the Parity Bonds on the delivery date of such Parity Bonds; and

(7) Such further documents, money and securities as are required by the provisions of this Fiscal Agent Agreement and the Supplement providing for the issuance of such Parity Bonds.

Covenant 14. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission.

Not later than October 30 of each year, commencing October 30, 2007, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of this Covenant 14 shall be amended from time to time, without action by the District or the Fiscal Agent to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District's obligations under any continuing disclosure documentation relating to the Bonds.

(d) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any person or party for any inadvertent error in reporting the information contained in this Covenant 14.

Section 5.03. Continuing Disclosure Covenant. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the District Continuing Disclosure Certificate. Notwithstanding any other provision of this Fiscal Agent Agreement, failure of the District to comply with its obligations under the District Continuing Disclosure Certificate shall not be considered an event of default under this Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the District Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Fiscal Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2007 Special Tax Bonds, shall upon the receipt of reasonable indemnity for its fees and costs), or any Bondowner or Beneficial Owner 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 Covenant. For purposes of this Section, "Beneficial Owners" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2007 Special Tax Bonds (including persons holding Series 2007 Special Tax Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Series 2007 Special Tax Bonds for federal income tax purposes.

ARTICLE VI AMENDMENTS TO FISCAL AGENT AGREEMENT

Section 6.01. Supplemental Agreement or Amendments. The District may from time to time, and at any time, without notice to or consent of any of the Owners (but with the consent of the Bond Insurer), adopt Supplements hereto for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or therein, or to make any other provision with

respect to matters or questions arising under this Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Fiscal Agent Agreement which are not contrary to or inconsistent with this Fiscal Agent Agreement as theretofore in effect;

(c) to modify, alter, amend or supplement this Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners including, but not limited to, providing for the rating or insuring of the Bonds; or

(d) to provide for the issuance and delivery of Parity Bonds subject to the terms and conditions set forth in Covenant 14 hereof.

Exclusive of amendments supplemental hereto covered by the first paragraph of this Section 6.01, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Fiscal Agent Agreement; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, (c) a preference or priority of any Bonds over any other Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Bonds then Outstanding.

Section 6.02. Supplements Requiring Owner Consent. If at any time the District shall desire to adopt a Supplement hereto which, pursuant to the terms of this Section 6.02, shall require the consent of the Owners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement to be mailed, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Principal Corporate Trust Office of the Fiscal Agent for inspection by all Owners. The failure of any Owner to receive such notice shall not affect the validity of such Supplement when consented to and approved as provided in this Section 6.02. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy thereof referred to in such notice as on file with the Fiscal Agent, such proposed Supplement, when duly adopted by District, shall thereafter become a part of the proceedings for the issuance of the Bonds as referred to in Section 10.03. In determining whether the Owners of 60%

of the aggregate principal amount of the Bonds have consented to the adoption of any Supplement, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplement hereto and the receipt of consent to any such amendment from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of this Section 6.02, this Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Fiscal Agent Agreement of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. Notwithstanding anything herein to the contrary, no Supplement shall be entered into which would modify the duties of the Fiscal Agent hereunder, without the prior written consent of the Fiscal Agent.

ARTICLE VII FISCAL AGENT

Section 7.01. Fiscal Agent.

(a) Initial Appointment of Fiscal Agent. Union Bank of California, N.A. is the initial Fiscal Agent for the Bonds.

(b) Duties of Fiscal Agent. The Fiscal Agent is hereby authorized to and shall mail interest payments to the Owners, select Bonds for redemption pursuant to the terms of this Fiscal Agent Agreement, give notice of redemption and meetings of Owners, maintain the Bond Register and maintain and administer the funds and accounts established pursuant to this Fiscal Agent Agreement, and perform all other acts authorized or directed of the Fiscal Agent by this Fiscal Agent Agreement. The Fiscal Agent is hereby authorized to pay from the Net Taxes, or from amounts in accounts or funds as provided in this Fiscal Agent Agreement, the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds, all as provided in this Fiscal Agent Agreement, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Fiscal Agent Agreement. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

(c) Removal or Resignation and Replacement of Fiscal Agent and Appointment of Successor. The Fiscal Agent initially appointed, and any successor thereto, may be removed by the District upon 30 days' prior written notice except during the continuance of an event of default and a successor or successors may be appointed. The Fiscal Agent may be removed by the District, at the written request of the Bond Insurer, for any breach by the Fiscal Agent of its duties or obligations set forth herein. So long as any Bonds are Outstanding and unpaid, the Fiscal Agent and

any successor or successors thereto shall continue to be Fiscal Agent of the Bonds for all of such purposes.

The Fiscal Agent may at any time resign by giving 60 days' written notice of such resignation by mail to the District and to the Bondowners at the address shown upon the registration books maintained by the Fiscal Agent. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent. Written notice of any removal, or resignation, of the Fiscal Agent shall be provided to the Bond Insurer as provided for under Section 10.07 hereof.

A successor Fiscal Agent shall be appointed by the District and shall be a bank or trust company organized under the laws of the state of California, of any state or the United States, a national banking association or any other financial institution, having capital stock and surplus aggregating at least \$75,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Fiscal Agent Agreement and shall be acceptable to the Bond Insurer. Any successor Fiscal Agent shall not be appointed unless the Bond Insurer has approved of such successor Fiscal Agent in writing. Such successor Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation or removal of the Fiscal Agent shall be effective only upon appointment and acceptance of a successor Fiscal Agent which shall be acceptable to the Bond Insurer.

If the District does not appoint a successor within 60 days following the giving of any notice of removal or receipt of any notice of resignation, the removed or resigning Fiscal Agent or any Owner on behalf of himself and all other Owners may petition any appropriate court having jurisdiction to appoint a successor Fiscal Agent.

Any company or association into which the Fiscal Agent may merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under this Section 7.01(c), shall be the successor to the Fiscal Agent and vested with all of the title to the trust estate and all of the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. All costs associated with the Fiscal Agent's merger or consolidation with another bank or trust company shall be paid by the successor Fiscal Agent. No expense resulting from such merger or consolidation shall be billed to the District.

Section 7.02. Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Fiscal Agent

Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations herein or in the Bonds or in the certificate of authentication of the Fiscal Agent. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

No provision in this Fiscal Agent Agreement shall require the Fiscal Agent to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, including, but not limited to, the payment of principal of, premium, if any, or interest on the Bonds.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel authorized by the District with regard to legal questions arising from the terms set forth in this Fiscal Agent Agreement, and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

The District agrees to pay the Fiscal Agent compensation for its services and to reimburse the Fiscal Agent for all its fees and expenses. The District further agrees to indemnify and hold the Fiscal Agent harmless from any loss, liability or expense, including attorneys' fees, not arising from the Fiscal Agent's negligence or willful misconduct, which the Fiscal Agent may incur in the exercise and performance of its duties hereunder. The rights to compensation, reimbursement and indemnity in this paragraph shall survive the satisfaction or defeasance of the Bonds and resignation or removal of the Fiscal Agent hereunder.

The District and the Fiscal Agent may treat the Owner of the Bonds whose name appears on the Bond Register as the absolute Owner of the Bonds for any and all purposes, and the Bonds and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Owner to give written notice to the Fiscal Agent of any change in the Owner's address so that the Bond Register may be revised accordingly.

The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Fiscal Agent Agreement. The permissive right of the Fiscal Agent to do things enumerated in this Fiscal Agent Agreement shall not be construed as a duty.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Fiscal Agent Agreement at the request, order or direction of any of the Owners pursuant to the provisions of this Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal

Agent reasonable security or indemnity against the costs, expenses, and liabilities which may be incurred therein or thereby.

The Fiscal Agent makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the District or the School District of the Project. In no event shall the Fiscal Agent be liable for incidental, indirect, special or consequential damages in connection with or arising from this Fiscal Agent Agreement for the existence, furnishing or use of the Project.

The Fiscal Agent shall have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure, or general sabotage or rationing of, labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or significant delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

The Fiscal Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Fiscal Agent Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Fiscal Agent shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Fiscal Agent shall have received a current incumbency certificate containing the specimen signature of such designated person(s).

ARTICLE VIII

EVENTS OF DEFAULT, REMEDIES

Section 8.01. Events of Default. Any one or more of the following events shall constitute an "event of default":

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part in this Fiscal Agent Agreement or in the Bonds contained, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; provided, any noncompliance with the terms of Section 5.03 shall not be an event of default under this Article VIII; or

(d) The District or the School District shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 8.02. Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Fiscal Agent Agreement;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an event of default (as defined in Section 8.01), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article VIII or in any other provision of this Fiscal Agent Agreement, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in this Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the

Owners by the Act or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Anything in the Fiscal Agent Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default, as defined herein, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bond Owners or the Fiscal Agent for the benefit of the Bond Owners under this Fiscal Agent Agreement, provided that the Bond Insurer is not then in default of its obligations under the provisions of the Bond Insurance Policy.

Notwithstanding any other provision of this Fiscal Agent Agreement, in determining whether the rights of the Bond Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Fiscal Agent Agreement, the Fiscal Agent shall consider the effect on the Bond Owners as if there were no Bond Insurance Policy.

Section 8.03. Application of Net Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of this Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Fiscal Agent Agreement;

(b) To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Fiscal Agent Agreement, as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the

same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Owners entitled thereto, without any discrimination or preference.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Section 8.04. Limitation on Bondowners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Fiscal Agent Agreement, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner or such Owners shall have tendered to the Fiscal Agent indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Fiscal Agent Agreement, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Fiscal Agent Agreement.

ARTICLE IX DEFEASANCE

Section 9.01. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Fiscal Agent Agreement or any Supplement,

then the Owner of such Bond shall cease to be entitled to the pledge of Net Taxes and other amounts pledged under this Fiscal Agent Agreement to the repayment of such Bond, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under this Fiscal Agent Agreement and any Supplement shall thereupon cease, terminate and become void and be discharged and satisfied; provided that the covenants set forth in Section 3.10(a), (b) and (c), and Covenants 9 and 10 set forth in Section 5.02 shall survive the defeasance or payment of the Bonds. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and, after payment of any amounts due the Fiscal Agent hereunder, the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities other than that required for the payment of the interest due on and the principal of such Bonds.

Any Outstanding Bond(s) shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest due on such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest on such Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, Federal Securities, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and monies then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Bond as and when the same shall become due and payable;

then, notwithstanding that any such Bond shall not have been surrendered for payment, all obligations of the District under this Fiscal Agent Agreement, and any Supplement, with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Sections 3.10 (a), (b) and (c) and Covenants 9 and 10 of Section 5.02 hereof.

In connection with a defeasance under (b) or (c) above, there shall be provided to the District and the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the monies or securities deposited with the Fiscal Agent, or the designated escrow holder, to pay and discharge the principal of and interest on the Outstanding Bonds to be defeased in accordance with this section, as and when the same shall become due and payable, and an opinion of

Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Fiscal Agent Agreement. Upon a defeasance, the Fiscal Agent shall release the rights of the Owners of such Bonds which have been defeased under this Fiscal Agent Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent shall, at the written direction and expense of the District, mail, first class, postage prepaid, a notice to the Owners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2007 Special Tax Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series 2007 Special Tax Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, and the pledge of the Net Taxes and all covenants, agreements and other obligations of the District, to the Bond Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be surrogated to the rights of such registered Bond Owners.

ARTICLE X MISCELLANEOUS

Section 10.01. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall upon payment therefor be destroyed at the request of the District and a certificate of cancellation returned immediately by the Fiscal Agent to the District. Any Bonds purchased by the District as authorized herein shall be delivered to the Fiscal Agent and canceled forthwith as provided herein, and shall not be reissued.

Section 10.02. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Fiscal Agent Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any commercial bank, trust company or other depository for such Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of such Bond shall be sufficient for the purposes of this Fiscal Agent Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney of any such instrument and of any instrument appointing any such attorney may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on

behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of this authority; provided, however, that nothing contained in this Fiscal Agent Agreement shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters herein stated which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect to anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent; and

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums so paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Section 10.03. Provisions Constitute Contract. The provisions of this Fiscal Agent Agreement, including any Supplements thereto, and the Bonds shall constitute a contract between the District and the Owners ("Contract") and the provisions hereof and thereof shall be enforceable by any Owner for the equal benefit and protection of all Owners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. The Contract is made under and is to be construed in accordance with the laws of the State of California.

No remedy conferred hereby upon any Owner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State of California. No waiver of any default or breach of duty or contract by any Owner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on such subsequent default or breach. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Owner shall prevail, such Owner shall be entitled to receive from the Net Taxes reimbursement for reasonable costs, expenses, outlays and attorneys' fees and should such suit, action or proceeding be abandoned, or be determined adversely to the Owners then, and in every such case, the District's positions, rights and remedies shall be construed in a manner as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, this Fiscal Agent Agreement shall not be subject to repeal, but shall be subject to modification to the extent and in the manner provided in this Fiscal Agent Agreement, but to no greater extent and in no other manner.

Section 10.04. Unclaimed Monies. Anything in this Fiscal Agent Agreement to the contrary notwithstanding, to the extent permitted by law and subject to the applicable escheat laws of the State, any money held by the Fiscal Agent for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable, if such money was held by the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent after the date when such monies become due and payable, shall be repaid by the Fiscal Agent to the District, as its absolute property and free from lien, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look thereafter only to the District for the payment of such Bonds. The Fiscal Agent shall give notice to the District of the amount of any unclaimed monies that are available for transfer to the District, and the District is to request such transfer in writing. However, before being required to make any such payment to the District, the Fiscal Agent shall, at the expense of the District, cause to be mailed to the registered owners of such Bonds, at their addresses as they appear on the Bond Register, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Section 10.05. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Fiscal Agent Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Fiscal Agent Agreement and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Fiscal Agent Agreement and the Bonds issued pursuant hereto shall remain valid and the Owners shall retain all valid rights and benefits accorded to them under this Fiscal Agent Agreement and the Constitution and laws of the State of California.

Section 10.06. General Authorization. The President and Clerk of the Board of Trustees and the Superintendent of the School District, or the Superintendent's designee(s), and all other officers of the School District or their deputies are hereby each respectively authorized to do and perform from time to time any and all acts and things consistent with this Fiscal Agent Agreement necessary or appropriate to carry the same in effect and accomplish the issuance, sale and delivery of the Series 2007 Special Tax Bonds.

Section 10.07. Notices. Any notices required to be given to the District with respect to the Bonds or this Fiscal Agent Agreement shall be mailed, first class, or personally delivered to the Superintendent and the Clerk of the Board of Trustees at Del Mar Union School District, 225 Ninth Street, Del Mar, California 92014. All notices to the Fiscal Agent shall be mailed, first class, or personally delivered to the Fiscal Agent at Union Bank of California, N.A., Corporate Trust Services, 120 South San Pedro Street, Suite 400, Los Angeles, California 90012. All notices to the Bond Insurer shall be provided to the Bond Insurer at Ambac Assurance Corporation, One Street Plaza, 19th Floor, New York, New York, 10004, Attn: General Counsel, or as provided in Section 11.04.

Section 10.08 Counterparts. This Fiscal Agent Agreement may be executed in counterparts, each of which shall be an original and which together shall constitute one and the same instrument.

**ARTICLE XI
PROVISIONS AND TERMS RELATING TO
BOND INSURANCE POLICY AND RESERVE FUND SURETY**

11.01. Consent of Bond Insurer. Any provision of this Fiscal Agent Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Insurer. The District recognizes and agrees that the Bond Insurer may charge the District a fee for any consent or amendment to this Fiscal Agent Agreement while the Bond Insurance Policy is outstanding.

11.02. Consent of The Bond Insurer in Addition to Owner Consent. Unless otherwise provided in this Section, the Bond Insurer's consent shall be required in addition to Bond Owner consent, when required, for the following purposes: (i) execution and delivery of any amendment to this Fiscal Agent Agreement; (ii) removal of the Fiscal Agent and selection and appointment of any successor Fiscal Agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bond Owner consent.

11.03. Consent of The Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the District must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bond Owners who hold the Bond Insurer-insured Series 2007 Special Tax Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring the Series 2007 Special Tax Bonds.

11.04. Notices to The Bond Insurer; Accounting.

(a) Notices to be sent to the attention of the SURVEILLANCE DEPARTMENT:

(i) While the Bond Insurance Policy is in effect, the District shall furnish to the Bond Insurer (to the attention of the Surveillance Department, unless otherwise indicated), which may be furnished through the Fiscal Agent as may be requested by the District:

- A. as soon as practicable after the filing thereof, a copy of any financial statement of the District and a copy of any audit and annual financial report of the District (which shall be provided by the District);
- B. such additional information it may reasonably request.

(ii) A copy of any notice to be given to the registered Owners of the Series 2007 Special Tax Bonds, including, without limitation, notice of any prepayment or defeasance of

Series 2007 Special Tax Bonds, and any certificate rendered pursuant to this Fiscal Agent Agreement relating to the security for the Series 2007 Special Tax Bonds.

(iii) Copies of all continuing disclosure reports made pursuant to the Continuing Disclosure Agreement.

(b) Notices to be sent to the attention of the GENERAL COUNSEL OFFICE:

(i) The Fiscal Agent shall notify the Bond Insurer of any failure of the District to provide relevant notices, certifications or similar documents to the Fiscal Agent as required under this Fiscal Agent Agreement.

(ii) Notwithstanding any other provision of this Fiscal Agent Agreement, the Fiscal Agent shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required hereunder and immediately upon the occurrence of any event of default hereunder.

(c) The District will permit the Bond Insurer to discuss the affairs, finances and accounts of the District or any information the Bond Insurer may reasonably request regarding the security for the Series 2007 Special Tax Bonds with appropriate officers of the District. The District will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 2007 Special Tax Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting, as to the Series 2007 Special Tax Bonds and records relating to the security for the Series 2007 Special Tax Bonds, at the District's expense, and the District's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner of the Series 2007 Special Tax Bonds.

11.05. Payment Procedure under the Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the District and the Fiscal Agent agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Fiscal Agent will determine whether there will be sufficient funds in the funds and accounts to pay the principal of or interest on the Series 2007 Special Tax Bonds such Interest Payment Date. If the Fiscal Agent determines that there will be insufficient funds in such funds or accounts, the Fiscal Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2007 Special Tax Bond(s) to which such deficiency is applicable and whether such Series 2007 Special Tax Bonds will be deficient as to principal or interest, or both. If the Fiscal Agent has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments

of principal or interest due on the Series 2007 Special Tax Bonds on or before the first (1st) day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Fiscal Agent.

(b) The Fiscal Agent shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the Bank of New York, in New York, New York, as insurance Fiscal Agent for the Bond Insurer or any successor insurance Fiscal Agent (the "Insurance Fiscal Agent"), the registration books of the District maintained by the Fiscal Agent (the Bond Register) and all records relating to the funds and accounts maintained under this Fiscal Agent Agreement.

(c) The Fiscal Agent shall provide the Bond Insurer and the Insurance Fiscal Agent with a list of registered Owners of Series 2007 Special Tax Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Fiscal Agent (i) to mail checks or drafts to the registered owners of Series 2007 Special Tax Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Series 2007 Special Tax Bonds surrendered to the Insurance Fiscal Agent by the registered owners of Series 2007 Special Tax Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Fiscal Agent shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered Owners of Series 2007 Special Tax Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bond Owner entitlement to interest payments and delivery to the Insurance Fiscal Agent, in form satisfactory to the Insurance Fiscal Agent, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Series 2007 Special Tax Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Fiscal Agent to permit ownership of such Series 2007 Special Tax Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Fiscal Agent, and not the Fiscal Agent, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Series 2007 Special Tax Bonds for payment thereon first to the Fiscal Agent who shall note on such Series 2007 Special Tax Bonds the portion of the principal paid by the Fiscal Agent and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Fiscal Agent, to the Insurance Fiscal Agent, which will then pay the unpaid portion of principal.

(e) In the event that the Fiscal Agent has notice that any payment of principal or interest on a Series 2007 Special Tax Bond which has become due for payment and which is made to a Bond Owner by or on behalf of the District has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a Fiscal Agent in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Fiscal Agent shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered,

such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Fiscal Agent shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 2007 Special Tax Bonds which have been made by the Fiscal Agent and subsequently recovered from registered Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Fiscal Agent Agreement, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series 2007 Special Tax Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Fiscal Agent shall note the Bond Insurer's rights as subrogee on the Bond Register upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners of the Series 2007 Special Tax Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Fiscal Agent shall note the Bond Insurer's rights as subrogee on the Bond Register upon surrender of the Series 2007 Special Tax Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

(g) The District hereby covenants and agrees that it shall reimburse the Bond Insurer any amounts paid under the Bond Insurance Policy and all costs of collection thereof and enforcement of this Fiscal Agent Agreement and any other documents executed in connection with this Fiscal Agent Agreement together with interest thereon, from the date paid or incurred by the Bond Insurer until payment thereof in full by the District, payable at the Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Bond Insurer in respect of interest on the Series 2007 Special Tax Bonds. Such payment obligation shall be payable on demand and on a parity with, and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Series 2007 Special Tax Bonds. For purposes of the foregoing, "Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Series 2007 Special Tax Bonds and (ii) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus 3 percent. The Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Bond Insurer shall specify.

11.06. Bond Insurer as Third Party Beneficiary. To the extent that this Fiscal Agent Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Fiscal Agent Agreement, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

11.07. Parties Interested Herein. Nothing in this Fiscal Agent Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the District, the Fiscal Agent, the Bond Insurer, and the registered Owners of the Series 2007 Special Tax Bonds, any right, remedy or claim under or by reason of this Fiscal Agent Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Fiscal Agent Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Fiscal Agent, the Bond Insurer, and the registered Owners of the Series 2007 Special Tax Bonds

11.08. Suspension in the Event of Bond Insurer Default. All of the rights of the Bond Insurer under this Article XI, or elsewhere in this Fiscal Agent Agreement, are subject to suspension in the event of a default by the Bond Insurer of its obligations and/or liabilities under the Bond Insurance Policy.

11.09. Surety Bond Provisions. As long as the Surety Bond shall be in full force and effect, the District and Fiscal Agent agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Bond Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) day after receipt by the General Counsel of the Bond Insurer of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Fiscal Agent certifying that payment due under the Fiscal Agent Agreement has not been made to the Fiscal Agent; or (ii) the payment date of the Series 2007 Special Tax Bonds as specified in the Demand for Payment presented by the Fiscal Agent to the General Counsel of the Bond Insurer, the Bond Insurer will make a deposit of funds in an account with the Fiscal Agent or its successor, in New York, New York, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent under the Fiscal Agent Agreement (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) The Fiscal Agent shall, after submitting to Bond Insurer the Demand for Payment as provided in (a) above, make available to Bond Insurer all records relating to the funds and accounts maintained under this Fiscal Agent Agreement.

(c) The Fiscal Agent shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(d) the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Net Taxes available for replenishment

of the Reserve Fund as provided for herein; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond shall be deposited from next available Net Taxes available for replenishment of the Reserve Fund as provided for herein.

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IN WITNESS WHEREOF, the parties have entered into this Fiscal Agent Agreement as of the date first written above.

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

By: _____
Authorized Officer

**UNION BANK OF CALIFORNIA, N.A., as Fiscal
Agent**

By: _____

Title: _____

EXHIBIT A

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
20__ (term bond)		
20__ (term bond)		

REDEMPTION PROVISIONS

[Optional Redemption]

<u>Redemption Dates</u>	<u>Redemption Price</u>
_____ 1, 20__ to _____ 1, 20__	_____ %
September 1, 20__ and any Interest Payment Date thereafter	100.0%]

Mandatory Sinking Fund Redemption

The Series 2007 Special Tax Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 20__, and on each September 1 thereafter in accordance with the schedule set forth below. The Series 2007 Special Tax Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Series 2007 Special Tax Bonds to be redeemed, plus accrued but unpaid interest, without premium.

<u>Redemption Year</u>	<u>Principal Amount</u>
20__	
20__	
20__	
20__ (maturity)	

The Series 2007 Special Tax Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 20__, and on each September 1 thereafter in accordance with the schedule set forth below. The Series 2007 Special Tax Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Series 2007 Special Tax Bonds to be redeemed, plus accrued but unpaid interest, without premium.

<u>Redemption Year</u>	<u>Principal Amount</u>
20__	
20__	
20__	
20__ (maturity)	

EXHIBIT B

FORM OF SERIES 2007 SPECIAL TAX BOND

STATE OF CALIFORNIA
REGISTERED
NO. _____

COUNTY OF SAN DIEGO
REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

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

<u>INTEREST</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP® NO.</u>
_____%	September 1, 20__	June __, 2007	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 95-1 OF THE DEL MAR UNION SCHOOL DISTRICT ("District") situated in the County of San Diego, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from the Net Taxes (as hereinafter defined) and amounts in certain funds or accounts held under the Fiscal Agent Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount, calculated on the basis of a 360-day year comprised of twelve 30-day months, semi-annually on March 1 and September 1 of each year, commencing September 1, 2007, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment. Interest shall be payable on this Bond from the Interest Payment Date next preceding the date of authentication hereof, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall 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 June __, 2007; provided, however, that if at the time of authentication of the Bond, interest is in default, interest on this Bond shall 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 shall be payable from June __, 2007.

The principal of and premium, if any, on this Series 2007 Special Tax Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Series 2007 Special Tax Bond at the Principal Corporate Trust Office of Union Bank of California, N.A. ("Fiscal Agent"). Interest on this Series 2007 Special Tax Bond shall be paid by check of the Fiscal Agent mailed by first class mail by the Fiscal Agent to the Registered Owner hereof as of the 15th day of the calendar month preceding the Interest Payment Date whether or not such date is a business day ("Record Date") at such Registered Owner's address as it appears on the Bond Register maintained by the Fiscal Agent; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount of the Series 2007 Special Tax 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 shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

This Series 2007 Special Tax Bond is one of a duly authorized issue of "Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds ("Series 2007 Special Tax Bonds") issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et. seq. of the Government Code of the State of California) ("Act"), for the purpose of financing and refinancing certain public improvements. The issuance of the Series 2007 Special Tax Bonds and the terms and conditions thereof are provided for by Resolution No. CFD 95-59 adopted by the Board of Trustees of the School District, acting in its capacity as the Legislative Body of the District, on May 23, 2007, and the Fiscal Agent Agreement executed in connection therewith (collectively, the "Fiscal Agent Agreement"). The terms of the Fiscal Agent Agreement are by this reference incorporated herein, and by acceptance hereof the owner of this Series 2007 Special Tax Bond assents to such terms and conditions. The Fiscal Agent Agreement has been adopted under, and this Series 2007 Special Tax Bond is issued under, the laws of the State of California, and both are to be construed in accordance therewith.

Pursuant to the Act and the Fiscal Agent Agreement, the principal of, premium, if any, and interest on this Series 2007 Special Tax Bond are payable solely from, and shall be secured by a pledge, charge and lien upon, the annual special taxes authorized to be levied within the District ("Special Taxes"), interest and penalties thereon, and proceeds of the redemption or sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of the Special Taxes, less certain administrative expenses of the District (collectively, the "Net Taxes") and from certain funds and accounts held under the Fiscal Agent Agreement. The Net Taxes have been pledged equally to repay the Series 2007 Special Tax Bonds without priority or preference of one Series 2007 Special Tax Bond over another. The Board of Education has covenanted for the benefit of the owners of the Series 2007 Special Tax Bonds that it will commence and diligently pursue to completion appropriate foreclosure actions, in accordance with all applicable laws, in the event of certain delinquencies in the payment of Special Taxes levied for payment of principal of and interest on the Series 2007 Special Tax Bonds.

ANY TAX FOR THE PAYMENT HEREOF SHALL BE LIMITED TO THE NET TAXES. THE SERIES 2007 SPECIAL TAX BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE DISTRICT OR THE DEL MAR UNION SCHOOL DISTRICT ("SCHOOL DISTRICT") FOR WHICH THE DISTRICT OR THE SCHOOL DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES OTHER THAN THE SPECIAL TAXES. THE SERIES 2007 SPECIAL TAX BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE NET TAXES BUT ARE NOT A DEBT OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

[The Series 2007 Special Tax Bonds may be redeemed prior to maturity, in whole or in part, at the option of the District on _____ 1, 20__, or on any Interest Payment Date thereafter prior to maturity, from any source of available funds, in the order and manner selected by the District and by lot within a 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
_____ 1, 20__ through _____, 20__	100.0%
September 1, 20__ and any Interest Payment Date thereafter	_____%]

The Series 2007 Special Tax Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 20__, and on each September 1 thereafter in accordance with the schedule set forth below. The Series 2007 Special Tax Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Series 2007 Special Tax Bonds to be redeemed, plus accrued but unpaid interest, without premium.

<u>Redemption Year</u>	<u>Principal Amount</u>
20__	
20__	
20__	
20__ (maturity)	

The Series 2007 Special Tax Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 20__, and on each September 1 thereafter in accordance with the schedule set forth below. The Series 2007 Special Tax Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Series 2007 Special Tax Bonds to be redeemed, plus accrued but unpaid interest, without premium.

Redemption Year

Principal Amount

20__

20__

20__

20__ (maturity)

Notice of redemption with respect to the Series 2007 Special Tax Bonds to be redeemed shall be mailed to the Registered Owners thereof not less than 30 nor more than 60 days prior to the redemption date by first class mail, postage prepaid, to the address set forth in the Bond Register maintained by the Fiscal Agent. Neither the failure of the Registered Owner hereof to receive such notice nor any defect in such notice will affect the validity of the proceedings for redemption. All Series 2007 Special Tax Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date; provided, the funds for the redemption are on deposit with the Fiscal Agent on the redemption date. Thereafter, the Registered Owners of such Series 2007 Special Tax Bonds shall have no rights hereunder or pursuant to the Fiscal Agent Agreement except to receive payment of the redemption price upon the surrender of the Series 2007 Special Tax Bonds.

This Series 2007 Special Tax Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

The Series 2007 Special Tax Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000 and may be exchanged for a like aggregate principal amount of Series 2007 Special Tax Bonds of other authorized denominations, and of like maturity all as more fully set forth in the Fiscal Agent Agreement. This Bond is transferable by the Registered Owner hereof, in person or by the Registered Owner's attorney duly authorized in writing, at the Principal Corporate Trust Office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, upon surrender and cancellation of this Series 2007 Special Tax Bond. Upon such transfer, a new registered Series 2007 Special Tax Bond or Series 2007 Special Tax Bonds of authorized denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange. The Fiscal Agent shall not be required to register transfers or make exchanges of (i) Series 2007 Special Tax Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of the Series 2007 Special Tax Bonds to be redeemed, or (ii) any Series 2007 Special Tax Bonds chosen for redemption.

The Fiscal Agent may charge the Registered Owner a reasonable fee for the costs of any transfer or exchange of this Series 2007 Special Tax Bond and the Fiscal Agent may require the Registered Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Fiscal Agent Agreement provides that the occurrence of certain events constitute Events of Default and prescribes the remedies available to the Fiscal Agent. An Event of Default and its consequences may be waived or limited as provided in the Fiscal Agent Agreement. Bondowners may enforce their rights under the terms and conditions of the Fiscal Agent Agreement. The Fiscal Agent may refuse to enforce the terms and conditions of the Fiscal Agent Agreement or the Series 2007 Special Tax Bonds unless it receives indemnity satisfactory to it.

The rights and obligations of the District and of the Registered Owners of the Series 2007 Special Tax Bonds may be amended at any time, and in certain cases without the consent of the Registered Owners, to the extent and upon the terms and conditions provided in the Fiscal Agent Agreement.

The Fiscal Agent Agreement contains provisions permitting the District to make provision for the payment of the interest on, and the principal and premium, if any, of any of the Series 2007 Special Tax Bonds so that such Series 2007 Special Tax Bonds shall no longer be deemed to be outstanding under the terms of the Fiscal Agent Agreement.

This Series 2007 Special Tax Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Series 2007 Special Tax Bond have existed, happened and been performed in due time, form and manner with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Community Facilities District No. 95-1 has caused this Series 2007 Special Tax Bond to be dated as of the ____ day of June, 2007, to be signed by the President of the Board of Trustees of the School District by original signature and attested by the Clerk of the Board of Trustees of the School District by original signature.

ATTEST:

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

-EXHIBIT-

Clerk of the Board of Trustees of the Del Mar
Union School District for Community Facilities
District No. 95-1 of such School District

-EXHIBIT-

President of the Board of Trustees of the Del
Mar Union School District for Community
Facilities District No. 95-1 of such School
District

SEAL:

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2007 Special Tax Bonds referred to in the within-mentioned Fiscal Agent Agreement.

Date of Registration and Authentication: _____

UNION BANK OF CALIFORNIA, N.A., Fiscal Agent as authenticating agent

-EXHIBIT-

By _____
Authorized Representative

STATEMENT OF INSURANCE

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto

(print/type name, address, zip code, tax identification or Social Security number of assignee)

the within Series 2007 Special Tax Bond and do(es) irrevocably constitute and appoint _____ attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

-EXHIBIT-

Registered Owner

Date: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Series 2007 Special Tax Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

-EXHIBIT-

Notice: Signature must be guaranteed by an eligible guarantor institution.

Unless this Series 2007 Special Tax Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Series 2007 Special Tax Bond issued is registered in the name of Cede and Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

FORM OF LEGAL OPINION

I hereby certify that the following is a full true and correct copy of a signed legal opinion of Bowie, Arneson, Wiles & Giannone, a Partnership including Professional Corporations, on file in my office, which opinion is dated the date the Series 2007 Special Tax Bonds referred to therein were delivered and paid for.

-EXHIBIT-

Clerk of the Board of Trustees of the Del Mar Union
School District for Community Facilities District No.
95-1 of such School District

[Legal Opinion of Bowie, Arneson, Wiles & Giannone]

EXHIBIT C

**PAYMENT REQUEST FORM - COSTS OF ISSUANCE ACCOUNT
OF THE CONSTRUCTION FUND**

[Attach duplicate original of Payee's statement(s) or invoice(s)]

()
()

PROGRESS PAYMENT
FULL/FINAL PAYMENT

The Fiscal Agent is hereby requested to pay from the Cost of Issuance Account of the Construction Fund or, if such account is closed, from the School Construction Account of the Construction Fund, as established by Resolution No. CFD 95-59 of the Legislative Body of the District, adopted on May 23, 2007, and the Fiscal Agent Agreement dated as of June 1, 2007, executed in accordance therewith, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment or reimbursement of the Costs of Issuance described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Costs of Issuance described below and has not formed the basis of any prior request for payment. All such payments shall be made by check or wire transfer in accordance with the payment instructions contained herein and the Fiscal Agent shall have no duty or obligation to authenticate such payment instructions or the authorization thereof.

Payee: _____
Address: _____

Amount: \$ _____

Description of Cost of Issuance or portion thereof accepted by Community Facilities District No. 95-1 and authorized to be paid to the Payee:

Cost of Issuance: _____

Executed by District's Representative for Community
Facilities District No. 95-1:

-EXHIBIT-

Signature _____

Name: _____

Title: _____

Dated: _____

Payment Request No.: _____

[Attach to all requisitions copies of applicable bills or invoices]

EXHIBIT D

**PAYMENT REQUEST FORM - SCHOOL CONSTRUCTION ACCOUNT OF THE
CONSTRUCTION FUND**

[Attach duplicate original of Payee's statement(s) or invoice(s)]

()
()

PROGRESS PAYMENT
FULL/FINAL PAYMENT

The Fiscal Agent is hereby requested to pay from the School Construction Account of the Construction Fund established by Resolution No. CFD 95-59 of the Legislative Body of the District, adopted on May 23, 2007, and the Fiscal Agent Agreement dated as of June 1, 2007, executed in accordance therewith, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment of the Project Costs described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Project Costs described below and has not formed the basis of any prior request for payment. All such payments shall be made by check or wire transfer in accordance with the payment instructions contained herein and the Fiscal Agent shall have no duty or obligation to authenticate such payment instructions or the authorization thereof.

Payee: _____
Address: _____
Amount: \$ _____

Description of Project Costs or portion thereof accepted by Community Facilities District No. 95-1 and authorized to be paid to the Payee:

Project Costs: _____

Executed by District's Representative for Community
Facilities District No. 95-1:

-EXHIBIT-

Signature _____

Name: _____

Title: _____

Dated: _____

Payment Request No.: _____

[Attach to all requisitions copies of applicable bills or invoices]

EXHIBIT E

PAYMENT REQUEST FORM - ADMINISTRATIVE EXPENSE FUND

[Attach duplicate original of Payee's statement(s) or invoice(s)]

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PROGRESS PAYMENT
FULL/FINAL PAYMENT

The Fiscal Agent is hereby requested to pay from the Administrative Expense Fund established by Resolution No. CFD 95-59 of the Legislative Body of the District, adopted on May 23, 2007, and the Fiscal Agent Agreement dated as of June 1, 2007, executed in accordance therewith, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment or reimbursement of the Administrative Expenses described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Administrative Expenses described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount: \$ _____

Description of Administrative Expense(s) or portion thereof accepted by Community Facilities District No. 95-1 and authorized to be paid to the Payee:

Administrative Expenses: _____

Executed by District's Representative for Community
Facilities District No. 95-1:

-EXHIBIT-

Signature: _____

Name: _____

Title: _____

Dated: _____

Payment Request No.: _____

[Attach to all requisitions copies of applicable bills or invoices]

ESCROW AGREEMENT

by and among

DEL MAR UNION SCHOOL DISTRICT

and

UNION BANK OF CALIFORNIA, NATIONAL ASSOCIATION,

As the Escrow Agent

Relating to the Legal Defeasance of

Del Mar Union School District
1999 Certificates of Participation
(School Facilities Project)

Dated as of June __, 2007

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Escrow Agreement") is made and entered into as of June __, 2007, by and between the **DEL MAR UNION SCHOOL DISTRICT**, a public school district organized and operating pursuant to the laws of the State of California ("District") and **UNION BANK OF CALIFORNIA, N.A.**, a national banking association organized, existing and operating pursuant to the laws of the United States of America, as escrow agent ("Escrow Agent").

RECITALS

WHEREAS, the District, pursuant to certain agreements with the Del Mar School District Financing Corporation, has previously provided for the execution and delivery the Del Mar Union School District 1999 Certificates of Participation (School Facilities Project) in the initial aggregate principal amount of \$12,660,000 ("1999 Certificates"), including that certain Trust Agreement dated as of July 1, 1999 ("1999 Trust Agreement"), and related documents, for the purpose of financing certain public capital facilities constructed or acquired by the District; and

WHEREAS, The Escrow Agent (under its former name, Union Bank of California, National Association) is acting as the Trustee for the 1999 Certificates ("1999 Certificates Trustee"); and

WHEREAS, the 1999 Certificates are next subject to prepayment on September 1, 2009 ("1999 Certificates Prepayment Date"), for such 1999 Certificates maturing on and after September 1, 2010, at a premium of 1.00% of the principal amount thereof and accrued interest thereon to such 1999 Certificates Prepayment Date; and

WHEREAS, the District has determined that it is in the best interest of the District to defease and prepay the outstanding 1999 Certificates, and the District has proposed to cause to be provided funds to defease the 1999 Certificates and to cause the 1999 Certificates to be prepaid in full on the 1999 Certificates Prepayment Date and has determined that it is desirable to enter into this Escrow Agreement to provide for the payment and prepayment of the 1999 Certificates upon the terms and conditions set forth herein; and

WHEREAS, the District, pursuant to a Fiscal Agent Agreement and related documents, intends to execute and deliver, through Community Facilities District No. 95-1 of the Del Mar Union School District ("CFD No. 95-1"), the Community Facilities District No. 95-1 of the Del Mar Union School District Series 2007 Special Tax Bonds ("2007 Bonds") and has determined to use a portion of the proceeds of the 2007 Bonds, together with other monies available therefore, to pay the presently outstanding 1999 Certificates and to cause their prepayment in full on the 1999 Certificates Prepayment Date; and

WHEREAS, in accordance with the provisions of Sections 4.2, 4.8 and 8.3 of the 1999 Trust Agreement, the District will cause certain funds held by the 1999 Certificates Trustee, and certain net proceeds of the 2007 Bonds, to be deposited with the Escrow Agent with which the District shall direct the Escrow Agent to purchase federal securities comprised of investments described on Exhibit "A" to this Escrow Agreement ("Escrow Investments"), which shall consist of cash or direct noncallable obligations of the United States, which is incorporated herein by this reference for the purpose of defeasing, prepaying and refunding the 1999 Certificates; and

WHEREAS, by irrevocably depositing with the Escrow Agent monies as permitted, and in the manner described by Sections 4.2, 4.8 and 8.3 of the 1999 Trust Agreement, the District has determined, in reliance on a report provided by Grant Thornton LLP ("Verification Agent"), dated June __, 2007 ("Escrow Verification Report"), upon which the Escrow Agent is conclusively relying as well, that the principal of, and interest on, the Escrow Investments (as defined herein), when due, will be sufficient to pay when due the payment and prepayment price of the 1999 Certificates on and prior to the 1999 Certificates Prepayment Date; and

WHEREAS, in order to obtain a portion of the monies needed for such purpose, in addition to monies to be obtained from the proceeds of the 2007 Bonds, the District shall authorize the transfer, concurrent with the delivery of this Escrow Agreement, of monies in the Certificate Payment Account of the Project Fund and the Lease Payment Account of the Project Fund pursuant to the 1999 Trust Agreement to the Escrow Agent for use in funding the 1999 Certificates Escrow Fund; and

WHEREAS, the District has heretofore approved the execution, sale and delivery of the 2007 Bonds and the deposit of a portion of the proceeds thereof in accordance with terms and conditions of this Escrow Agreement.

NOW, THEREFORE, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS WITH RESPECT TO THE FOREGOING FACTS:

ARTICLE I

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Section 1.1. Representations of the District. The District as to itself and not as to any other party, hereby represents, warrants and agrees that:

(a) **Authorization.** The execution, delivery and performance of this Escrow Agreement by the District is within the District's powers and has been duly authorized by all necessary action(s) of the District.

(b) **No Conflict.** The execution, delivery and performance of this Escrow Agreement will not violate or conflict with: (i) any resolution of the District; (ii) the Constitution or laws of the State of California; or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other

government or public entity with jurisdiction over the District or its operations; and (iv) will not result in or require the creation of any lien, mortgage, pledge, security interest or encumbrance of any kind (individually and collectively, a "Lien") on the facilities financed through the District.

(c) **Binding Obligation.** This Escrow Agreement has been duly executed and delivered by, and is a legally valid and binding obligation of the District, enforceable against the District in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

(d) **Title to Moneys Deposited in Escrow.** The District has good, sufficient and legal title to the moneys deposited in the 1999 Certificates Escrow Fund established hereunder, free and clear of all liens other than those created hereby.

Section 1.2. Representations of Escrow Agent. The Escrow Agent, as to itself and not as to any other party, hereby represents, warrants and agrees that:

(a) **Authorization.** The execution, delivery and performance of this Escrow Agreement by the Escrow Agent is within the Escrow Agent's powers and has been duly authorized by all necessary action(s) of the Escrow Agent.

(b) **No Conflict.** The execution, delivery and performance of this Escrow Agreement will not violate or conflict with:

- (i) The Articles of Association of the Escrow Agent; or
- (ii) Any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other government or public entity with jurisdiction over the Escrow Agent or its operations.

(c) **Binding Obligation.** This Escrow Agreement has been duly executed and delivered by, and is a legally valid and binding obligation of the Escrow Agent in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

ARTICLE II

ESTABLISHMENT OF 1999 CERTIFICATES ESCROW FUND

Section 2.1. Establishment of the 1999 Certificates Escrow Fund. There is hereby established the 1999 Certificates Escrow Fund which shall be a trust account established in escrow held in the custody of the Escrow Agent under this Escrow Agreement for the benefit of the owners of the 1999 Certificates. Moneys and securities on deposit in the 1999 Certificates Escrow Fund shall be held in the custody of the Escrow Agent solely for the benefit of the owners of the 1999

Certificates. Except to the extent of any excess which is to be released as provided in Section 3.3(b) hereof, the District shall not have any interest in the funds or investments held in the 1999 Certificates Escrow Fund. The moneys and securities held hereunder shall be irrevocably set aside for the payment and prepayment of the 1999 Certificates as provided in Section 3.3(b) hereof.

ARTICLE III

FUNDING OF 1999 CERTIFICATES ESCROW FUND; CREATION OF SECURITY INTEREST

Section 3.1. Funding of 1999 Certificates Escrow Fund.

(a) The District shall, simultaneously with the execution hereof, execute a request and authorization instructing Union Bank of California, N.A., acting as the fiscal agent for the 2007 Bonds ("2007 Bonds Fiscal Agent"), to transfer an amount equal to \$_____ of the net proceeds of the 2007 Bonds to the Escrow Agent for deposit into the 1999 Certificates Escrow Fund ("2007 Bonds Proceeds Deposit").

(b) The District hereby directs that the balances on deposit in the Certificate Payment Account of the Project Fund and the Lease Payment Account of the Project Fund (a total of \$_____) established for the 1999 Certificates ("1999 Escrow Deposit"), also be transferred by the Escrow Agent, in its capacity as the 1999 Certificates Trustee, into the 1999 Certificates Escrow Fund, which funds shall be separately accounted for from the 2007 Bonds Proceeds Deposit. The Escrow Agent agrees to make such transfer immediately upon its receipt of the 2007 Bonds Proceeds Deposit.

(c) The District warrants and represents (based on the Escrow Verification Report) that the 2007 Bonds Proceeds Deposit together with the 1999 Escrow Deposit is equal to an amount sufficient to purchase the Escrow Investments (as defined below), the principal of which, together with all interest due or to become due thereon, will be sufficient to pay when due the Prepayment Price of the 1999 Certificates and to pay all accrued interest due thereon until the 1999 Certificates Prepayment Date based on the Escrow Verification Report.

(d) To the extent the 2007 Bonds Proceeds Deposit, when combined with the moneys transferred as the 1999 Escrow Deposit, exceeds \$_____, the amount required to fully fund the 1999 Certificates Escrow Fund (based upon the Escrow Verification Report), and used to purchase the Escrow Investments, then the excess amount of the 2007 Bonds Proceeds Deposit, if any, shall be transferred promptly to the 2007 Bonds Fiscal Agent for deposit into the Special Tax Fund established for the 2007 Bonds in accordance with the 2007 Bonds Fiscal Agent Agreement.

(e) The Escrow Agent agrees to purchase the designated Escrow Investments with the moneys on deposit in the 1999 Certificates Escrow Fund following the aforementioned transfers. The Escrow Investments as set forth in Exhibit "A-1", attached hereto, shall mature no later than September 1, 2009, and shall have aggregate maturity value (including principal and interest) of not less than \$_____ to make the payments as provided in Section 3.3, below ("Escrow

Investments"). For purposes of this Escrow Agreement, the term "Escrow Investments" shall include "Federal Securities," as defined in the 1999 Trust Agreement. The Escrow Agent shall not have responsibility to ascertain the value of any particular escrow investment.

(f) The 1999 Certificates Escrow Fund created hereby shall be irrevocable, and the Escrow Bank is hereby appointed to act for the benefit of the owners of the 1999 Certificates which owners are hereby granted an express lien on the 1999 Certificates Escrow Fund, and all moneys and investments from time to time held therein, for the payment of amounts described in Section 3.3 below. The Escrow Agent shall hold the moneys and investments on deposit in the 1999 Certificates Escrow Fund separate and apart from, and not commingled with, any other moneys or investments.

(g) There is hereby created a security interest in the 1999 Certificates Escrow Fund in favor of the Escrow Agent for the benefit of the 1999 Certificates owners. The District hereby agrees to take such actions as may be necessary or required to perfect such security interest in accordance with the laws of the State of California. However, notwithstanding the foregoing, the Escrow Agent shall have no lien or claim upon the funds held in the 1999 Certificates Escrow Fund for any fees, charges, costs or expenses of the Escrow Agent.

Section 3.2. Yield on Funds and Investments Held in 1999 Certificates Escrow Fund.

Notwithstanding anything in this Escrow Agreement to the contrary, the District shall direct the Escrow Agent to invest moneys in the 1999 Certificates Escrow Fund in investments with a Yield not in excess of _____% (the yield on the 2007 Bonds).

Section 3.3. Defeasance and Prepayment of 1999 Certificates.

(a) The District, by funding the 1999 Certificates Escrow Fund with the Escrow Investments, intends to defease the 1999 Certificates in accordance with their terms and hereby irrevocably instructs the Escrow Agent to pay principal and interest on the 1999 Certificates as the same shall come due pursuant to the provisions of the 1999 Trust Agreement and as set forth in Exhibit "A-2," and to prepay the outstanding 1999 Certificates in whole on September 1, 2009, in accordance with their terms and the terms of the 1999 Trust Agreement. The District hereby designates the 1999 Certificates Escrow Fund as a special fund, set aside for the payment and prepayment in whole of the 1999 Certificates as set forth herein, and instructs the Escrow Agent to effect such payment and prepayment on and prior to September 1, 2009.

(b) Application of Escrow Fund. The proceeds of the Escrow Investments shall be applied on and prior to the 1999 Certificates Prepayment Date, to pay principal and interest on the 1999 Certificates as the same shall come due pursuant to the provisions of the 1999 Trust Agreement and as set forth in Exhibit "A-2" hereto and to pay and prepay in whole the then-outstanding 1999 Certificates, including principal, accrued interest and prepayment premium, as applicable, at the prepayment prices established therefor in the 1999 Trust Agreement on the 1999 Certificates Prepayment Date. The District hereby directs the Escrow Agent that the funds from the 1999 Escrow Deposit shall be the first funds used for the payment of accrued interest represented by the 1999 Certificates. The Escrow Agent agrees to apply the principal of the Escrow Investments, and the interest thereon, on the dates specified herein, in accordance with the terms hereof, to the

payment and prepayment of the outstanding 1999 Certificates as aforesaid; any moneys remaining in the 1999 Certificates Escrow Fund following such payment and prepayment of the 1999 Certificates in whole shall be transferred to the 2007 Bonds Trustee for deposit in the Special Tax Fund established under the 2007 Bonds Fiscal Agent Agreement.

(c) Irrevocable Designation of Redemption and Irrevocable Instructions to Provide Notice of Refunding. The District hereby irrevocably designates the 1999 Certificates for prepayment and refunding on the 1999 Certificates Prepayment Date. The form of the prepayment/refunding notice for the 1999 Certificates is attached hereto as Exhibit "B" and incorporated herein by reference. The District hereby irrevocably instructs the Escrow Agent to provide notice of the prepayment to the owners of the 1999 Certificates and to provide all other required notices of the prepayment thereof in accordance with the provisions of Sections 4.2 and 4.7 of the 1999 Trust Agreement. Any notices which are furnished by the Escrow Bank as required by this subsection shall be at the expense of the District.

(d) Priority of Payments. In accordance with the terms hereof, the holders of the 1999 Certificates shall have a first lien upon all moneys and securities in the 1999 Certificates Escrow Fund until such moneys and securities are used and applied pursuant to the terms of this Escrow Agreement.

(e) Notice of Insufficiency of Funds. If at any time a responsible officer of the Escrow Agent shall receive actual knowledge that the moneys and Escrow Investments in the 1999 Certificates Escrow Fund established hereunder will not be sufficient to make any payment required hereunder, the Escrow Agent shall notify the District of such fact, and the District shall promptly deposit, or arrange for the deposit of, the amount of such insufficiency with the Escrow Agent from any source of legally available funds but only on a basis subordinate to the full and timely payment of the 2007 Bonds.

Section 3.4. Acceptance of Duties. Union Bank of California, N.A., acting in its capacity as Escrow Agent, hereby accepts the duties and obligations of Escrow Agent hereunder and agrees to effect the purposes of this Escrow Agreement by payment of principal, premium and interest on, and the prepayment of, the 1999 Certificates as specified herein, from the proceeds of the respective escrow investments deposited hereunder.

Section 3.5. Reinvestment. Upon written direction of the District, the Escrow Agent shall reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable obligations which are direct obligations issued by the United States Treasury provided:

(i) the District certifies that the amounts of and dates on which the anticipated transfers from the 1999 Certificates Escrow Fund to the Escrow Agent for the payment of the principal of, redemption price of, and interest on the 1999 Certificates will not be diminished or postponed thereby;

(ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such reinvestment will not adversely

affect the exclusion from gross income of interest with respect to the 2007 Bonds or the 1999 Certificates, which opinion shall be addressed to the Del Mar Union School District and the Escrow Agent; and

(iii) the Escrow Agent shall receive from an independent nationally recognized firm of certified public accountants acceptable to Del Mar Union School District a certification that, giving effect to such reinvestment, the principal of and interest on government obligations in the 1999 Certificates Escrow Fund will, together with other cash on deposit in the 1999 Certificates Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the redemption price of and interest evidenced by the 1999 Certificates.

Except as provided in this Section 3.5, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or escrow securities held hereunder. In no event shall the District direct the Escrow Agent to invest or reinvest moneys held under this Escrow Agreement in mutual funds or unit investment trusts.

ARTICLE IV

TERMINATION OF ESCROW AGREEMENT

Section 4.1. Termination of Escrow Agreement. It is the intention and directive of the District that the proceeds of the Escrow Investments shall be applied to the payment and prepayment in whole of the 1999 Certificates at the prepayment prices established therefor in the 1999 Trust Agreement on and prior to September 1, 2009. The Escrow Agent agrees to apply the principal of and investment earnings on the Escrow Investments on the listed maturity dates for the Escrow Investments, in accordance with their terms, and to apply the proceeds thereof to the payment and prepayment of the 1999 Certificates on and prior to September 1, 2009. Upon completion of such payment and prepayment and transfer(s), if any, required hereunder, and the payment of any amounts owed to the Escrow Agent, this Escrow Agreement shall be terminated and of no further force or effect, except as otherwise expressly provided for herein.

ARTICLE V

THE ESCROW AGENT

Section 5.1. Fees of Escrow Agent. The District shall pay to the Escrow Agent fees and expenses as are mutually agreed upon by the District and the Escrow Agent as and for payment in full for the services of the Escrow Agent as escrow holder hereunder, through and including the payment and prepayment in whole of the 1999 Certificates.

It is also understood that the fee(s) agreed upon for the services of the Escrow Agent hereunder shall be considered compensation for its ordinary services as contemplated by this Escrow Agreement, but in the event that the conditions of the escrow provided for herein are not promptly

fulfilled or that the Escrow Agent renders any service hereunder not provided for in the foregoing instructions or that there is an assignment of any interest in the subject matter of the escrow provided for herein, or modification hereof, or that any controversy arises hereunder or that the Escrow Agent is made a party to, or intervenes in, or interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Agent shall be reasonably compensated by the District for such extraordinary services and reimbursed for all costs and expenses occasioned by such default, delay controversy or litigation, including, without limitation, the reasonable fees and disbursements of legal counsel (including the allocated costs and disbursements of in house counsel) to the Escrow Agent.

Section 5.2. Resignation of the Escrow Agent. The Escrow Agent, or a successor thereto, may at any time resign by giving thirty (30) days prior written notice to the District of such resignation. The District shall promptly appoint a successor escrow holder. Resignation of the Escrow Agent or a successor thereto will be effective only upon acceptance of appointment of a successor escrow holder. If the District does not appoint a successor within thirty (30) days of the Escrow Agent's Notice of Resignation, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow holder, which court may thereupon, after such notice, if required by law, appoint a successor escrow holder. After receiving a notice of resignation of an Escrow Agent, the District may appoint a temporary escrow holder to replace the resigning Escrow Agent until the District appoints a successor escrow holder. Any such temporary escrow holder so appointed by the District shall immediately and without further act be superseded by the successor escrow holder so appointed.

Section 5.3. Replacement of the Escrow Agent. The District may, unless a default on the part of the District with regard to this Escrow Agreement has occurred and is continuing, by written notice given to the Escrow Agent or a successor thereto at least thirty (30) days prior to removal, remove the Escrow Agent as the escrow agent for this Escrow Agreement, or any successor thereto. In the event of such removal, the District shall, promptly and in writing, appoint a successor escrow holder. Any such successor shall be a commercial bank, trust company or Federal savings bank in good standing and doing business and having a corporate trust office in Los Angeles, California (or such other location within California as the District shall direct or consent to), having a combined capital (exclusive of borrowed capital) and surplus together with its parent bank holding company of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such commercial bank, trust company or Federal savings bank and its parent bank holding company published a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 5.3, the combined capital and surplus of such commercial bank, trust company or Federal savings bank and its parent bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

Any removal of the escrow holder under this Escrow Agreement shall not become effective until written acceptance of the appointment by the successor escrow holder under this Escrow Agreement. Upon such appointment, qualification and acceptance, the successor escrow holder shall mail notice thereof to the owners of all outstanding 1999 Certificates at their addresses set forth in the 1999 Certificates Certificate Register as identified in the 1999 Trust Agreement. Upon the appointment, qualification and acceptance of a successor escrow holder, the escrow holder so

replaced shall promptly transfer to the successor escrow holder such records, documents, funds, and securities as shall be necessary, or requested, by the successor escrow holder to comply with the obligations hereof.

Section 5.4. Merger or Consolidation of Escrow Agent. Any company, state banking corporation or national banking association into which the Escrow Agent may be merged or converted or with which it may be consolidated or any financial institution resulting from any merger, conversion or consolidation to which it shall be a party or any financial institution to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such financial institution shall be otherwise eligible to serve in the capacity of Escrow Agent under the terms of this Escrow Agreement, shall be the successor hereunder to the Escrow Agent without the execution or filing of any paper or any further act.

Section 5.5. Immunities and Liabilities of Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement as against the Escrow Agent.

(b) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Escrow Agreement and may conclusively rely upon the direction of the District with respect to the resolution thereof. The Escrow Agent shall have the same protections and indemnification as the 1999 Certificates Trustee pursuant to the 1999 Certificates Trust Agreement relating to the 1999 Certificates.

(c) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein.

(d) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Escrow Investments deposited with it to pay the principal, interest, and premiums, as applicable, on the 1999 Certificates.

(e) The Escrow Agent shall not be liable for any action or omission of the District under this Escrow Agreement.

(f) Whenever in the administration of this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be provided or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate or an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

(g) The Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Escrow Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in connection with this Escrow Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

Section 5.6 Indemnification. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, defend, protect, save and hold harmless the Escrow Agent and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements of outside counsel and the allocated costs and disbursements of in-house counsel) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Agent (whether or not also indemnified against by the District or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the 1999 Certificates Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Agent made in the absence of negligence in the conduct of its duties; provided, however, that the District shall not be required to indemnify the Escrow Agent against its own negligence or willful misconduct. The indemnities contained in this Section shall survive the resignation or removal of the Escrow Agent or the termination of this Escrow Agreement.

ARTICLE VI

GENERAL

Section 6.1. Representations in Related Documents. Each party hereto represents and warrants that nothing contained in this Escrow Agreement in any way conflicts with any representations made by such party in connection with the documents referred to herein whether such representations were made by the documents or otherwise.

It is further agreed that the role of the Escrow Agent herein is strictly limited to that of escrow holder and that the Escrow Agent in its capacity as such makes no representations whatsoever as to the nature of the documents referred to herein or their compliance or lack thereof with any applicable state or federal laws, regulations or rulings except as otherwise expressly stated herein.

Section 6.2. Amendment.

This Escrow Agreement is made for the benefit of the District and the owners from time to time of the 1999 Certificates and it shall not be repealed, revoked, altered or amended without the

written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the Act, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 1999 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds or securities. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 6.2, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the 1999 Certificates, or that any instrument executed hereunder complies with the conditions and provisions of this Section 6.2.

Section 6.3 Counterparts. This Escrow Agreement may be executed in two or more counterparts, each of which together shall constitute one and the same instrument.

Section 6.4 Notices. All notices, instructions, accounting and other communications under this Escrow Agreement shall be in writing and shall be deemed duly given to the parties hereto if sent by U.S. Postal Service mail, 48 hours after deposit thereto, postage prepaid and addressed as follows:

If to the District: Del Mar Union School District
 225 Ninth Street
 Del Mar, CA 92014
 Attn: Superintendent

If to Escrow Agent: Union Bank of California, N.A.
 120 South San Pedro Street, Suite 400
 Los Angeles, CA 90012
 Attn: Corporate Trust Department

Section 6.5 Governing Law. This Escrow Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts made and performed in such State.

Section 6.6 Assignment. This Escrow Agreement shall not be assigned by the Escrow Agent without the prior written consent of the District except to a successor Escrow Agent pursuant to Sections 5.3 or 5.4 hereof.

Section 6.7 Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 6.8 Beneficiaries. The provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors or assigns.

Section 6.9 Successors or Assigns. Whenever the District or the Escrow Agent are named or are referred to in this Escrow Agreement, such provisions shall be deemed to include any successor of the District, or the Escrow Agent, immediate or intermediate, whether so expressed or not. All of the stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the District, or the Escrow Agent contained herein:

- (i) shall bind and inure to the benefit of any such successor; and
- (ii) shall bind and inure to the benefit of any officer, board, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with the law any right, power or duty of the District, or the Escrow Agent, respectively, or of its successor, the possession of which is necessary or appropriate to comply with any such stipulations, obligations, agreements or other provisions hereof.

Section 6.10 Headings. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

Section 6.11 Counterparts. This Escrow Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

[Remainder of this page is blank]

IN WITNESS WHEREOF, the parties hereto acknowledge that the foregoing terms, conditions and instructions have been read, understood, approved and accepted in their entirety by each of the undersigned.

DEL MAR UNION SCHOOL DISTRICT

By: _____
Authorized Officer

**UNION BANK OF CALIFORNIA, N. A., as
Escrow Agent**

By: _____
Authorized Officer

EXHIBIT "A-1"
ESCROW INVESTMENTS

EXHIBIT "A-2"

ESCROW FUND CASH FLOW

EXHIBIT "B"

**NOTICE OF REFUNDING
AND PREPAYMENT**

**DEL MAR UNION SCHOOL DISTRICT
1999 CERTIFICATES OF PARTICIPATION
(School Facilities Project)**

[Listing of CUSIP Numbers, maturity dates and principal amounts to be prepaid]

NOTICE IS HEREBY GIVEN to the holders of the above-referenced Certificates of Participation ("Certificates") that the Del Mar Union School District has deposited with Union Bank of California, N.A., Los Angeles, California, the escrow agent for said Certificates, cash and obligations of the United States of America, the principal of and interest on which when due will provide moneys sufficient to pay when due the principal and interest thereon when due on said Certificates maturing on or after the prepayment date specified herein and to pay the principal and interest thereon when due on such Certificates maturing prior to such date and the respective redemption price of such Certificates on such redemption date.

The Certificates maturing on and after September 1, 2010, shall be paid on September 1, 2009, at together with principal, prepayment premium and interest thereon, as applicable, to such date. Such payment shall be paid only from moneys available as aforesaid. The Certificates maturing on and after September 1, 2010, shall be prepaid at a premium of 1.00% of the principal amount thereof. From and after the prepayment date of September 1, 2009, interest represented by the Certificates shall cease to accrue.

Such Certificates are required to be surrendered at the office of Union Bank of California, National Association.

Further interest on the Certificates will not accrue after the September 1, 2009, date. The rights, title and interest of the Trustee and the Owners of the Certificates in the funds, accounts and subaccounts established and held pursuant to the 1999 Certificates Trust Agreement have ceased, terminated and become void.

[Additional information relating to place of payment, etc. may be inserted by Escrow Agent.]

DATED this _____ day of _____, 2007.

May 17, 2007

To: Board Members

From: Rodger Smith

Through: Tom Bishop

Subject: Board Consideration of Resolution NO. 95-60, 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, DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM PROCEEDS OF ISSUED DEBT AND SECURITIES

Community Facilities District No. 95-1 is currently planning to issue and sell the Series 2007 Special Tax Bonds of Community Facilities District No. 95-1 for the purposes set out in Resolution No. CFD 95-60. Prior to the time that the proceedings for the issuance and sale of those bonds are completed, and the proceeds of such bonds are available for expenditure on the authorized projects, the District expects that it may need to expend some funds for certain of those authorized projects from its General Fund, or other available funds, to include various school facilities and facilities costs, including design, architectural work and on-going construction on the Ocean Air School project.

District Bond Counsel (Bowie, Arneson, Wiles & Giannone) has advised that in order to satisfy federal tax requirements (and maintain the tax exempt status of the CFD's bonds) certain actions are necessary where the CFD desires to reimburse specified funds for capital expenditures made from the District's General Fund, and/or other funds or accounts, prior to the time that the funds from the bonds become available. Capital expenditures incurred on any project which will be funded prior to the sale and delivery of the bonds, under the limitations set out in Resolution No. CFD 95-60, may be reimbursed with proceeds of the CFD bonds, once they are issued and delivered, under the authority of this Resolution.

District Bond Counsel has recommended that since the District anticipates using proceeds of the bonds to reimburse the District's General Fund for capital expenditures for the currently planned projects that the District's Board of Trustees adopt Resolution No. CFD 95-60. The District staff will then comply with the documentation requirements of the Original Expenditure Memorandum form which is attached to the Resolution as Exhibit "B".

FISCAL IMPACT:

This Resolution Will Have a Neutral Effect on the General Fund

RECOMMENDATION:

The Superintendent Recommends the Board of Trustees Approve the Resolution No. 95-60, 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, DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM PROCEEDS OF ISSUED DEBT AND SECURITIES

RESOLUTION NO. 95-60

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, DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM PROCEEDS OF ISSUED DEBT AND SECURITIES

WHEREAS, the Board of Trustees ("Board") of the Del Mar Union School District ("District") desires to finance the costs of certain school facility projects, as described in Exhibit "A" attached hereto and incorporated herein by this reference ("Project"); and

WHEREAS, the District presently intends to fund a portion of the costs of the Project with proceeds obtained through the issuance of tax-exempt bonds issued by Community Facilities District No. 95-1 of the Del Mar Union School District ("CFD No. 95-1") as authorized pursuant to the provisions of the California Constitution and applicable law (collectively the "Bonds");

WHEREAS, prior to the issuance of the Bonds, the District desires to incur certain expenditures ("Original Expenditures") with respect to the Projects from available monies of the District's General Fund (and accounts thereof), and/or other funds, which expenditures the District desires to reimburse with the proceeds of the Bonds; and

WHEREAS, the Board desires to set forth a procedure pursuant to the current Federal Treasury Regulations Section 1.150-2 relating to the qualification for reimbursement of the District's Original Expenditures related to the Project incurred prior to the date of the issuance of the Bonds.

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, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The District hereby states that it intends and reasonably expects that costs of the Project incurred prior to the issuance of the Bonds proposed to be reimbursed from the proceeds of the Bonds include those set forth on Exhibit "A," attached hereto, which describes the name, purpose and function of the various school facilities comprising the Projects.

Section 2. The reasonably expected maximum principal amount of the Bonds to be issued to finance the Project, or a portion thereof, is \$22,500,000 and the reasonably expected maximum principal amount of the Bonds to be issued to reimburse the Original Expenditures is \$1,000,000.

Section 3. This Resolution is being adopted prior to or within sixty (60) days after the payment of the Original Expenditures. This Resolution, and its directives, are subject to those exceptions provided for in the Treasury Regulations relating to preliminary expenditures such as

planning, design, engineering work and similar costs incurred prior to the commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation and similar costs incident to commencement of construction.

Section 4.

(a) In General: Notwithstanding any statement made herein or pursuant to this Resolution to the contrary, no Original Expenditure shall be reimbursed from the proceeds of the Bonds unless the reimbursement allocation from such Bond proceeds is made within eighteen (18) months after the later of:

- (i) the date the Original Expenditure is paid; or
- (ii) the date the Project is placed into service or abandoned, but in no event more than three (3) years after the Original Expenditure is paid.

Section 5. This Resolution is consistent with the budgetary and financial circumstances of the District and CFD No. 95-1, as of the date of adoption of this Resolution. No monies from any sources other than the Bonds are, or are reasonably expected to be reserved, allocated on a long term basis, or otherwise set aside by the District and CFD No. 95-1 (or any related party) pursuant to its budget or financial policies with respect to Original Expenditure costs of the Projects.

Section 6. As a means of streamlining the process for designation of Original Expenditures of District funds as subject to reimbursement from the proceeds of the Bonds, the Board hereby directs that the following procedures may be used for such designation:

(a) At or prior to the time the budget for such Project is established, but prior to making an Original Expenditure, a memorandum (in some instances referred to as an "Original Expenditure Memorandum") shall be completed by the District staff, acting on behalf of the District and CFD No. 95-1, which memorandum shall include the following:

- (i) A designation that Original Expenditures shall be subject to reimbursement from the proceeds of the Bonds;
- (ii) A statement of the reasonably expected maximum principal amount of the Bonds to be issued to finance the Project;
- (iii) That the expected date of the issuance of the Bonds will be within eighteen (18) months of the later of the date the Original Expenditure is paid; or the date the Project is placed into service or abandoned, but in no event more than three (3) years after the Original Expenditure is paid;

- (iv) That the Original Expenditure is consistent with the budgetary and financial circumstances of the District, acting on behalf of the District and CFD No. 95-1, as of the date hereof;
- (v) To the best knowledge of the preparer of the Original Expenditure Memorandum, the Original Expenditure shall not previously have been designated as subject to reimbursement from the proceeds of any tax exempt financing of the District, CFD No. 95-1, or any of the District's subsidiary districts; and
- (vi) The Original Expenditure Memorandum shall identify the funds to be expended and their relationship to the Project.

(b) The Original Expenditure Memorandum shall reference this Resolution by number and date of adoption.

(c) All such Original Expenditure Memoranda shall, following adoption, be kept at the District administrative offices, as part of the District's records, , acting on behalf of the District and CFD No. 95-1, and shall be available for public review during regular business hours. A form of the Original Expenditure Memorandum is set forth in Exhibit "B," attached hereto and incorporated herein by this reference.

Section 7. This Resolution is adopted as a declaration of intent of the District, acting on behalf of CFD No. 95-1, pursuant to Section 1.150-2 and any other regulations of the Internal Revenue Service relating to qualification for reimbursement of Original Expenditures of the District related to the Project incurred prior to the date of issuance of the Bonds; is part of the District's official proceedings and records, acting on behalf of CFD No. 95-1; and will be available for inspection by the general public at the business offices of the District during regular business hours.

[Remainder of this page is blank]

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

BOARD OF TRUSTEES OF THE DEL MAR
UNION SCHOOL DISTRICT:

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, Dr. 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 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, at a meeting thereof held on the 23rd day of May, 2007, at which meeting 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 such Resolution was so 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, Dr. Janet Lamborghini, Clerk of the Board of Trustees of the Del Mar Union School District, do hereby certify that the foregoing is a true and correct copy of Resolution No. 95-60, which was duly adopted by 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, at a meeting thereof held on the 23rd day of May, 2007.

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

EXHIBIT "A" -- DESCRIPTION OF PROJECTS

The District, acting on behalf of CFD No. 95-1, expects to reimburse expenditures for school facilities, which will depend on the total funds available for such school facilities, which are generally described as follows:

- Costs of design, architect costs, construction, installation, construction support costs and other on-going costs for completion of the Ocean Air School project.

Specific expenditures shall be identified in each Original Expenditure Memorandum.

EXHIBIT "B" -- ORIGINAL EXPENDITURE MEMORANDUM

TO: Del Mar Union School District/Community Facilities District No. 95-1 of the Del Mar Union School District -- Reimbursement File

FROM: _____

DATE: _____

RE: Reimbursement of Original Expenditures in accordance with Federal Treasury Regulations Section 1.150-2 and Pursuant to Resolution No. 95-60, adopted by the Board of Trustees, acting as the Legislative Body of Community Facilities District No. 95-1 of the Del Mar Union School District, on May 23, 2007.

The following Original Expenditure Memorandum is completed and submitted pursuant to the directives of Resolution No. 95-60, adopted on May 23, 2007 by the Board of Trustees of the Del Mar Union School District ("District"), acting as the Legislative Body of Community Facilities District No. 95-1 of the Del Mar Union School District.

As part of the budgetary process for the Del Mar Union School District and Community Facilities District No. 95-1 of the Del Mar Union School District, the Original Expenditures set forth in Attachment "A" to this Original Expenditure Memorandum are hereby designated as subject to reimbursement from tax-exempt bonds anticipated to be issued by Community Facilities District No. 95-1 of the Del Mar Union School District. Attachment "A" is incorporated herein by this reference.

The reasonably expected maximum principal amount of the Bonds to be issued to finance the Project, as identified in Resolution No. 95-60 is \$22,500,000 and the reasonably expected maximum principal amount of the Bonds to be issued to reimburse the Original Expenditures is \$1,000,000.

The expected date of the issuance of the Bonds will be within eighteen (18) months of the expenditure date or dates of the funds designated herein or the date the Projects, as identified, is placed into service.

The expenditure of funds referenced herein is consistent with the budgetary and financial circumstances of Del Mar Union School District and Community Facilities District No. 95-1 of the Del Mar Union School District as of the date of this Original Expenditure Memorandum.

To the best knowledge of the preparer of this Original Expenditure Memorandum, the Original Expenditures to be designated for reimbursement pursuant to this Original Expenditure Memorandum have not been previously designated as subject to reimbursement by way of any other financing.

The Original Expenditures to be reimbursed are related to the Projects referenced in Resolution No. 95-60 as shown on Attachment "A" to this memorandum.

This Original Expenditure Memorandum shall, following adoption, be kept at the Del Mar Union School District's business offices and shall be available for public inspection during regular business hours.

By: _____

Title: _____

Attachment "A" to
Original Expenditure Memorandum

List of Expenditures to be Reimbursed

[to be completed when memorandum is completed]

May 16, 2007

To: Board Members
From: Rodger Smith
Through: Tom Bishop
Subject: Additional Documents for Review in Connection with the Proposed
Issuance of Bonds for CFD 95-1

Attached is a letter from Jones Hall, Bond Purchase Contract, Continuing Disclosure Certificate and Preliminary Official Statement regarding the bond sale for CFD 95-1 for board review.

FISCAL IMPACT: Informational Only

RECOMMENDATION: None

JONES HALL

A PROFESSIONAL LAW CORPORATION
ATTORNEYS AT LAW

CHARLES F. ADAMS
ALISON J. BENGE
THOMAS A. DOWNEY
DAVID T. FAMA
SCOTT R. FERGUSON
ANDREW C. HALL, JR.
COURTNEY L. JONES
WILLIAM J. KADI
CHRISTOPHER K. LYNCH
WILLIAM H. MADISON
STEPHEN G. MELIKIAN
PETER J. NOVAK *
DAVID A. WALTON
JULIE A. WUNDERLICH
* ADMITTED TO NEVADA ONLY

650 CALIFORNIA STREET
EIGHTEENTH FLOOR
SAN FRANCISCO, CA 94108

TELEPHONE
(415) 391-5780

FACSIMILE
(415) 391-5784

KENNETH I. JONES, RETIRED

HOME PAGE: <http://www.joneshall.com>

May 16, 2007

Members of the Board of Trustees
Del Mar Union School District

Re: COMMUNITY FACILITIES DISTRICT NO. 95-1
OF THE DEL MAR UNION SCHOOL DISTRICT
Series 2007 Special Tax Bonds

Dear President and Board Members:

In connection with proposed issuance of the bonds captioned above, a Preliminary Official Statement and other documents will be presented to your Board, in its capacity as legislative body of Community Facilities District No. 95-1 of the Del Mar Union School District, for your consideration and approval.

The Preliminary Official Statement for the Bonds is the most important document for the members of the Board to review. The Preliminary Official Statement discloses information with respect to, among other things,

- (i) the estimated sources and uses of funds relating to the Bonds,
- (ii) the purposes for which the proceeds of the Bonds will be used (primarily, to finance a portion of the construction costs of the Ocean Air School, which is currently in progress, and to refund in full the outstanding 1999 Certificates of Participation issued by the School District),
- (iii) the terms relating to the Bonds (interest rates, redemption terms, etc.),
- (iv) the security for repayment of the Bonds (primarily the special taxes levied by the Community Facilities District), and
- (v) information regarding the Community Facilities District (ownership, delinquency rates, property values, overlapping assessment and community facilities districts, etc.).

The members of the School District's financing team have participated in the preparation and review of the Preliminary Official Statement and the other documents and provided their input and comments, where applicable, in order that the documents comply with applicable securities laws requirements. The securities laws require that a Preliminary Official Statement (i) not contain any misleading information and (ii) not omit any material information. While it is important that the School District's staff members and the financing team have assisted in the preparation and review of the Preliminary Official Statement, the Preliminary Official Statement is the Community Facilities District's and

the School District's document, and ultimate responsibility for the Preliminary Official Statements rests with the Board.

The Securities and Exchange Commission has emphasized the obligations of public officials to review the Preliminary Official Statements prepared for their bond issues. In a written report following the Orange County bankruptcy, the SEC stated in a report that "public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading." While the members of the financing team have discussed a range of topics relating to this bond financing, there is the possibility that, as elected officials, you might be aware of something, or have a different perspective on something, that should be considered and disclosed in the Preliminary Official Statement.

Some of the questions members of the Board should ask themselves in reviewing the Preliminary Official Statement include:

1. Is there information about the School District, the Community Facilities District, or the special tax revenues that would be important for an investor to know before purchasing the Bonds?
2. Is there any pending or threatened litigation against the School District or concerning the Community Facilities District or any property contained within the Community Facilities District that could have a negative impact on the property in the Community Facilities District or the collection of the Special Taxes?

Since you have a different perspective and knowledge base than members of the financing team, it is important that you review the Preliminary Official Statement and that your input and questions be considered in finalizing the documents. The School District's staff and the financing team are available to review and respond to questions and comments you may have with respect to information included in the Preliminary Official Statement. Please note that the proposed resolutions approving the Preliminary Official Statement delegate authority to the School District staff to make changes to the Preliminary Official Statement following approval by your Board but before the Preliminary Official Statement is printed and distributed to investors.

If you have any questions or suggestions, please contact me at 415-391-5780.

Respectfully submitted,

/s/ Scott R. Ferguson
JONES HALL, A Professional Law Corporation

BOND PURCHASE CONTRACT

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

_____, 2007

Community Facilities District No. 95-1
of the Del Mar Union School District
225 Ninth Street
Del Mar, California 92014

Ladies and Gentlemen:

Stone & Youngberg LLC (the "**Underwriter**") offers to enter into this Bond Purchase Contract (this "**Purchase Contract**") with Community Facilities District No. 95-1 of the Del Mar Union School District (the "**Community Facilities District**") which, upon your acceptance of this offer, will be binding upon the Community Facilities District and the Underwriter. Terms not otherwise defined herein have the same meanings as set forth in the Fiscal Agent Agreement described below.

This offer is made subject to the acceptance by the Community Facilities District of this Purchase Contract on or before 9:00 a.m. on the date first set forth above.

1. Purchase of Bonds; Authorizing Documents. (a) Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Underwriter hereby agrees to purchase from the Community Facilities District, and the Community Facilities District hereby agrees to sell to the Underwriter, all (but not less than all) of \$_____ aggregate principal amount of the special tax bonds captioned above (the "**Bonds**") at a purchase price (the "**Purchase Price**") of \$_____ (being an amount equal to the par amount of the Bonds (\$_____), plus a net original issue premium of \$_____, and less an Underwriter's discount of \$_____).

(b) The Bonds will be issued by the Community Facilities District pursuant to:

- (i) the Mello-Roos Community Facilities Act of 1982 (constituting Sections 53311 et seq. of the California Government Code) (the "**Act**"),
- (ii) a resolution adopted on _____, 2007 by the Board of Trustees (the "**Board**") of the Del Mar Union School District (the "**School District**") acting as the Legislative Body of the Community Facilities District (the "**Resolution of Issuance**"), and
- (iii) a Fiscal Agent Agreement dated as of June 1, 2007 (the "**Fiscal Agent Agreement**"), between the School District and Union Bank of California, N.A., as fiscal agent (the "**Fiscal Agent**").

2. Terms of the Bonds. The Bonds will mature on the dates and in the principal amounts, and will bear interest at the rates, as set forth in Exhibit A hereto.

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.

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 _____, 2007 (the "**Escrow Agreement**"), by and between the School District and the Escrow Agent, and used to refund and defease, 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**").

3. Preliminary Official Statement; Official Statement; Continuing Disclosure; Public Offering.

(a) The Community Facilities District agrees to deliver to the Underwriter as many copies of the Official Statement dated the date of this Purchase Contract, relating to the Bonds (as supplemented and amended from time to time, the "**Final Official Statement**") as the Underwriter may reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("**Rule 15c2-12**"). The Community Facilities District agrees to deliver such Final Official Statements within 7 business days after the execution of this Purchase Contract, and in sufficient time to accompany any confirmation that requests payment from a customer. The Underwriter agrees to deposit the Final Official Statement with a qualified national registered municipal securities information repository on or as soon as practicable after the Closing Date (as defined in Section 6 below). The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

(b) The Community Facilities District has authorized and approved the Preliminary Official Statement dated _____, 2007 (the "**Preliminary Official Statement**") and the Final Official Statement dated the date of this Purchase Contract, and consents to their distribution and use by the Underwriter and the execution and approval of the Final Official Statement by a duly authorized officer of the Community Facilities District.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Rule 15c2-12, the Community Facilities District will execute a continuing disclosure certificate countersigned by Dolinka Group, Inc., as dissemination agent (the "**Continuing Disclosure Certificate**"), pursuant to which the Community Facilities District will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.

(d) The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields as set forth on Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds; provided that the Underwriter shall not change the interest rates set forth in the Official Statement. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

4. Representations and Warranties of the Community Facilities District. The Community Facilities District makes the following representations and warranties to the Underwriter.

(a) The Community Facilities District is duly organized and validly existing as a community facilities district under the Act, and has the full legal right, power and authority, among other things, (i) upon satisfaction of the conditions in this Purchase Contract and the Resolution of Issuance, to issue the Bonds for the purposes of providing the School Facilities, refunding and defeasing the 1999 Certificates, and paying the other fees contemplated by the Fiscal Agent Agreement, and (ii) to secure the Bonds in the manner contemplated in the Resolution of Issuance and the Fiscal Agent Agreement.

(b) The Board, acting as Legislative Body of the Community Facilities District, has the full legal right, power and authority to adopt the Resolution of Issuance and the other resolutions adopted by the Board with respect to establishing the Community Facilities District and authorizing issuance of the Bonds (the "**Resolutions**"), and the Community Facilities District has the full legal right, power and authority (i) to enter into this Purchase Contract, the Fiscal Agent Agreement, the Escrow Agreement and the Continuing Disclosure Certificate, (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate all other transactions on its part contemplated by each of the aforesaid documents (such documents are collectively referred to herein as the "**Community Facilities District Documents**"). The Community Facilities District and the Board, acting as the Legislative Body of the Community Facilities District, have complied with all provisions of applicable law, including the Act, in all matters relating to the adoption of the Resolutions, the formation of the Community Facilities District, the incurrence of bonded indebtedness by the Community Facilities District, and the levy of the Special Tax.

(c) The Board has duly authorized (i) the execution and delivery by the Community Facilities District of the Bonds and the execution, delivery and due performance by the Community Facilities District of its obligations under the Community Facilities District Documents, (ii) the distribution and use of the Preliminary Official Statement and execution, delivery and distribution of the Final Official Statement, and (iii) the taking of any and all such action as may be required on the part of the Community Facilities District to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the Community Facilities District in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Resolutions have been duly adopted by the Board and are in full force and effect; and the Community Facilities District Documents, when executed and delivered by the Community Facilities District and the other respective parties thereto, will constitute legal, valid and binding obligations of the Community Facilities District enforceable against the Community Facilities District in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) When delivered to the Underwriter, the Bonds will have been duly authorized by the Board and duly executed, issued and delivered by the Community

Facilities District and will constitute legal, valid and binding obligations of the Community Facilities District enforceable against the Community Facilities District in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Resolution of Issuance and the Fiscal Agent Agreement.

(f) The information contained in the Preliminary Official Statement relating to the School District, the Community Facilities District and its obligations under the Fiscal Agent Agreement, the Bonds, the Rate and Method (as defined therein), the Escrow Agreement, the Continuing Disclosure Certificate and the Resolutions is, and as of the Closing Date such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue or misleading statement of a material fact relating to the School District and the Community Facilities District or omit to state any material fact relating to the School District and the Community Facilities District necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Community Facilities District shall promptly notify the Underwriter in writing if, at any time prior to the earlier of (i) receipt of notice from the Underwriter that Final Official Statement is no longer required to be delivered under Rule 15c2-12 or (ii) the Closing Date (as described in Section 6 below), any event known to the officers of the School District participating in the issuance of the Bonds occurs with respect to the School District or the Community Facilities District as a result of which the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any information supplied by the Community Facilities District for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the School District or the Community Facilities District or omit to state any material fact relating to the School District or the Community Facilities District necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) Neither the adoption of the Resolutions, the execution and delivery of the Community Facilities District Documents, nor the consummation of the transactions on the part of the Community Facilities District contemplated herein or therein or the compliance by the Community Facilities District with the provisions hereof or thereof will conflict with, or constitute on the part of the Community Facilities District a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the Community Facilities District is a party or by which it is bound, (ii) any provision of the Act or the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Community Facilities District (or the members of the Board or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of the Community Facilities District to perform its obligations under the Community Facilities District Documents.

(i) The Community Facilities District has never been in default at any time, as to principal of or interest on any obligation which it has issued, which default may have an adverse effect on the ability of the Community Facilities District to consummate

the transactions on its part under the Community Facilities District Documents, except as specifically disclosed in the Final Official Statement; and other than the Bonds, the Community Facilities District has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Special Taxes (other than the agreements securing the payment of the 1999 Certificates, which will be terminated upon the issuance of the Bonds).

(j) Except as is specifically disclosed in the Final Official Statement, to the best knowledge of the Community Facilities District, 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 (i) in any way questions the powers of the Board or the Community Facilities District, or (ii) in any way questions the validity of any proceeding taken by the Board in connection with the issuance of the Bonds, or (iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Contract, or (iv) which, in any way, could adversely affect the validity or enforceability of the Resolutions, the Bonds, or the Community Facilities District Documents, or (v) 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 (vi) in any other way questions the status of the Bonds under State tax laws or regulations.

(k) Any certificate signed by an official of the Community Facilities District authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by the Community Facilities District Documents shall be deemed a representation and warranty by the Community Facilities District to the Underwriter as to the truth of the statements therein contained.

(l) The Bonds will be paid from Net Taxes (as defined in the Fiscal Agent Agreement) received by the Community Facilities District.

(m) The Special Taxes may lawfully be levied in accordance with the Rate and Method of Apportionment of Special Taxes relating to the Community Facilities District (the "**Rate and Method**"), and, when levied, will be secured by a lien on the property on which they are levied.

(n) The Fiscal Agent Agreement creates a valid pledge of, and first lien upon, Net Taxes deposited thereunder and the moneys in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(o) The Community Facilities District has not failed to comply with any undertaking of the Community Facilities District under Rule 15c2-12.

(p) Except as disclosed in the Final Official Statement, there are, to the best of the Community Facilities District's knowledge, after reasonable and diligent investigation of records made available by the County, no entities with outstanding assessment or special tax liens against any of the properties within the Community Facilities District.

(q) The issuance of the Bonds by the Community Facilities District conforms with the "Local Agency Goals and Policies for Community Facilities Districts" adopted by the School District on January 11, 1995.

(r) The Community Facilities District covenants with the Underwriter that the Community Facilities District will cooperate with the Underwriter (at the sole cost and expense of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the Community Facilities District shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The Community Facilities District consents to the use by the Underwriter of the Community Facilities District Documents in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions of the documents relating to the Bonds.

5. Representations and Agreements of the Underwriter. The Underwriter represents to and agrees with the Community Facilities District that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under the Purchase Contract required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the Community Facilities District, and is not prohibited thereby from acting as underwriter with respect to securities of the Community Facilities District.

(c) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm, or person (including, but not limited to, the Community Facilities District's financial consultants, or any officer, agent or employee thereof), *other than* a bona fide officer, agent or employee of the Underwriter, or independent consultant or professional engaged by and providing professional services to the Underwriter (including without limitation Underwriter's counsel), any compensation, fee gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Contract.

(d) The Underwriter has reasonably determined that the Community Facilities District's undertaking to provide continuing disclosure with respect to the Bonds under the Continuing Disclosure Certificate is sufficient to effect compliance with the Rule.

(e) The Underwriter agrees that, as a condition to closing, it will execute and deliver a reoffering price certificate in form and substance satisfactory to the Underwriter and Bond Counsel.

6. Closing. At 9:00 a.m. on _____, 2007, or at such other time or date as may be mutually agreed upon by the Community Facilities District and the Underwriter (the "**Closing Date**"), the Community Facilities District will deliver or cause to be delivered to the Underwriter the Bonds in definitive form duly executed and authenticated by the President and Clerk of the Board, in their capacities as officers of the Community Facilities District, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the Purchase Price of the Bonds by delivering to the Fiscal Agent for the account of the Community Facilities District a check payable in federal funds or making a

wire transfer in federal funds payable to the order of the Fiscal Agent and, to the extent of the premium for the Insurance Policy and debt service reserve surety, to the Bond Insurer.

The activities relating to the final execution and delivery of the Bonds and the payment therefor and the delivery of the resolutions, certificates, opinions and other instruments as described in Section 8 of this Purchase Contract shall occur at the offices of Bowie, Arneson, Wiles & Giannone, Newport Beach, California ("**Bond Counsel**"). The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is herein referred to as the "**Closing**." The Bonds will be delivered as fully registered Bonds initially in denominations of \$5,000 each and any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available for checking by the Underwriter at such place as the Underwriter and the Fiscal Agent agree not less than 24 hours prior to the Closing.

7. Termination Events. The Underwriter has the right to cancel its obligations to purchase the Bonds if between the date hereof and the Closing Date any of the following events occurs:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, has pending before it, or passes or recommends favorably, legislation introduced previous to the date hereof, which legislation, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Community Facilities District or by any similar body under the Resolution of Issuance, the Fiscal Agent Agreement or the Act, or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter's opinion, materially adversely affects the market price of the Bonds; or

(b) a tentative decision with respect to legislation is reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation is favorably reported or re-reported by such a committee or introduced, by amendment or otherwise, in or passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or enacted or a decision by a federal court of the United States or the United States Tax Court is rendered, or a ruling, release, order, regulation or official statement by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency is made or proposed to be made having the purpose or effect, or any other action or event occurs that has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the Community Facilities District under the Resolution of Issuance or upon interest received on obligations of the general character of the Bonds, or the Bonds, which, in the opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds; or

(c) legislation is enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States is rendered, the effect of which is that the Bonds, including any underlying obligations, or

the Resolution of Issuance or the Fiscal Agent Agreement, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the execution and delivery of the Fiscal Agent Agreement as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) any event occurs or any information becomes known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(f) there occurs any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) a general banking moratorium is declared by federal, New York or State authorities; or

(i) any proceeding is pending or threatened by the Securities and Exchange Commission against the School District, the Board, or the Community Facilities District; or

(j) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which adversely affects the Underwriter's ability to sell the Bonds; or

(k) the New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter; or

(l) an amendment to the federal or State constitution is enacted or action is taken by any federal or State court, Legislative Body, regulatory body or other authority

materially adversely affecting the tax status of the Community Facilities District, its property, income or securities (or interest thereon), the validity or enforceability of the Special Tax or the ability of the Community Facilities District or the School District to issue the Bonds and levy the Special Tax as contemplated by the Resolution of Issuance, the Fiscal Agent Agreement, the Act, the Rate and Method and the Final Official Statement; or

(m) the entry of any order by a court of competent jurisdiction that enjoins or restrains the issuance of permits, licenses or entitlements within the Community Facilities District or which order, in the reasonable opinion of the Underwriter, otherwise materially and adversely affects development within the Community Facilities District.

8. Conditions to Closing. The obligations of the Underwriter to purchase the Bonds shall be subject (i) to the performance by the Community Facilities District of its obligations to be performed hereunder at and prior to the Closing, (ii) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the Community Facilities District herein, and (iii) to the following conditions, including the delivery by the Community Facilities District of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Final Official Statement, this Purchase Contract, the Fiscal Agent Agreement, the Resolution of Issuance, the Escrow Agreement and the Continuing Disclosure Certificate shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and (ii) the Community Facilities District shall have been duly formed and there shall be in full force and effect such resolutions as, in the opinion of Bowie, Arneson, Wiles & Giannone, as Bond Counsel, are necessary in connection with the transactions contemplated hereby, including, but not limited to, the Resolution of Issuance.

(b) The Underwriter shall receive the Bonds at the Closing, and the terms of the Bonds delivered shall in all instances be as described in Final Official Statement.

(c) At or prior to the Closing, the Underwriter will have the opportunity to review and approve final executed originals of the following documents, and within a reasonable time following the Closing the Underwriter shall receive a complete transcript related to the issuance of the Bonds which shall contain the following documents and be (a) in electronic form on CD-ROM or similar format, if available, or (b) in the form of a physical transcript binder, if electronic transcripts are not prepared:

(i) A final approving opinion of Bond Counsel dated the Closing Date in the form attached as an appendix to the Final Official Statement.

(ii) A letter or letters of Bond Counsel addressed to the Underwriter, which includes a statement to the effect that Bond Counsel's final approving opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter, and further provides:

(A) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION" (except under the subcaption "Bond Insurance"), "CONTINUING DISCLOSURE," "THE BONDS," "SECURITY FOR THE BONDS" (except under the subcaption

"Rate and Method") and "LEGAL MATTERS – Tax Exemption," and in Appendix D and Appendix F thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolutions, the Fiscal Agent Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and Bond Counsel's opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects;

(B) the Community Facilities District is a community facilities district duly organized and validly existing under the laws of the State, including the Act;

(C) the Community Facilities District has duly and validly executed and delivered the Bonds and the Community Facilities District Documents, and the Bonds and the Community Facilities District Documents constitute the legal, valid and binding obligations of the Community Facilities District enforceable against the Community Facilities District in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought; and

(D) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) An opinion of Jones Hall, A Professional Law Corporation, as disclosure counsel to the Community Facilities District ("**Disclosure Counsel**"), addressed to the Underwriter and the Community Facilities District, to the effect that without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Final Official Statement, nothing has come to such counsel's attention which would lead them to believe that the Final Official Statement, including the cover page (but excluding therefrom the appendices thereto, financial statements and statistical data, and information regarding The Depository Trust Company and its book entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iv) An opinion, dated the Closing Date and addressed to the Underwriter, of Bowie, Arneson, Wiles & Giannone, special counsel to the Community Facilities District, in form and substance acceptable to the Underwriter to the effect that:

(A) the Community Facilities District is duly organized and validly existing as a community facilities district under and by virtue of the Act,

the Constitution and laws of the State, with full legal right, power and authority to adopt the Resolutions, to issue the Bonds and to execute the Community Facilities District Documents;

(B) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or to the knowledge of special counsel to the Community Facilities District, threatened, in any way affecting the existence of the Community Facilities District or the titles of the Community Facilities District's officials to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Resolution of Issuance and the Fiscal Agent Agreement, or the collection or application of the Special Taxes to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Community Facilities District Documents or any action of the Community Facilities District contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the Community Facilities District or its authority with respect to the Bonds, the Community Facilities District Documents or any action on the part of the Community Facilities District contemplated by any of said documents, wherein an unfavorable decision, ruling, or finding could materially adversely affect the validity or enforceability of the Bonds or the Community Facilities District Documents;

(C) the execution and delivery of the Bonds and the Community Facilities District Documents, and compliance with the provisions of each, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Community Facilities District to perform its obligations under the Bonds or the Community Facilities District Documents; and

(D) all approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the Community Facilities District to perform its obligations under the Bonds or the Community Facilities District Documents, have been obtained or made, as the case may be, and are in full force and effect.

(v) A certificate, in form and substance as set forth in Exhibit B hereto, of the Community Facilities District, dated as of the Closing Date.

(vi) The Final Official Statement executed on behalf of the Community Facilities District by a duly authorized officer.

(vii) Certified copies of the Resolutions.

(viii) Specimen Bonds.

(ix) Evidence that Internal Revenue Service Form 8038 has been executed by the Community Facilities District and will be filed with the Internal Revenue Service.

(x) Executed copies of the Fiscal Agent Agreement, the Escrow Agreement, and the Continuing Disclosure Certificate.

(xi) A non-arbitrage certificate executed by the Community Facilities District in form and substance satisfactory to Bond Counsel.

(xii) In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the Community Facilities District in the form attached hereto as Exhibit C.

(xiii) A certificate in form and substance as set forth in Exhibit D hereto, of Dolinka Group, Inc., Newport Beach, California ("**Special Tax Consultant**"), dated as of the Closing Date.

(xiv) A certificate in form and substance as set forth in Exhibit E hereto of the Fiscal Agent and an opinion of its counsel in form and substance satisfactory to the Underwriter and Bond Counsel.

(xv) Evidence that the Bond Insurer has issued its Insurance Policy with respect to the Bonds.

(xvi) Evidence that Standard & Poor's Rating Services has assigned its rating of "AAA" to the Bonds, and that Fitch Ratings has assigned its rating of "AAA" to the Bonds, in each case based on the issuance of the Insurance Policy on the Closing Date.

(xvii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Community Facilities District with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the Community Facilities District herein contained and the due performance or satisfaction by the Community Facilities District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Community Facilities District.

If the Community Facilities District is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Community Facilities District shall be under further obligation hereunder; except that the

respective obligations to pay expenses, as provided in Section 11 hereof shall continue in full force and effect.

9. Conditions to Community Facilities District's Obligations. The obligations of the Community Facilities District hereunder are conditioned upon (a) the performance by the Underwriter of its obligations hereunder, and (b) receipt by the Community Facilities District of opinions and certificates being delivered at the Closing by persons and entities other than the Community Facilities District.

10. Survival of Representations, Warranties and Agreements. All representations, warranties and agreements of the Community Facilities District hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, the School District or the Community Facilities District and shall survive the Closing.

11. Expenses. The Community Facilities District shall pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Purchase Contract, including, but not limited to, delivery of the Bonds, costs of printing the Bonds, the Preliminary Official Statement and the Final Official Statement, any amendment or supplement to the Preliminary Official Statement or Final Official Statement and this Purchase Contract, fees and disbursements of Bond Counsel and Disclosure Counsel, the Community Facilities District's general counsel, any financial advisor and other consultants (including without limitation the fees and expenses of the Special Tax Consultant and the Fiscal Agent/Escrow Agent), and the premium for the Insurance Policy and debt service reserve surety to be issued by the Bond Insurer. The Community Facilities District and the Underwriter acknowledge and agree that the Underwriter will wire the premium for the Insurance Policy and debt service reserve surety directly to the Bond Insurer on the Closing Date.

The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

12. Notice. Any notice or other communication to be given to the School District or the Community Facilities District under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Stone & Youngberg LLC, 515 South Figueroa Street, Suite 1060, Los Angeles, California 90071, Attention: Public Finance Department.

13. Benefit. This Purchase Contract is made solely for the benefit of the Community Facilities District and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

15. Effective Date. This Purchase Contract shall become effective upon acceptance hereof by the Community Facilities District.

16. Counterparts. This Purchase Contract 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.

17. Severability. If any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

18. Non-assignment. Neither the Community Facilities District nor the Underwriter may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior consent of the other party hereto.

STONE & YOUNGBERG LLC

By: _____
Managing Director

Accepted and agreed to as of
the date first above written:

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

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

EXHIBIT A

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

MATURITY SCHEDULE

\$ _____ Serial Bonds

<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>
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Term Bonds

<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>
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C = priced to the optional call date of September 1, 20__.

OPTIONAL REDEMPTION TERMS

[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

* Preliminary; subject to change.

EXHIBIT B

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

ISSUER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am the duly appointed and acting representative of the Del Mar Union School District (the "School District"), the Governing Board of which (the "Board") is the Legislative Body for Community Facilities District No. 95-1 of the Del Mar Union School District (the "Community Facilities District"), a community facilities district duly organized and existing under the laws of the State of California (the "State") and that as such, I am authorized to execute this Certificate on behalf of the Community Facilities District in connection with the issuance of the bonds captioned above (the "Bonds").

I hereby further certify on behalf of the Community Facilities District that:

(1) the representations, warranties and covenants of the Community Facilities District contained in Section 4 of that certain Bond Purchase Contract by and between the Community Facilities District and Stone & Youngberg LLC, dated _____, 2007 (the "Purchase Contract") are true and correct and in all material respects as of the date hereof as if made on the date hereof;

(2) the representations and warranties of the Community Facilities District contained in the Community Facilities District Documents are true and correct in all material respects as of the date hereof as if made on the date hereof, and the Community Facilities District has complied with all agreements, covenants and conditions to be complied with by the Community Facilities District under the Community Facilities District Documents as of the date hereof;

(3) to the best knowledge of the Community Facilities District, no event affecting the School District or the Community Facilities District has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information relating to the School District or the Community Facilities District contained in the Final Official Statement or is not reflected in the Final Official Statement but should be reflected therein in order to make such statements and information therein not misleading in any material respect; and

(4) The Special Tax has been levied for fiscal year 2006-07 in accordance with the Rate and Method.

Capitalized terms not defined herein shall have the same meaning as is set forth in the Purchase Contract.

Dated: _____, 2007.

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

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

EXHIBIT C

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

15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he is the duly appointed and acting representative of the Del Mar Union School District (the "School District"), the Governing Board of which is the Legislative Body of Community Facilities District No. 95-1 of the Del Mar Union School District (the "Community Facilities District"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Community Facilities District as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the School District and the Community Facilities District (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: _____, 2007

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

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

EXHIBIT D

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

CERTIFICATE OF SPECIAL TAX CONSULTANT

Dolinka Group, Inc. ("Special Tax Consultant"), Newport Beach, California was retained as Special Tax Consultant and has reviewed the Rate and Method of Apportionment of the Special Tax (the "Rate and Method") set forth in Appendix B to the Official Statement (the "Official Statement") dated _____, 2007, relating to the bonds captioned above (the "Bonds").

Based upon such review, the Special Tax Consultant hereby certifies that the Special Tax, if levied in the maximum amounts permitted pursuant to the Special Tax formula set forth in the Rate and Method on the date hereof, would be levied in an amount equal to at least 110% of the gross annual debt service on the Bonds, provided that the annual debt service figures in the debt service schedule contained in the Official Statement, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax, if levied in the maximum amounts pursuant to the Special Tax formula set forth in the Rate and Method, would be levied in an amount equal to at least 110% of the gross annual debt service payable with respect to the Bonds each year, no representation is made herein as to actual amounts that will be collected in future years.

All information with respect to the Rate and Method in the Official Statement, and all information in the Official Statement provided by the Special Tax Consultant, is true and correct as of the date of the Official Statement and as of the date hereof.

Dated: _____, 2007

DOLINKA GROUP, INC.

By: _____

EXHIBIT E

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

CERTIFICATE OF FISCAL AGENT

The undersigned hereby states and certifies that the undersigned is an authorized officer of Union Bank of California, N.A., as fiscal agent (the "Fiscal Agent") under that certain Fiscal Agent Agreement, dated as of June 1, 2007 (the "Fiscal Agent Agreement"), by and between Community Facilities District No. 95-1 of the Del Mar Union School District (the "District") and the Fiscal Agent, relating to the captioned bonds (the "Bonds") and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Fiscal Agent:

(1) The Fiscal Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.

(2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent.

(3) To the best knowledge of the Fiscal Agent, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the Fiscal Agent would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligation under the Fiscal Agent Agreement.

Dated: _____, 2007

UNION BANK OF CALIFORNIA, N.A.,
as Fiscal Agent

By _____
Authorized Officer

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**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) An updated table in substantially the form of the table in the Official Statement entitled "Table 1, Delinquency History," and a summary of the status of any foreclosure actions taken with respect to any special tax delinquencies under the Fiscal Agent Agreement.

(c) An updated table in substantially the form of the table in the Official Statement entitled "Table 2, Assessed Value History," based on information obtained from the San Diego County Assessor's records.

(d) A land ownership summary listing all property owners 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.

(e) The principal amount of the Bonds outstanding and the balance in the Reserve Fund or stated amount of any debt service reserve surety on deposit in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date.

(f) An updated table in substantially the form of the table in the Official Statement entitled "Table 3, 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.

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

(h) 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.

(i) In addition to any of the information expressly required to be provided under paragraphs (a) through (h) 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. ☐ Principal and interest payment delinquencies | 6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. ☐ Non-payment related defaults | 7. ☐ Modifications to the rights of security holders |
| 3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties | 8. ☐ Bond calls |
| 4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties | 9. ☐ Defeasances |
| 5. ☐ Substitution of credit or liquidity providers, or their failure to perform | 10. ☐ Release, substitution, or sale of property securing repayment of the securities |
| | 11. ☐ 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 _____

PRELIMINARY OFFICIAL STATEMENT DATED MAY ____, 2007

NEW ISSUE - FULL BOOK-ENTRY

INSURED RATINGS: S&P: "AAA"
Fitch: "AAA"
 See "RATINGS."

In the opinion of Bowie, Ameson, 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 as amended (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) defease and 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, and (v) 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, Ameson, Wiles & Giannone, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional

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.

STONE & YOUNGBERG LLC

* 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>
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					

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

\$ ____ % Term Bond due September 1, 2036, 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

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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 1,541 individuals and entities are the owners of the taxable property within the Community Facilities District (collectively, the "**Property Owners**"), consisting of approximately 1,540 individual homeowners and one limited liability company (which owns an apartment complex). 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) defease and 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, and pay certain 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 (as defined in the Fiscal Agent Agreement) levied on the property in the Community Facilities District 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 Taxes 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."

Bond Insurance. Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Insurance Policy") to be issued by Ambac Assurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds. See "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 agent 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.
- Dolinka Group, Inc., Newport Beach, California, is acting as special tax consultant and financial 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) defease and 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 \$11,435,000.

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 simultaneously terminated.

Advance Refunding. All of the outstanding 1999 Certificates will be paid as they become due prior to September 1, 2009, and prepaid in full 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 date of issuance 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 and prior to 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>()</u>
Total Sources	\$

USES

Deposit into Capitalized Interest Subaccount [1]	\$
Costs of Issuance [2]	
Deposit into Construction Fund [3]	
Transfer to Escrow Fund [4]	
Total Uses	\$

- [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 (which the Underwriter will wire directly to the Bond Insurer at Closing), 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 Certificates. See "- Refunding Plan" above.

Facilities to be Financed with Proceeds of the Bonds

Authorized Facilities. Under the Resolution of Formation adopted by the Community Facilities District on April 19, 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 costs of School Facilities may include the costs of elementary school construction, elementary school site acquisition, interim facilities, central support, administration, busses, special education facilities, furniture, equipment, and technology; and the costs associated with the expansion, relocation, rehabilitation, leasing or purchasing of those facilities, and the planning and design of those facilities. 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 January 11, 1995, the Board adopted Resolution No. CFD 95-02 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 95-03 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 called a special election in order to submit to the qualified electors a proposition to authorize 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 95-09 under which the Board approved the canvass of the votes 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 May 25, 1995, as Document No. 1995-0219124.

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 and completed proceedings to annex additional territory into the Community Facilities District 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 authorizing the levy and collection of special taxes on such annexed territory (collectively the "**Annexations**"), which are summarized below:

Annexation No. (Designation)	Resolution of Intention	Resolution Canvassing Election Results and Annexing Territory	Special Tax Ordinance	Amendment to Notice of Special Tax Lien	Boundary Map Information
No. 1	Resolution No.: CFD 95-15 Adopted: Aug. 13, 1997	Resolution No.: CFD. 95-17 Adopted: Nov. 12, 1997	Ordinance No.: 1997-01 Adopted: Dec. 10, 1997	Recorded: Jan. 12, 1998 Instrument No.: 1998-0015053	Recorded: Nov. 25, 1997 Instrument No.: 1997-0597036 Book 31, Page 39
No. 2001-1	Resolution No.: CFD 95-25 Adopted: Feb. 21, 2001	Resolution No.: CFD 95-27 Adopted: April 25, 2001	Ordinance No.: 2001-01 Adopted: May 23, 2007	Recorded: May 7, 2001 Instrument No.: 2001-0286492	Recorded: May 2, 2001 Instrument No.: 2001-0276069 Book 35, Page 23
No. 2002-1	Resolution No.: CFD 95-31 Adopted: Dec. 12, 2001	Resolution No.: CFD 95-33 Adopted: Feb. 27, 2002	Ordinance No.: 2002-01 Adopted: March 20, 2002	Recorded: March 26, 2002 Instrument No.: 2002-0252278	Recorded: March 5, 2002 Instrument No.: 2002-0184065 Book 36, Page 16
No. 2002-2	Resolution No.: CFD 95-39 Adopted: Sep. 25, 2002	Resolution No.: CFD 95-42 Adopted: Nov. 20, 2002	Ordinance No.: 2002-02 Adopted: Dec. 18, 2002	Recorded: Dec. 23, 2002 Instrument No.: 2002-1176624	Recorded: Dec. 17, 2002 Instrument No.: 2002-1153522 Book 36, Page 57
No. 2004-1	Resolution No.: CFD 95-47 Adopted: Jan. 21, 2004	Resolution No.: CFD 95-49 Adopted: March 30, 2004	Ordinance No.: 2004-01 Adopted: April 28, 2004	Recorded: April 13, 2004 Instrument No.: 2004-0316932	Recorded: April 2, 2004 Instrument No.: 2004-0278154 Book 38, Page 22

The Special Tax Ordinance relating to Annexation No. 2001-1 was not adopted at the time of the other proceedings for this Annexation; the 30-day challenge period for this annexation will expire on June 22, 2007. More detailed descriptions of the Annexations and annexed territory are on file with the Clerk of the Board.

Resolution Authorizing Issuance of the Bonds: On _____, 2007, the Board adopted Resolution No. CFD 95-59 approving issuance of the Bonds of the Community Facilities District in an amount not to exceed \$22,500,000.

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>
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
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, from any source of available funds, 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.]

<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.

<u>Sinking Fund Redemption Date</u> <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.

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

Conditional Redemption Notice. If the Community Facilities District issues securities to currently or advance refund all or a portion of the then-Outstanding Bonds, the Community Facilities District may include a statement in the notice of redemption that the redemption of such Bonds is contingent on such securities being issued.

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 Certain Provisions of the Legal Documents - 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, specifically including the Special Tax Fund, the Bond Fund, the Reserve Fund and the Redemption Fund (and the accounts and subaccounts thereof). 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.

"**Special Taxes**" is defined as the special taxes levied by the Legislative Body within the Community Facilities District pursuant to the Act, the Resolution of Formation, the Ordinance and the voter approvals obtained at the May 10, 1995, combined special election held within the Community Facilities District and the special tax elections conducted for the Annexations. "Special Taxes" also include such special taxes authorized in future annexation proceedings authorized pursuant to the Act for territory annexed into the Community Facilities District in the future.

"**Administrative Expense Requirement**" is defined as an amount up to \$40,000 per Fiscal Year.

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

(1) \$810.62 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.

Current Development Status and Property Classifications. All of the Taxable Property in the Community Facilities District is currently classified as Developed Property under the Rate and Method.

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 with and for the benefit of the Bondowners that, under Section 53356.1 of the Act, on or about February 15 and June 15 of each Fiscal Year, the Community Facilities District will determine, or cause to be determined, whether or not any owners of Taxable Property (as defined in the Rate and Method) within the Community Facilities District are delinquent in the payment of Special Taxes, 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 \$4,000 or more or

(ii) any owner owns one or more parcels subject to a Special Tax delinquency in an aggregate amount of \$5,000 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) the Community Facilities District will take action to authorize the commencement of foreclosure proceedings within 90 days of such determination, to the extent permissible under applicable law, and will thereafter diligently prosecute such proceedings in superior court to the extent permitted by 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 individual delinquencies determined as described 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 (to the extent such delinquencies remain uncured) the Community Facilities District will take action to authorize the 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, and will thereafter diligently prosecute such proceedings in superior court to the extent permitted by law.

Additional Notices. Additionally, the Community Facilities District will determine, or cause to be determined, on or about June 30 of each year, whether or not any owners of Taxable Property within the Community Facilities District are delinquent in the payment of Special Taxes. If such delinquencies exist, the Community Facilities District will send, or cause to be sent, a notice of delinquency thereof to be sent to the owner of such property within 45 days of such determination.

Limiting Provision. Notwithstanding the foregoing, however, the Community Facilities District will not be required to order, or take action upon, the commencement of foreclosure proceedings as described above if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement (excluding for purposes of this determination any additional revenue received by the Community Facilities District as part of any "Teeter Plan" payments, as may be applicable, and any payments from the Letter of Credit Fund) and no draw has been made on the Reserve Fund that has not been fully replenished. However, the foregoing sentence will not affect the requirements for notices of delinquencies as provided for above. However, notwithstanding the foregoing, if the Community Facilities District determines that any single property owner in the District is delinquent in excess of \$4,000 of payment of Special Taxes, then the Community Facilities District will diligently take action to institute and pursue foreclosure proceedings against such property owner, notwithstanding the first sentence of this paragraph.

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 Act 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 Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the 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.

(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.]

(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 corresponding 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, 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 “Debt Service Reserve Fund Ambac Assurance Surety Bond” below for a further description of the reserve fund surety and “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 Certain Provisions of the Legal Documents - 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.

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 (each a "**Debt Service Reserve Surety**"), 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 Debt Service Reserve Surety 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).

Debt Service Reserve Fund Ambac Assurance Surety Bond

The following information has been furnished by the Bond Insurer for use in this Official Statement.

Application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a reserve fund surety (the "Surety Bond") for the purpose of funding the Reserve Fund. The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one day after receipt by Ambac Assurance of a demand for payment executed by the Fiscal Agent certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Fiscal Agent sufficient to enable the Fiscal Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

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

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

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

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

Issuance of Parity Bonds

The Community Facilities District may, at any time after the issuance and delivery of the Bonds, issue Parity Bonds 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 and the limits of this provision (in which the Community Facilities

District requires that the lien to value ratio must be not less than 10 to 1 as set out below) (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 10 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 110% 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 Certain Provisions of the Legal Documents - 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 Certain Provisions of the Legal Documents - Fiscal Agent Agreement."

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.

Payment Pursuant to Financial Guaranty Insurance Policy

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

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

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

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

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Fiscal Agent, Paying Agent or Bond Registrar, if any.

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

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

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

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$10,015,000,000** (unaudited) and statutory capital of approximately **\$6,371,000,000** (unaudited) as of **December 31, 2006**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

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

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under this heading "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC").

These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

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

Incorporation of Certain Documents by Reference

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

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

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

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 3,843 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 generally meets every calendar month and the meetings are public. The community is invited to attend these meetings, and the Board welcomes the participation of the community.

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

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Dr. Annette Easton	President of the Board	December 2010
Dr. Janet Lamborghini	Clerk of the Board	December 2008
Linda Crawford	Member	December 2008
Steven McDowell	Member	December 2010
Katherine White	Member	December 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	3,510	5.56%
2004-05	3,672	4.62%
2005-06	3,731	1.61%
2006-07	3,843	3.00%

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

AERIAL PHOTO

THE COMMUNITY FACILITIES DISTRICT

General

Description and Location. The Community Facilities District is located in the northern portion of the City of San Diego.

The Community Facilities District consists of many non-contiguous parcels generally located east of Interstate 5 and on either side of State Route 56. An aerial photo of the Community Facilities District is located on the preceding page.

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 current boundary map of the Community Facilities District is attached as APPENDIX G.

Annexations. The Community Facilities District was originally formed in _____. Subsequently, additional acreage was annexed into the Community Facilities District through five annexation proceedings carried out in 1997 through 2004. See "THE BONDS – Authority for Issuance."

Special Tax Prepayments. The Community Facilities District (including the Annexations) consists of 1,757 parcels, of which property owners have prepaid in full the Special Taxes with respect to 126 parcels, leaving 1,541 parcels currently classified as Taxable Property.

Gross and Anticipated Net Taxable Acres. The property in the Community Facilities District currently contains approximately 1,175 gross acres, and approximately 676 net acres currently classified as Taxable Property.

Estimated Maximum Special Tax Proceeds and Debt Service Coverage

The Rate and Method is structured to produce Maximum Annual Special Tax revenues which, when applied to the projected debt service on the Bonds, are anticipated to result in a debt service coverage ratio of at least 110% for the life of the Bonds.

Property Ownership

The Taxable Property within the Community Facilities District currently consists of 1,541 parcels, of which 1,540 parcels are single-family homes owned by individual homeowners and 1 parcel contains a 483-unit apartment complex called Torrey Villas (which is classified as one dwelling unit under the Rate and Method).

Torrey Villas is owned by Torrey Villas, LLC, a California limited liability company controlled by The Irvine Company. Torrey Villas is a luxury apartment complex originally opened in 2003. According to the Torrey Villas internet site, rental options include one-, two- and three-bedroom units ranging from approximately 735 square feet to approximately 1,441 square feet, and current rents range from \$1,685 to \$2,555.

The allocation of Fiscal Year 2006-07 Net Special Tax Revenues and assessed values among the property owners within the Community Facilities District are as follows:

	Fiscal Year 2006-07 Net Special Tax <u>Revenues</u>	Percentage Share of 2006-07 Special Tax <u>Revenues</u>	Total Assessed <u>Value</u>
Individual Homeowners	\$1,400,127	94.37	\$1,338,108,407
Torrey Pines Villa, LLC	<u>83,485</u>	<u>5.63</u>	<u>68,523,955</u>
Totals:	\$1,483,612	100.00%	\$1,406,632,362

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 1
Delinquency History

<u>Fiscal Year</u>	<u>Amount Levied</u>	Tax Collected for Current Fiscal <u>Year</u>	Amount <u>Delinquent</u> [1]	Percent <u>Delinquent</u>	Current Amount <u>Delinquent</u> [2]	Current Percent <u>Delinquent</u> *
2001-02	\$1,231,179	\$1,215,353	\$15,826	1.29%	\$0.00	0.00%
2002-03	1,333,976	1,325,612	8,364	0.63	0.00	0.00
2003-04	1,400,544	1,398,683	1,860	0.13	0.00	0.00
2004-05	1,446,034	1,424,765	21,268	1.47	0.00	0.00
2005-06	1,458,706	1,440,635	18,070	1.24	0.00	0.00
2006-07 [3]	<u>736,509</u>	<u>716,760</u>	<u>19,749</u>	2.68	<u>19,748.88</u>	2.68
Total	\$7,606,947	\$7,521,809	\$85,138	1.01%	\$19,748.88	0.22%

* Preliminary; subject to change.

[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, as of March 29, 2007.

Source: Dolinka Group, Inc.

Property Tax Delinquency Rates

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

Secured Assessed Value History. The table below shows a five-year history of secured assessed values of the property in the Community Facilities District.

Table 2
Assessed Value History

<u>Fiscal Year</u>	<u>Secured Assessed Value</u>	<u>Percent Change</u>
2002-03	\$ 829,087,399	N/A
2003-04	1,012,728,289	22.15%
2004-05	1,152,128,292	13.76
2005-06 [1]	1,092,131,770	(5.21)
2006-07	1,406,632,362	28.80

[1] Apparent decline in assessed value resulted from a clerical error in the County's records, which incorrectly omitted certain parcels within the Community Facilities District from its total valuation for Fiscal Year 2005-06.

Source: Dolinka Group, Inc., based on information obtained from the County Assessor's Office.

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>Overlapping Lien [2]</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	1,193	\$15,659,815	\$11,257,016	\$1,260,786,229	46.84	\$1,202,541	81.05%
11:1 to 25:1	343	3,612,577	3,236,510	145,195,185	21.20	277,415	18.70
5:1 to 11:1	4	35,277	37,744	554,949	7.60	2,709	0.18
3:1 to 5:1	1	12,332	9,436	95,999	4.41	947	0.06
Total	1,541	\$19,320,000	\$14,540,706	\$1,406,632,362	41.54	\$1,483,612	100.00%

* Preliminary; subject to change.

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

[2] Represents the lien of the outstanding special tax bonds issued by the San Diego Union High School District Community Facilities District 95-1.

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 March 27, 2007)**

I. Assessed Value						
2006-2007 Secured Roll Assessed Value						\$2,058,034.66
						5
II. Secured Property Taxes						
Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels (1)	Levy Amount
Basic Levy	PROP13	936,149	\$3,319,441,070.13	0.5914	1,802	\$19,634,121.14
Voter Approved Debt	VOTER	926,227	211,399,574.70	0.10224	1,801	216,132.78
County of San Diego Mosquito / Disease Control	VECTOR	923,027	5,553,287.52	0.22599	1,796	12,550.04
County of San Diego Vector Control, Zone A	VECTOR	519,414	1,411,012.72	0.38185	1,796	5,388.00
Del Mar Union School District CFD No. 95-1	CFD	1,936	1,479,779.56	100.00000	1,936	1,479,779.56
Landscape Maintenance District (Carmel Valley)	LMD	9,574	1,647,232.82	0.69659	147	11,474.46
Landscape Maintenance District (Sorrento Hills)	LMD	1,539	953,588.86	85.58155	1,318	816,096.08
Metropolitan Water District of Southern California Standby Charge	STANDBY	345,709	4,277,808.96	0.67841	1,791	29,021.08
Pacific Highlands Ranch Maintenance Assessment District	LLMD	1,269	85,498.04	11.09441	1	9,485.50
San Diego County Water Authority Standby Charge	STANDBY	353,015	3,758,810.14	0.67414	1,803	25,339.60
San Dieguito Union High School District CFD No. 95-1	CFD	2,126	2,106,360.00	73.34530	1,590	1,544,916.00
San Dieguito Union High School District CFD No. 99-1	CFD	556	337,632.00	14.43435	65	48,735.00
2006-2007 TOTAL PROPERTY TAX LIABILITY						\$23,833,039.24
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-2007 ASSESSED VALUATION						1.16%
III. Land Secured Bond Indebtedness (1)						
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Del Mar Union School District CFD No. 95-1	CFD	\$0	\$0	100.00000	1,936	0
San Dieguito Union High School District CFD No. 95-1	CFD	21,750,000	19,825,000	73.34530	1,590	14,540,706
San Dieguito Union High School District CFD No. 99-1	CFD	0	0	14.43435	65	0
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (2)						\$14,540,706
IV. General Obligation Bond Indebtedness						
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego Open Space Park Facilities District No. 1	GOB	\$35,000,000	\$13,500,000	1.36482	1,935	\$184,251
City of San Diego Public Safety Communication System Debt Service	GOB	25,500,000	9,905,000	1.36482	1,935	135,185
Metropolitan Water District of Southern California Debt Service	GOB	850,000,000	389,600,000	0.11180	1,935	435,573
San Diego Community College District Debt Service	GOB	349,999,901	306,234,901	0.00651	3	19,936
San Diego Unified School District Debt Service	GOB	1,510,000,000	1,455,999,179	0.00000	1	0
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (2)						\$774,945
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$15,315,651

- (1) Parcel counts are based on the number of total parcels within the Community Facilities District (which includes those parcels for which the Special Tax has been prepaid in full) and not the number of parcels currently classified as Taxable Parcels securing the Special Taxes.
- (2) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: National Tax Data, Inc.

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.

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

ASSESSED VALUATION AND PROPERTY TAXES

Median Assesed Value [1]	\$948,600
Homeowner's Exemption	<u>(\$7,000)</u>
Net Assessed Value [2]	\$941,600

	Percent of Total AV	Projected Amount
AD VALOREM PROPERTY TAXES		
General Purposes	1.00000%	\$9,416.00
Ad Valorem Tax Overrides		
San Diego City Open Space Facility Dist. No. 1 D/S		0.00
San Diego City Zoological Exhibits - Debt Service	0.00496	47.08
San Diego City Public Safety Comm Sys - Debt Service	0.00123	11.67
MWD Debt Service Remainder of SDCWA	<u>0.00466</u>	<u>44.25</u>
Total Ad Valorem Property Taxes	1.01086%	\$9,519.00

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

Del Mar Union School District CFD No. 95-1	\$965.92
San Dieguito CFD No. 95-1	855.00
CWA Water Availability	10.00
MWD Water Standby Charge	11.50
Sorrento Hills Maintenance	319.02
Mosquito/Disease Center	6.36
CO Mosquito/Rat Control	<u>3.00</u>
Total Assessments, Special Taxes, and Parcel Charges	\$2,170.80

PROJECTED TOTAL PROPERTY TAXES **\$11,689.80**

Projected Total Effective Tax Rate (as % of Median Assessed Value) **1.23%**

[1] Represents the median assessed value of home containing 4,330 building square feet (on 0.21 acres) as of January 1, 2007.

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

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, which the Community Facilities District intends to satisfy through the deposit of a reserve fund surety to be issued by the Bond Insurer on the Closing Date. See "SECURITY FOR THE BONDS – Reserve Fund."

Funds in the Reserve Fund (including draws on the reserve fund surety) 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 the reserve fund surety is replaced with a cash deposit into the Reserve Fund, and 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, if funded in cash, 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 XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

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, to the knowledge of School District officials, 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
- 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 and defease 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.

RATINGS

It is anticipated that Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., will assign its municipal bond rating of "AAA" to the Bonds, and that Fitch Ratings will assign its municipal bond rating of "AAA" to the Bonds, in each case with the understanding that the Bond Insurer will issue its Insurance Policy with respect to the Bonds at Closing.

These ratings reflect only the views of the respective rating agencies and any desired explanation of the significance of this ratings should be obtained from the rating agencies. 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 these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of that 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.

General Description and Background

The County. The County of San Diego (the "County") is the southern-most county in California. The County covers an area of approximately 4,280 square miles, about the size of the state of Connecticut. The County is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north, Imperial County to the east, and the State of Baja California, Mexico to the south. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert, which forms the eastern third of the county, the Laguna Mountains, the San Diego Bay, one of the world's largest natural deep-water harbors, and the San Diego International Airport.

The City of San Diego. The City of San Diego is California's second largest city and the United States' seventh largest. Located on the Pacific Ocean and the U.S.-Mexico border, the city is known for its climate, beaches and attractions, including the world-famous San Diego Zoo and Wild Animal Park, and SeaWorld San Diego. San Diego offers a wide variety of things to see and do, and tourism is an important part of the local economy. Other top industries in San Diego are manufacturing, defense, agriculture. The City operates two general aviation airports, Brown Field and Montgomery Field.

The City of Del Mar. The County has 18 incorporated cities, of which the City of Del Mar is the smallest in terms of population. The City is comprised of two square miles of coastal land, lying in the mid-portion of the County. In 1959, the City was incorporated and a council-manager form of government was established, which continues today.

Population

The following sets forth the Cities of Del Mar and San Diego, the County and the State population estimates as of January 1 for the years 2003 to 2007:

CITY OF DEL MAR, SAN DIEGO COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	City of Del Mar	City of San Diego	San Diego County	State of California
2003	4,522	1,279,889	2,972,932	35,691,472
2004	4,540	1,290,757	3,011,244	36,245,016
2005	4,524	1,300,343	3,039,277	36,728,196
2006	4,525	1,305,625	3,064,113	37,195,240
2007	4,548	1,316,837	3,098,269	37,662,518

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

Total taxable sales during the first quarter of calendar year 2006 in the City of Del Mar were reported to be \$27,190,000, a 10.30% decrease over the total taxable sales of \$24,650,000 reported during the first quarter of calendar year 2005. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City during calendar years 2001 through 2005 is presented in the following table. Annual figures are not yet available for 2006.

CITY OF DEL MAR Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (\$000's)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001	404	\$89,322	954	\$120,380
2002	474	80,946	1,073	113,671
2003	555	89,118	1,188	122,534
2004	650	100,519	1,366	133,768
2005	608	109,009	1,300	146,303

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first quarter of calendar year 2006 in the City of San Diego were reported to be \$4,640,467,000, a 5.43% decrease over the total taxable sales of \$4,401,321,000 reported during the first quarter of calendar year 2005. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City during calendar years 2001 through 2005 is presented in the following table. Annual figures are not yet available for 2006.

CITY OF SAN DIEGO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(\$000's)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2001	16,970	\$11,731,149	34,205	\$16,371,512
2002	17,810	12,134,196	34,677	16,625,855
2003	19,377	12,931,730	36,067	17,465,362
2004	19,521	13,858,720	37,434	18,538,443
2005	19,874	14,386,165	38,446	19,491,746

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first quarter of calendar year 2006 in the County were reported to be \$11,092,889,000 a 5.04% increase over the total taxable sales of \$10,560,865,000 reported during the first quarter of calendar year 2005. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County during calendar years 2001 through 2005 is presented in the following table. Annual figures are not yet available for 2006.

COUNTY OF SAN DIEGO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(\$000's)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2001	36,753	\$26,263,338	80,248	\$37,699,333
2002	38,358	27,421,599	81,462	38,595,547
2003	41,456	29,520,551	84,829	40,863,978
2004	42,138	32,345,460	88,295	44,470,338
2005	42,917	33,784,795	90,620	46,679,471

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry for the County of San Diego. Figures do not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

COUNTY OF SAN DIEGO Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force (1)	1,447,500	1,467,400	1,490,300	1,507,100	1,518,000
Employment	1,373,100	1,391,100	1,420,000	1,442,400	1,457,500
Unemployment	74,400	76,300	70,300	64,700	60,500
Unemployment Rate	5.1%	5.2%	4.7%	4.3%	4.0%
Wage and Salary Employment: (2)					
Agriculture	11,000	11,200	11,100	10,700	11,000
Natural Resources and Mining	300	300	400	400	500
Construction	76,400	80,200	87,700	90,800	92,600
Manufacturing	112,300	105,300	104,300	104,500	103,600
Wholesale Trade	41,300	41,600	41,900	43,600	45,100
Retail Trade	138,000	140,800	144,900	147,400	147,600
Transportation, Warehousing and Utilities	29,300	27,300	28,400	28,400	28,300
Information	37,700	36,900	36,600	37,400	37,200
Finance and Insurance	47,300	51,200	52,800	53,500	53,300
Real Estate and Rental and Leasing	27,700	28,800	29,100	29,700	30,400
Professional and Business Services	201,700	201,200	204,500	210,400	213,800
Educational and Health Services	119,700	121,800	121,700	122,500	124,700
Leisure and Hospitality	133,800	140,700	145,700	149,600	156,200
Other Services	45,600	46,800	47,900	48,800	48,900
Federal Government	40,100	40,100	39,700	39,700	40,300
State Government	37,700	38,100	38,000	38,200	39,100
Local Government	141,800	139,000	136,600	137,300	138,300
Total, All Industries	1,241,700	1,251,300	1,271,500	1,292,800	1,310,900

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

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

Source: State of California Employment Development Department.

Major Employers

The largest employers as of April 2007 in the County are shown below.

SAN DIEGO COUNTY Largest Employers

Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Valley Ranch & Casino	Lakeside	Casinos
Goodrich Aerospace	Chula Vista	Electronic Equipment & Supplies-Mfrs
Kaiser Permanente	San Diego	Clinics
Kyocera Wireless Corp.	San Diego	Cellular Telephones (Services)
National Steel & Shipbuilding	San Diego	Diamonds-Industrial (Wholesale)
North Island Naval Air Station	Not Available	Federal Government-National Security
Palomar Medical Center	Escondido	Hospitals
Palomar Pomerado Outpatient	Escondido	Physical Therapists
San Diego Community College	San Diego	Schools-Universities & Colleges Academic
San Diego MC Recruit Depot	San Diego	Recruiting-US Armed Forces
San Diego Naval Medical Center	San Diego	Medical Centers
Science Applications Intl Corp.	San Diego	Scientific Apparatus & Instruments (Wholesale)
Scripps Research Institute	La Jolla	Research Service
Sea World	San Diego	Amusement Places
Sempra Energy Solutions	San Diego	Energy Conservation Products-Retail
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Mary Birch Hospital	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Solar Turbines Inc	San Diego	Turbines-Manufacturers
Sycuan Casino	El Cajon	Casinos
Sycuan Poker Room	El Cajon	Race Tracks
Tyco Health Care	San Diego	Manufacturers
UCSD Medical Center	San Diego	Hospitals

Source: State of California Employment Development Department; compiled from America's Labor Market Information System Employer Database, 2007 1st Edition.

Construction Activity

The following tables show valuation summaries of building permits issued in the City of Del Mar, the City of San Diego and the County, respectively.

CITY OF DEL MAR Building Permit Valuation (\$000's)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$5,815.6	\$2,256.4	\$2,841.8	\$14,194.3	\$11,200.6
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>573.9</u>	<u>881.8</u>	<u>1,825.1</u>	<u>3,629.9</u>	<u>1,932.6</u>
Total Residential	6,389.5	3,138.2	4,666.8	17,824.2	13,133.2
New Commercial	0.0	0.0	0.0	0.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	211.1	303.1	420.2	447.4	459.2
Com. Alterations/Additions	<u>29.4</u>	<u>519.9</u>	<u>1,337.5</u>	<u>371.1</u>	<u>358.6</u>
Total Nonresidential	240.5	823.0	1,757.8	818.5	817.8
<u>New Dwelling Units</u>					
Single Family	26	7	7	19	17
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	26	7	7	19	17

Source: Construction Industry Research Board, *Building Permit Summary*.

CITY OF SAN DIEGO Building Permit Valuation (\$000's)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$ 651,862.7	\$ 483,086.0	\$ 449,378.4	\$ 381,971.2	\$ 261,151.7
New Multi-family	542,998.1	603,907.3	524,892.9	543,440.2	388,846.4
Res. Alterations/Additions	<u>139,820.6</u>	<u>153,919.3</u>	<u>180,761.1</u>	<u>186,471.0</u>	<u>158,578.2</u>
Total Residential	1,334,681.4	1,240,912.6	1,155,032.5	1,111,882.4	808,576.3
New Commercial	264,388.2	172,360.8	331,182.0	375,997.9	382,315.3
New Industrial	24,853.7	53,208.1	62,149.0	68,812.3	66,741.8
New Other	84,864.6	86,341.1	79,957.4	90,180.5	99,261.7
Com. Alterations/Additions	<u>213,768.3</u>	<u>218,835.7</u>	<u>281,553.2</u>	<u>275,323.1</u>	<u>284,712.1</u>
Total Nonresidential	587,874.8	530,745.7	754,841.6	810,313.8	833,030.8
<u>New Dwelling Units</u>					
Single Family	2,470	1,969	1,691	1,318	924
Multiple Family	<u>4,592</u>	<u>4,934</u>	<u>4,349</u>	<u>4,316</u>	<u>3,158</u>
TOTAL	7,062	6,903	6,040	5,634	4,082

Source: Construction Industry Research Board, *Building Permit Summary*.

SAN DIEGO COUNTY
Building Permit Valuation
(\$000's)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$2,499,016.1	\$2,343,804.2	\$2,525,650.6	\$2,217,257.3	\$1,373,554.8
New Multi-family	678,872.0	1,007,462.7	959,610.8	926,287.2	736,965.1
Res. Alterations/Additions	<u>297,224.6</u>	<u>332,541.4</u>	<u>390,097.9</u>	<u>419,157.8</u>	<u>360,168.1</u>
Total Residential	3,475,112.8	3,683,808.4	3,875,359.3	3,562,702.3	2,470,688.0
New Commercial	423,063.6	412,523.5	487,584.6	525,647.2	668,762.5
New Industrial	128,043.7	131,008.5	117,124.5	170,256.9	153,474.4
New Other	221,250.8	226,155.2	221,353.3	213,869.4	252,359.3
Com. Alterations/Additions	<u>396,508.1</u>	<u>399,709.0</u>	<u>462,072.6</u>	<u>472,018.3</u>	<u>547,014.1</u>
Total Nonresidential	1,168,866.1	1,169,396.3	1,288,135.0	1,381,791.9	1,621,610.2
 <u>New Dwelling Units</u>					
Single Family	9,749	9,455	9,555	7,904	4,753
Multiple Family	<u>5,989</u>	<u>8,859</u>	<u>7,751</u>	<u>7,354</u>	<u>6,024</u>
TOTAL	15,738	18,314	17,306	15,258	10,777

Source: Construction Industry Research Board, *Building Permit Summary*.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2001 through 2005. Figures for 2006 are not yet available.

COUNTY OF SAN DIEGO Effective Buying Income 2001 through 2005

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2001	City of San Diego	24,732,703	43,168
	San Diego County	55,210,119	44,146
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	City of San Diego	54,831,958	42,315
	San Diego County	24,385,650	41,280
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	City of San Diego	25,582,798	42,137
	San Diego County	57,680,880	43,346
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	City of San Diego	26,989,793	43,356
	San Diego County	60,578,879	44,506
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of San Diego	27,459,862	44,216
	San Diego County	61,891,932	45,571
	California	720,798,106	44,681
	United States	5,894,663,364	40,529

Source: Sales & Marketing Management Survey of Buying Power for 2001 through 2004;
Claritas Demographics for 2005.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

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 CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - 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 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) An updated table in substantially the form of the table in the Official Statement entitled "Table 1, Delinquency History," and a summary of the status of any foreclosure actions taken with respect to any special tax delinquencies under the Fiscal Agent Agreement.

(c) An updated table in substantially the form of the table in the Official Statement entitled "Table 2, Assessed Value History," based on information obtained from the San Diego County Assessor's records.

(d) A land ownership summary listing all property owners 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.

(e) The principal amount of the Bonds outstanding and the balance in the Reserve Fund or stated amount of any debt service reserve surety on deposit in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date.

(f) An updated table in substantially the form of the table in the Official Statement entitled "Table 3, 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.

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

(h) 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.

(i) In addition to any of the information expressly required to be provided under paragraphs (a) through (h) 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. ☐ Principal and interest payment delinquencies | 6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. ☐ Non-payment related defaults | 7. ☐ Modifications to the rights of security holders |
| 3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties | 8. ☐ Bond calls |
| 4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties | 9. ☐ Defeasances |
| 5. ☐ Substitution of credit or liquidity providers, or their failure to perform | 10. ☐ Release, substitution, or sale of property securing repayment of the securities |
| | 11. ☐ 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