

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. The difference between the issue price of a Bond (the first price at which a substantial amount of Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. See "LEGAL MATTERS—Tax Exemption" herein.

NEW ISSUE—BOOK-ENTRY-ONLY
COUNTY OF SAN DIEGO

NO RATING
STATE OF CALIFORNIA

\$56,020,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS SERIES A OF 2000

Dated: Date of Delivery

Due: September 1, as shown on the inside cover page

The Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2000 (the "Bonds") are being issued and delivered to finance various public improvements needed to develop property located within Improvement Area No. 1 of Community Facilities District No. 2 (Santaluz) (the "District"). The District has been formed by and is located in the City of San Diego, California (the "City").

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Bond Indenture, dated as of October 1, 2000 (the "Bond Indenture"), by and between the District and Union Bank of California, N.A. as trustee (the "Trustee"). The Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of certain taxable land within the District and from certain other funds pledged under the Bond Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified elector within the District. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC, or as otherwise described herein. Interest on the Bonds will be payable on March 1, 2001 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS—General Provisions" and "—Book-Entry Only System" herein.

Neither the faith and credit nor the taxing power of the City, the County of San Diego, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are special tax obligations of the District payable solely from Special Taxes and certain other amounts held under the Bond Indenture as more fully described herein.

The Bonds are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. \$30,583,005 of the Bond proceeds will be initially deposited to the Escrow Fund established under the Bond Indenture. The Bonds maturing on September 1, 2030, are subject to extraordinary mandatory redemption, without premium, on September 1, 2003, or on such later date as is permitted under the Bond Indenture, from amounts remaining on deposit in the Escrow Fund as of such date. See "THE BONDS—Redemption" and "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund" herein.

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. THE PURCHASE OF THE BONDS INVOLVES SIGNIFICANT INVESTMENT RISKS, AND THE BONDS ARE NOT SUITABLE INVESTMENTS FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions.

Certain legal matters will be passed on for the City and the District by the City Attorney and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, as counsel to the Underwriters. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on November 2, 2000.

PaineWebber Incorporated
Morgan Stanley Dean Witter **E. J. De La Rosa & Co., Inc.**

Dated: October 18, 2000

MATURITY SCHEDULE

\$3,985,000 Serial Bonds

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.</u>
2003	\$170,000	4.75%	100%	802808AA3	2008	\$415,000	5.30%	100%	802808AF2
2004	210,000	4.90	100	802808AB1	2009	475,000	5.40	100	802808AG0
2005	255,000	5.00	100	802808AC9	2010	540,000	5.50	100	802808AH8
2006	305,000	5.10	100	802808AD7	2011	610,000	5.60	100	802808AJ4
2007	360,000	5.20	100	802808AE5	2012	645,000	5.70	100	802808AK1

\$2,165,000 6.00% Term Bonds due September 1, 2015 Price: 100% CUSIP No. 802808AL9

\$5,680,000 6.25% Term Bonds due September 1, 2021 Price: 99% CUSIP No. 802808AM7

\$13,620,000 6.375% Term Bonds due September 1, 2030 Price: 99.50% CUSIP No. 802808AN5

\$30,570,000 6.375% Escrow Term Bonds due September 1, 2030 Price: 100% CUSIP No. 802808BE4

**CITY OF SAN DIEGO, CALIFORNIA
CITY COUNCIL**

Susan Golding, *Mayor*

Harry Mathis	Valerie Stallings
Byron Wear	Judy McCarty
Christine Kehoe	Juan Vargas
George Stevens	Philip C. Blair

CITY OFFICIALS

Michael T. Uberuaga
City Manager

Casey Gwinn
City Attorney

Ed Ryan
City Auditor and Comptroller

Patricia T. Frazier
Deputy City Manager

Charles Abdelnour
City Clerk

Conny M. Jamison
City Treasurer

BOND COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

FINANCIAL ADVISORS

Fieldman Rolapp & Associates
Irvine, California

The Knight Group, Inc.
Chicago, Illinois

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
Newport Beach, California

REAL ESTATE APPRAISER

D.F. Davis Real Estate, Inc.
San Diego, California

MARKET ABSORPTION CONSULTANT

Reeb Development Consulting
San Diego, California

TRUSTEE

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

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Trustee or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the District. In accordance with their respective responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described herein since the date hereof. All summaries of the Bond Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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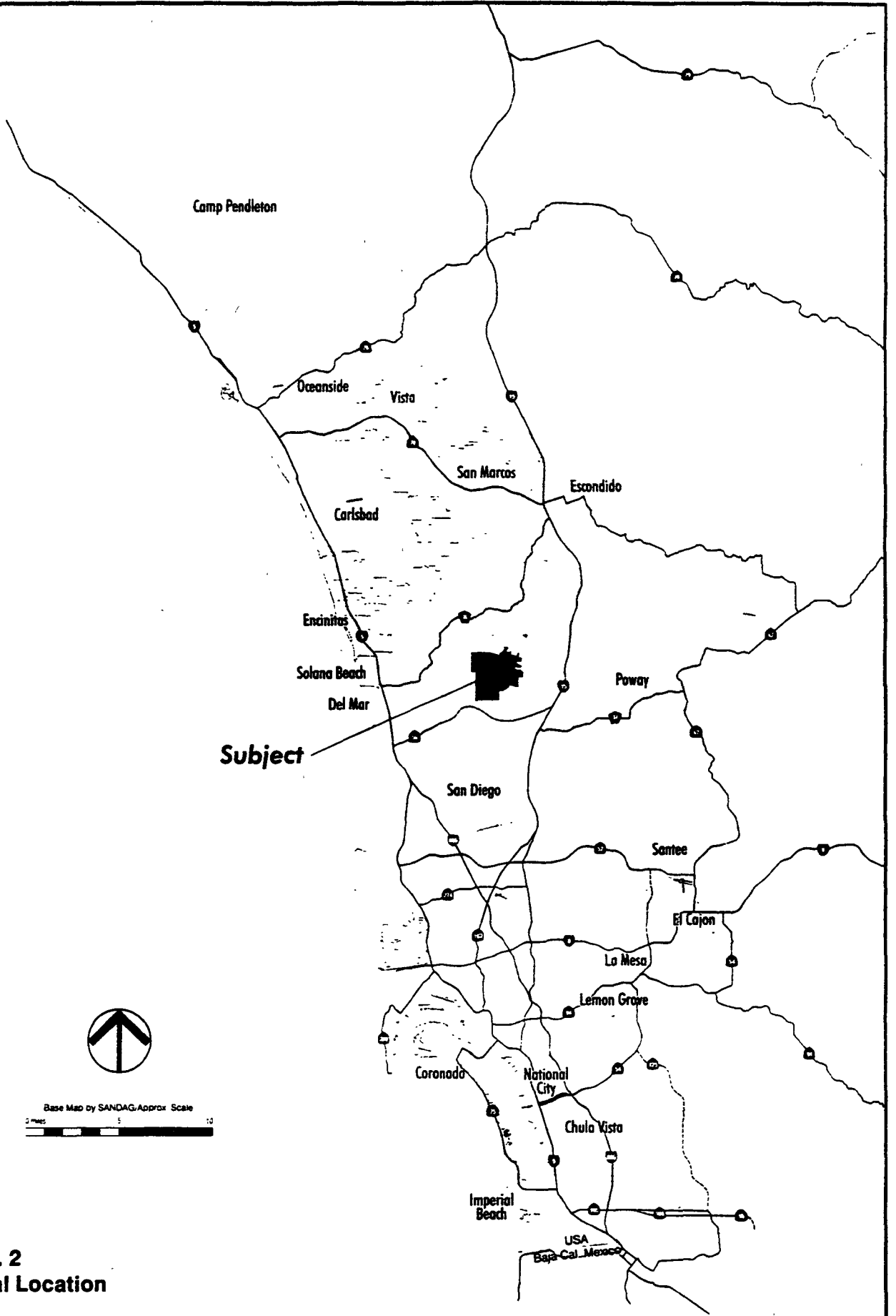
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Subject

**CFD No. 2
Regional Location**

\$56,020,000
COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS SERIES A OF 2000

INTRODUCTION

General

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 appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E - "SUMMARY OF BOND INDENTURE - Definitions" herein.

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance of the \$56,020,000 Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2000 (the "Bonds"). The proceeds of the Bonds will be used to construct and acquire various public improvements needed with respect to the proposed development within Improvement Area No. 1 of Community Facilities District No. 2 (Santaluz) (the "District"), to fund the Reserve Account securing the Bonds, to fund the Escrow Fund, to pay costs of administration and issuance of the Bonds, and to provide capitalized interest to March 1, 2002 on the principal amount of the Bonds not on deposit in the Escrow Fund.

In addition to Improvement Area No. 1, Community Facilities District No. 2 (Santaluz) also includes Improvement Area No. 2 and Improvement Area No. 3, which are authorized to issue bonds secured by special taxes levied on property within those improvement areas. Improvement Area No. 3 is issuing bonds in the amount of \$4,350,000 simultaneously with the issuance of the Bonds, the proceeds of which will be used to finance a portion of the facilities being financed by the Bonds. Unless otherwise noted, references herein to the District refer to Improvement Area No. 1 only.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the "Act"), and a Bond Indenture dated as of October 1, 2000 (the "Bond Indenture") by and between the District and Union Bank of California, N.A. (the "Trustee"). The Bonds are secured under the Bond Indenture by a pledge of and lien upon Special Taxes (as defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) and the Escrow Fund as described the Bond Indenture.

Changes Since the Preliminary Official Statement

This Official Statement contains several changes to the information in the Preliminary Official Statement, including: (a) revisions to the principal amounts of the Bonds to reflect the final sizing, (b) insertions and changes reflecting the interest rates, maturity dates and amounts, redemption provisions and prices of the Bonds, (c) changes in the description of certain provisions of the Bond Indenture in order to reflect changes made to those provisions, (d) changes in Tables 6 and Table 9, (e) a change to the Continuing Disclosure Agreement of the District and the Continuing Disclosure Agreement of the Developer to require certain additional information to be updated in the ongoing reports of the District and the Developer, and (f) the information set forth below regarding a violation under one of the environmental permits issued for the development being undertaken in the District.

The master developer of the property within the District, Santaluz LLC, a Delaware Limited Liability Company, whose members include DMB Realco, LLC, an Arizona limited liability company and Santaluz TM LLC, a California limited liability company (collectively the "Developer") has notified the District that a violation has occurred under the Army Corps of Engineers 404 Permit for the project as a result of the grading of approximately 0.7 acres of area which had been designated for wetlands and non-wetlands habitat conservation purposes. The designated area was encroached upon during the mass grading of the project. The 404 Permit provides that if an encroachment into the preserved wetlands occurs, all work shall cease, the Army Corps of Engineers shall be notified immediately and any wetland impacts that occur shall be mitigated at a minimum 6 to 1 ratio. The Developer has ceased work in the designated area. On or about October 17, 2000, the Developer notified the Army Corps of Engineers of the encroachment and proposed to mitigate the impact by restoring the 0.7 acres encroached upon, restoring an existing 1.0 acre degraded wetland area and creating 2.5 acres of new wetlands at an estimated cost to the Developer of approximately \$500,000. The Army Corps of Engineers has not yet responded to the Developer's proposal.

The Army Corps of Engineers has a range of remedies that it is permitted to implement as a result of the 404 Permit violation, including accepting additional acreage for habitat conservation purposes, issuing an order requiring compliance, fining the Developer for noncompliance with the permit, suspending or revoking the permit and ordering the Developer to stop any activities being done in reliance on the 404 Permit, and commencing a legal action to seek other appropriate relief. The Developer has certified to the District that there are no additional grading or other activities remaining to be done in reliance on the 404 Permit in the designated wetlands area. However, the Developer confirms that there is some ongoing development activity in close proximity to the designated wetlands areas.

No assurance can be given as to what remedy will be sought by the Army Corps of Engineers. While it is possible that the Army Corps of Engineers could issue an order or seek other relief through a legal action that may have some impact on the development activity in areas adjacent to the designated wetlands, the City, the Developer and its environmental consultant believe that the likely remedy will be to require the Developer to provide additional mitigation acres for wetlands and non-wetlands habitat conservation purposes. This conclusion is based upon the relatively small amount of acreage encroached upon and the language in the 404 Permit contemplating additional mitigation for encroachments into the protected areas. The Developer and its environmental consultant believe that, although the 404 Permit requires a minimum offer at a ratio of 6 to 1, the Army Corps of Engineers is not likely to require mitigation substantially in excess of the 4.2 acres offered by the Developer.

The Bond Indenture provides that no Bond proceeds will be disbursed from the Acquisition and Construction Fund until (1) the District receives evidence satisfactory to it that the Army Corps of Engineers has approved a remedy for the violation that does not have an adverse effect on the planned development within the District, and (2) the Developer has delivered to the District an updated version of Table 6 in this Official Statement demonstrating that the sources of funds listed in Table 6, together with any commercial loans or lines of credit secured by the Developer and acceptable to the District, remain sufficient to complete the development being undertaken by the Developer.

In the event that the District does not authorize the release of amounts in the Acquisition and Construction Fund by July 1, 2007, then such amounts will be applied to optionally redeem Bonds on September 1, 2007. If the disbursement of proceeds from the Acquisition and Construction Fund is delayed beyond December 31, 2000, then the Developer's projection of cash flows set forth in Table 6 will not be met and it will be necessary for the Developer to identify other sources of funds to finance development costs. The current cash flows project that the Developer will be reimbursed \$19,955,000 in calendar year 2000 from Bond proceeds. The Developer believes that there is a reasonable likelihood that the Army Corps of Engineers will approve a mitigation plan in a time frame that allows for the reimbursement to the Developer consistent with the projections in Table 6.

One of the assumptions relied upon by the Appraiser in arriving at the appraised value of the property in the District was that money on deposit in the Acquisition and Construction Fund will be made available to acquire facilities from the Developer at certain times as the District is developed. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP – Appraisal." Thus, if money on deposit in the Acquisition and Construction Fund is not released and made available for the acquisition of facilities at the times and in the amounts assumed in the Appraisal, the value of the property within the District could be adversely affected and the Developer would be forced to find other funds to finance the construction of the facilities, or the facilities might not be built. See "SPECIAL RISK FACTORS – Land Values."

The opinion of Bond Counsel provides that certain requirements and procedures contained or referred to in the Bond Indenture may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Bond Indenture, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of another counsel. The District has added a covenant to the Bond Indenture that, if it obtains a subsequent opinion permitting such a change or action from counsel other than Bond Counsel, it will obtain an opinion substantially to the effect originally delivered by Bond Counsel that interest on the Bonds is excluded from gross income for federal income tax purposes.

Forward Looking Statements

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

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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The District

Formation Proceedings. The District has been formed by the City of San Diego (the "City") pursuant to the Act.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, the City Council adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On March 14, 2000, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the District, authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed \$62,200,000 and approved the rate and method of apportionment of the Special Taxes for the District to pay the principal of and interest on the bonds of the District which is set forth in APPENDIX A hereto (the "Rate and Method"). The City Council of the City acts as the legislative body of the District.

Development Status. For certain information concerning the Developer, see "THE DEVELOPMENT AND PROPERTY OWNERSHIP - The Developer."

The District consists of approximately 2,546 gross acres. The District is located in the City in the north coastal area of San Diego County, roughly halfway between Interstate 5 and Interstate 15, approximately 20 miles north of downtown San Diego, and approximately 6 miles north of the La Jolla/Golden Triangle Area. Based on current land use approvals and projections, the land within the District is expected to be developed into 690 single family homes, 224 custom lot properties, 179 affordable units, a golf course located on 282 acres and various nonresidential uses such as church sites and a day care center. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Potential Limitations on Development."

Development of the land within the District is ongoing, with grading underway and various public infrastructure improvements constructed. As of September 25, 2000, the Developer had entered into option agreements with various merchant builders for 6 of the 11 proposed single family home subdivisions in Santaluz. These option agreements encompass 403 single family lots and provide for the lots to be purchased in phases. The first phases of these land sales are scheduled to close in November 2000 and December 2000. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Merchant Builders."

D.F. Davis Real Estate, Inc. (the "Appraiser") has conducted an appraisal (the "Appraisal") of the land within the District and has concluded, based upon the assumptions and limiting conditions contained in the Appraisal that as of June 1, 2000, the value of land within the District was \$101,900,000, assuming the public improvements to be financed by the Bonds are complete. Reeb Development Consulting (the "Market Absorption Consultant") has prepared a Market Absorption Analysis (the "Market Absorption Analysis") for the purpose of developing a build-out projection for the 690 for-sale residential units, 224 custom lots, and 179 affordable housing units planned in the District. The Market Absorption Analysis concludes that the residential units and the custom lots within the District should be sold to end users by the middle of 2006, assuming continued development with no stops due to unanticipated market or business factors. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Appraisal" and "Market Absorption Analysis," APPENDIX B - "SUMMARY OF MARKET ABSORPTION ANALYSIS" and APPENDIX C - "APPRAISAL REPORT."

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term "Special Tax" is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS - Special Taxes" and APPENDIX A - "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES." Under the Bond Indenture, the District has pledged to repay the Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the "Net Taxes") and amounts on deposit in the Escrow Fund (to the limited extent described in the Bond Indenture) and the Special Tax Fund (other than the Administrative Expense Account therein) established under the Bond Indenture.

The Special Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, and in the Escrow Fund, to the limited extent described in the Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS - Reserve Account of the Special Tax Fund."

The \$30,583,005 of the proceeds of the Bonds deposited to the Escrow Fund on the date of issuance of the Bonds will be released to finance additional facilities, pay interest on the Bonds and increase the balance in the Reserve Account when and if certain release tests set forth in the Bond Indenture are satisfied. In the event that the release tests are not satisfied, amounts remaining in the Escrow Fund will be applied to redeem all or a portion of the Bonds maturing on September 1, 2030 (the "Escrow Term Bonds"), without premium, on September 1, 2003, or on such later date as is permitted under the Bond Indenture. See "THE BONDS - Redemption" and "SOURCES OF PAYMENT FOR THE BONDS - Escrow Fund" herein.

Upon satisfaction of the preconditions set forth in the Bond Indenture for the release of funds from the Acquisition and Construction Fund, amounts deposited in the Cost of Issuance Account on the date of issuance of the Bonds will be released to reimburse the Developer for the costs of issuance of the Bonds paid by the Developer and amounts deposited to the Project Account will be available to acquire facilities from the Developer and finance other facilities listed in Table 1. In the event that the preconditions to release of amounts in the Acquisition and Construction Fund are not satisfied prior to July 1, 2007, the amounts will be applied to optionally redeem Bonds on September 1, 2007. See "INTRODUCTION - Changes Since Preliminary Official Statement," "THE BONDS - Redemption" and APPENDIX E - "SUMMARY OF THE BOND INDENTURE - CREATION OF FUNDS AND APPLICATION OF BOND PROCEEDS - Acquisition and Construction Fund."

Foreclosure Proceeds. The District has covenanted for the benefit of the owners of the Bonds that it will commence, and diligently pursue to completion, judicial foreclosure proceedings against Assessor's parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of the fiscal year in which such Special Taxes were due, and it will commence and diligently pursue to completion judicial foreclosure proceedings against all Assessor's parcels with delinquent Special Taxes by the October 1 following the close of any fiscal year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount in the Reserve Account is less than the Reserve Requirement. See "SOURCES OF PAYMENT FOR THE BONDS - Special Taxes - Proceeds of Foreclosure Sales" herein. There is no assurance that the property within the District can be sold for the appraised value or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See "SPECIAL RISK FACTORS - Land Values" and APPENDIX C - "APPRAISAL REPORT" herein.

EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Parity Bonds and Liens. The District may, without the consent of the Owners of the Bonds, issue additional indebtedness secured by the Net Taxes on a parity with the Bonds ("Parity Bonds"); provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, or for other purposes of the District in a principal amount not to exceed \$5,000,000. See "SOURCES OF PAYMENT FOR THE BONDS - Issuance of Parity Bonds." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See "SPECIAL RISK FACTORS - Parity Taxes, Special Assessments and Land Development Costs" herein.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Bond Indenture. See "THE BONDS - Book-Entry Only System" herein.

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described herein. See "THE BONDS - Book-Entry Only System" herein.

The Bonds are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption as described herein. For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX E - "SUMMARY OF BOND INDENTURE" herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is the further opinion of Bond Counsel that interest on the Bonds is exempt from State of California personal income tax. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and, in the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "LEGAL MATTERS - Tax Exemption" herein.

Professionals Involved in the Offering

Union Bank of California, N.A. will act as Trustee under the Bond Indenture and as the initial Dissemination Agent under the Continuing Disclosure Agreement and the Developer Continuing Disclosure Agreement. See APPENDICES F and G. PaineWebber Incorporated, Morgan Stanley Dean Witter and E. J. De La Rosa & Co., Inc. are the Underwriters of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Fieldman Rolapp & Associates and The Knight Group, Inc. are acting as Financial Advisors to the City in connection with the Bonds. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Underwriters' Counsel. Other professional services have been performed by David Taussig & Associates, Inc., Newport Beach, California, as Special Tax Consultant, D.F. Davis Real Estate, Inc., San Diego, California, as Appraiser, and Reeb Development Consulting, San Diego, California, as Market Absorption Consultant.

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Bonds, see "LEGAL MATTERS - Financial Interests" herein.

Continuing Disclosure

Each of the District and the Developer has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data. The District and the Developer each has further agreed to provide notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein and APPENDIX F and APPENDIX G hereto for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of material events to be provided by the District and the Developer.

Bond Owners' Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. *The purchase of the Bonds involves significant investment risks, and the Bonds are not suitable investments for many investors.* See "SPECIAL RISK FACTORS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Bond Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Bond Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Bond Indenture.

Copies of the Bond Indenture, the Continuing Disclosure Agreements and other documents and information referred to herein are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City at the Office of the City Clerk at 202 C Street, San Diego, CA 92101, Attention: City Clerk.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds:

Sources of Funds

Principal Amount of Bonds	\$56,020,000.00
Original Issue Discount	(124,900.00)
	<hr/>
	\$55,895,100.00

TOTAL SOURCES

Uses of Funds

Escrow Fund ⁽¹⁾	\$30,583,004.99
Interest Account ⁽²⁾	1,985,823.19
Project Account ⁽³⁾	19,957,000.56
Reserve Account	2,037,081.26
Cost of Issuance Account ⁽³⁾⁽⁴⁾	800,000.00
Underwriters' Discount ⁽⁴⁾	532,190.00
	<hr/>

TOTAL USES

\$55,895,100.00

- ⁽¹⁾ \$13,004.99 of this amount will be deposited to the Escrow Interest Account to be applied together with investment earnings on the Escrow Fund to pay interest on the Escrow Term Bonds through September 1, 2003.
- ⁽²⁾ Represents capitalized interest on the principal amount of the Bonds not on deposit in the Escrow Fund until March 1, 2002.
- ⁽³⁾ The Project Account and the Cost of Issuance Account are established in the Acquisition and Construction Fund.
- ⁽⁴⁾ The costs of issuance will be paid for by the Developer at closing and the Developer will also deposit into the Cost of Issuance Account an amount equal to the original issue discount. In the event that the conditions to the release of amounts in the Cost of Issuance Account set forth in the Bond Indenture are satisfied, the Developer will be reimbursed from amounts in the Cost of Issuance Account, otherwise such amounts will be applied to optionally redeem Bonds on September 1, 2007.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March 1, 2001 (each, an "Interest Payment Date"), 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 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, 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 but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; 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 Interest Payment Date to which the interest has been paid or made available for payment.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Los Angeles, California.

Authority for Issuance

The Bonds are issued pursuant to the Act and the Bond Indenture. As required by the Act, the City Council of the City has taken the following actions with respect to establishing the District and the Bonds:

Resolutions of Intention: On February 8, 2000, the City Council of the City adopted a resolution stating its intention to establish the District and to authorize the levy of a special tax, and a resolution declaring its intention to incur bonded indebtedness in an amount not to exceed \$62,200,000 within the District.

Resolutions of Formation: Immediately following a noticed public hearing opened on March 14, 2000, the City Council of the City, adopted resolutions which established the District, authorized the levy of a special tax within the District, and declared the necessity to incur bonded indebtedness within the District.

Resolution Calling Election: The resolutions adopted by the City Council of the City on March 14, 2000 also called for an election by the landowners in the District for the same date on the issues of the levy of the Special Tax, the incurring of bonded indebtedness, and the establishment of an appropriations limit.

Landowner Election and Declaration of Results: On March 14, 2000, an election was held at which the landowner within the District approved a ballot proposition authorizing the issuance of up to \$62,200,000 of bonds to finance the acquisition and construction of various public facilities, the levy of the Special Tax and the establishment of an appropriations limit for the District. On March 14, 2000, the City Council adopted a resolution approving the canvass of the votes and declaring the District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness, and to have the established appropriations limit.

Special Tax Lien and Levy: A Notice of Special Tax Lien for the District was recorded in the real property records of the County on March 24, 2000, as a continuing lien against the property in the District.

Ordinance Levying Special Taxes: On April 10, 2000, the City Council adopted an ordinance levying the Special Tax within the District.

Resolution Authorizing Issuance of the Bonds: On September 12, 2000, the City Council adopted a resolution approving issuance of the Bonds.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that all amounts are released from the Escrow Fund and there are no optional or extraordinary redemptions. However, it should be noted that the Rate and Method allows prepayment of the Special Taxes in full or in part and the Bond Indenture permits redemption of Bonds from Bond proceeds transferred from the Escrow Fund to the Redemption Account; either of these events may result in mandatory redemption of the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – Special Taxes" and "THE BONDS – Redemption."

<u>Date</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001		\$2,919,961.33	\$2,919,961.33
2002		3,515,672.50	3,515,672.50
2003	\$ 170,000	3,515,672.50	3,685,672.50
2004	430,000	3,507,597.50	3,937,597.50
2005	530,000	3,483,282.50	4,013,282.50
2006	640,000	3,453,001.26	4,093,001.26
2007	765,000	3,416,090.00	4,181,090.00
2008	890,000	3,371,551.26	4,261,551.26
2009	1,030,000	3,319,275.00	4,349,275.00
2010	1,175,000	3,258,243.76	4,433,243.76
2011	1,335,000	3,188,062.50	4,523,062.50
2012	1,415,000	3,107,683.76	4,522,683.76
2013	1,500,000	3,021,831.26	4,521,831.26
2014	1,595,000	2,928,756.26	4,523,756.26
2015	1,695,000	2,829,775.00	4,524,775.00
2016	1,795,000	2,724,587.50	4,519,587.50
2017	1,910,000	2,611,168.76	4,521,168.76
2018	2,030,000	2,490,481.26	4,520,481.26
2019	2,160,000	2,362,212.50	4,522,212.50
2020	2,295,000	2,225,725.00	4,520,725.00
2021	2,440,000	2,080,706.26	4,520,706.26
2022	2,595,000	1,926,525.00	4,521,525.00
2023	2,760,000	1,761,093.76	4,521,093.76
2024	2,940,000	1,585,143.76	4,525,143.76
2025	3,125,000	1,397,718.76	4,522,718.76
2026	3,310,000	1,198,500.00	4,508,500.00
2027	3,520,000	987,487.50	4,507,487.50
2028	3,745,000	763,087.50	4,508,087.50
2029	3,985,000	524,343.76	4,509,343.76
2030	<u>4,240,000</u>	<u>270,300.00</u>	<u>4,510,300.00</u>
Total	<u>\$56,020,000</u>	<u>\$73,745,537.71</u>	<u>\$129,765,537.71</u>

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2008 may be redeemed, at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 2007, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption.

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, 2015, September 1, 2021 and September 1, 2030 other than the Escrow Term Bonds (the "Term Bonds") and the Escrow Term Bonds maturing on September 1, 2030 will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Bond Indenture, on September 1, 2013, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds and the Escrow Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond and Escrow Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2015

<u>Sinking Fund Redemption Date</u>	<u>Sinking Payments</u>
September 1, 2013	\$ 680,000
September 1, 2014	720,000
September 1, 2015	765,000

Term Bonds Maturing September 1, 2021

<u>Sinking Fund Redemption Date</u>	<u>Sinking Payments</u>
September 1, 2016	\$ 810,000
September 1, 2017	860,000
September 1, 2018	915,000
September 1, 2019	970,000
September 1, 2020	1,030,000
September 1, 2021	1,095,000

Term Bonds Maturing September 1, 2030

<u>Sinking Fund Redemption Date</u>	<u>Sinking Payments</u>
September 1, 2022	\$ 1,165,000
September 1, 2023	1,240,000
September 1, 2024	1,320,000
September 1, 2025	1,405,000
September 1, 2026	1,495,000
September 1, 2027	1,590,000
September 1, 2028	1,690,000
September 1, 2029	1,800,000
September 1, 2030	1,915,000

Escrow Term Bonds Maturing September 1, 2030

<u>Sinking Fund Redemption Date</u>	<u>Sinking Payments</u>
September 1, 2004	\$ 220,000
September 1, 2005	275,000
September 1, 2006	335,000
September 1, 2007	405,000
September 1, 2008	475,000
September 1, 2009	555,000
September 1, 2010	635,000
September 1, 2011	725,000
September 1, 2012	770,000
September 1, 2013	820,000
September 1, 2014	875,000
September 1, 2015	930,000
September 1, 2016	985,000
September 1, 2017	1,050,000
September 1, 2018	1,115,000
September 1, 2019	1,190,000
September 1, 2020	1,265,000
September 1, 2021	1,345,000
September 1, 2022	1,430,000
September 1, 2023	1,520,000
September 1, 2024	1,620,000
September 1, 2025	1,720,000
September 1, 2026	1,815,000
September 1, 2027	1,930,000
September 1, 2028	2,055,000
September 1, 2029	2,185,000
September 1, 2030	2,325,000

If the District purchases Term Bonds or Escrow Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District is required to notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment, to the extent of the full principal amount of the purchase. In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds or Escrow Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds or Escrow Term Bonds, as applicable, will be reduced, as nearly as practicable, on a pro rata basis.

Special Mandatory Redemption from Escrow Fund Transfer. So long as moneys remain on deposit in the Escrow Fund, the Escrow Term Bonds are subject to special mandatory redemption on September 1, 2003 (or such later date as may be permitted under the Bond Indenture), in part, by lot, from amounts transferred from the Escrow Fund to the Redemption Account pursuant to the Bond Indenture, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium. In the event of special mandatory redemption from Escrow Fund transfers pursuant to the Bond Indenture, each of the remaining Sinking Fund Payments for the Escrow Term Bonds, as described above, will be reduced, as nearly as practicable, on a pro rata basis. Upon transfer from the Escrow Fund of all moneys deposited therein pursuant to the Bond Indenture and the redemption of all Escrow Term Bonds redeemable from amounts theretofore transferred from the Escrow Fund

to the Redemption Account of the Special Tax Fund, the Escrow Term Bonds shall no longer be subject to special mandatory redemption from transfers from the Escrow Fund.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account (see "SOURCES OF PAYMENT FOR THE BONDS – Reserve Account of the Special Tax Fund"), at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Interest Payment Dates prior to September 1, 2007	103%
Interest Payment Dates on or after September 1, 2007	100%

Notice of Redemption. The Trustee is obligated to mail, at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the original purchasers of the Bonds and the respective registered Owners of the Bonds at the addresses appearing on the Bond registration books. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee.

So long as notice by first class mail has been provided as set forth above, the actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption, and failure to receive such notice will not affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Redemption Account, the Bonds designated for redemption will become due and payable on the date fixed for redemption, and upon presentation and surrender of the Bonds at the place specified in the notice of redemption, and no interest will accrue on the Bonds called for redemption from and after the redemption date, and the Owners of the redeemed Bonds, after the redemption date, may look for the payment of principal and premium, if any, of such Bonds or portions of Bonds only to the Redemption Account and shall have no rights, except with respect to the payment of the redemption price from the Redemption Account.

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Trustee will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

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. Although the District believes DTC to be a reliable source of information, no representations can be made by the District concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a Banking organization within the meaning of the laws of the State of New York, 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, as amended. DTC holds securities of its participants ("DTC Participants") and facilitates the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Book-Entry System is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and for DTC Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC System must be made by or through DTC Participants, which will receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of a DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing certain details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided in the Bond Indenture in the event participation in the Book-Entry System is discontinued (see "Discontinuance of DTC Services" below).

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and the registration in the name of Cede & Co. effect no 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 DTC Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. DTC Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, Bond certificates are required to be delivered as described in the Bond Indenture. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

The District may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. In such event, Bonds will be delivered as described in the Bond Indenture.

Conveyances of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Redemption notices and all other notices to Bondowners shall be sent only to Cede & Co., as registered owner of the Bonds. 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 DTC Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent to vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of monies, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing rules and regulations governing municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Trustee or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

The District, the Underwriters and the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered Bondowners under the Bond Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Bond Indenture. The District, the City, the Underwriters and the Trustee cannot and do not give any assurances that DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

Discontinuance of DTC Services. In the event that (i) DTC determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that DTC shall no longer so act and delivers a written certificate to the Trustee to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the

District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Bond Indenture. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the registration, transfer and payment the Bonds would be governed by the Bond Indenture, as described above.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Bond Indenture and from no other sources.

The Special Taxes are the primary security for the repayment of the Bonds. Under the Bond Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses of up to the Administrative Expenses Cap) and from amounts held in the Escrow Fund (to the limited extent described in the Bond Indenture) and the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the Special Taxes received by the District, including any scheduled payments and Prepayments thereof, the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Escrow Fund (to the limited extent described in the Bond Indenture) and the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City Council established the District on March 14, 2000 for the purpose of financing the acquisition, construction and installation of various public improvements required in connection with the proposed development within the District. At a special election held on March 14, 2000, the owner of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$62,200,000, and approved the Rate and Method which authorizes the Special Tax to be levied to repay District indebtedness, including the Bonds.

The District has covenanted in the Bond Indenture that each year it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and amounts available for transfer from the Escrow Fund and Accounts therein, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Account and to pay the estimated Administrative Expenses.

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes” herein.

Rate and Method of Apportionment of Special Taxes. All capitalized terms used in this section shall have the meaning set forth in APPENDIX A.

Under the Rate and Method, all Taxable Property in the District will be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property or Undeveloped Property and will be subject to a Special Tax levy at the maximum rates described in Sections C, D and E of the Rate and Method.

A parcel will be classified as Developed Property if it is Custom Lot Property, Golf Course Property or Taxable Property (other than Taxable Property Owner Association Property and Taxable Public Property) for which a building permit for new construction or renovations was issued prior to March 1 of the fiscal year preceding the Special Tax levy. Developed Property will be further assigned to land use classes for Residential Property, Non-Residential Property, Golf Course Property, and Institutional Property. The Maximum Annual Special Tax for Developed Property will be the sum of the Assigned Special Tax and any Backup Special Tax. The Assigned Special Tax rates are set forth in Table 1 of the Rate and Method and beginning on July 1, 2001 and ending on July 1 of the tenth Fiscal Year in which Special Taxes are levied, escalate by 2% of the rate in effect for the previous year. On July 1 of the eleventh and twelfth Fiscal Year, the Assigned Special Taxes may be increased by up to 2% of the amount in effect for the prior Fiscal Year to the extent necessary to meet the Special Tax Requirement. For Fiscal Year 2000-01, the Assigned Special Tax rates range from \$1,755.01 for a residential unit of less than 1,500 square feet to \$8,884.75 for Custom Lots and residential units greater than 6,500 square feet. The Fiscal Year 2000-01 rate for Residential Property classified as Affordable Units is \$102 per unit, for Non-Residential Property is \$5,066.55 per acre, for Golf Course Property is \$500.69 per acre, and for Institutional Property is \$102 per acre. The Fiscal Year 2000-01 maximum Special Tax rate for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property is \$18,842.67 per acre, and this maximum rate will increase at the same rate of increase as described above for Developed Property. The maximum Special Tax rates do not increase after the twelfth Fiscal Year in which Special Taxes are levied.

After classifying the parcels, the City Council will determine the Special Tax Requirement (as defined in the Rate and Method) for the fiscal year. “Special Tax Requirement” is defined in the Rate and Method as the amount required in any Fiscal Year after taking into account amounts held in funds and accounts under the Bond Indenture which are intended to be used to pay debt service on the Bonds in the calendar year beginning in such Fiscal Year to: (i) pay annual debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including, but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any Reserve Accounts for all Outstanding Bonds; (v) pay directly for authorized facilities; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year. The Special Tax will be levied first on Developed Property up to the applicable maximum rate. If additional monies are needed to satisfy the Special Tax Requirement after levying on all Developed Property at the applicable maximum rate, the Special Tax will be levied next on Undeveloped Property up to the maximum rate and

finally on Taxable Property Owner Association Property and Taxable Public Property up to the maximum rate. See APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Prepayment of Special Taxes. There are certain events that will result in a required prepayment of Special Taxes. In addition, under the Rate and Method, the owner of a parcel for which a building permit has been issued may voluntarily prepay the Special Tax obligation for a parcel in whole or in part. Any required or voluntary prepayment of Special Taxes will result in an extraordinary redemption of Bonds. See “THE BONDS – Redemption – *Extraordinary Mandatory Redemption from Special Tax Prepayment.*”

A required prepayment of Special Taxes will occur in certain situations where a Backup Special Tax is levied under the Rate and Method as a result of a reduction in the total expected number of dwelling units or if smaller residential units than was originally anticipated in the Rate and Method are constructed in a geographic area designated for a certain Development Product. The Backup Special Tax paid with respect to a Development Product will be held in a Backup Special Tax Account of the Special Tax Fund under the Bond Indenture. If at buildout of the geographic area for a Development Product the Assigned Special Taxes that can be levied within the geographic area are less than originally projected, then the balance in the Backup Special Tax Account attributable to that Development Project will be used to redeem Bonds. If a Development Product does not reach full buildout within two years after the first payment of Backup Special Taxes, then all moneys in the Backup Special Tax Account for such Development Product will be applied to redeem Bonds. Based on the existing development plan, the Developer does not expect any prepayments to occur under the foregoing provisions of the Rate and Method. No assurance can be given, however, that future development plans will not change and result in a prepayment of Special Taxes and an extraordinary redemption of Bonds.

A required prepayment of Special Taxes will also occur on Custom Lot Property owned by a Custom Lot Merchant Builder to the extent necessary to reduce the Total Tax and Assessment Obligation on a parcel to an amount which is equal to two percent (2%) of the sales price of the parcel. Based on anticipated sales prices, the Developer does not expect that any prepayment of Special Taxes will be required for the Custom Lot Property.

Permitted Amendments of Rate and Method. Under the Bond Indenture, the District is permitted to amend the Rate and Method without Bondowner consent so long as the Trustee receives a certificate of an Independent Financial Consultant stating that (i) based on the existing classification of parcels under the Rate and Method, such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year on the Bonds and Parity Bonds Outstanding as of the date of such amendment; and (ii) based on the current development plan for parcels within the District, such changes will not reduce the maximum Special Taxes expected to be levied on Developed Property in each year following the buildout of such parcels to an amount which is less than 110% of the principal and interest due in each corresponding Bond Year on the Bonds and Parity Bonds Outstanding as of the date of such amendment. The Developer has advised the District that it may request the District to amend the Rate and Method to increase the number of lots that may be taxed as Custom Lot Property and possibly to lower the Special Tax rates on some of the new Custom Lots. The Developer has advised the District that it may request a change to the prepayment provisions of the Rate and Method to clarify that no prepayment will be required on a Custom Lot Property so long as the Total Tax and Assessment Obligation on a parcel does not exceed two percent (2%) of the sum of the sales price plus the expected value of the residence to be constructed. No additional authorizations will be necessary from the City in order for the Developer to increase the number of lots that may be taxed as Custom Lot Property or to clarify the prepayment provisions of the Rate and Method as described above.

Collection and Application of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as ad valorem property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District has made certain covenants in the Bond Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below the levels described under the caption "*- Permitted Amendments of Rate and Method*" above. See "SPECIAL RISK FACTORS - Proposition 218." Second, the District has covenanted not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender. See "SPECIAL RISK FACTORS - Non-Cash Payments of Special Taxes."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See "SPECIAL RISK FACTORS - Parity Taxes, Special Assessments and Land Development Costs" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Under the terms of the Bond Indenture, all Special Tax revenues received by the District, other than Prepayments and Backup Special Taxes, are to be deposited in the Special Tax Fund. Prepayments shall be deposited in the Redemption Account of the Special Tax Fund. Special Tax revenues deposited in the Special Tax Fund are to be applied by the Trustee under the Bond Indenture in the following order of priority: (i) to deposit up to \$75,000 to the Administrative Expense Fund to pay Administrative Expenses; (ii) to pay the principal of and interest on the Bonds when due; (iii) to replenish the Reserve Account to the Reserve Requirement; (iv) to make any required transfers to the Rebate Fund; (v) to pay Administrative Expenses of the District above the \$75,000 referenced in (i) above; and (vi) for any other lawful purpose of the District. See APPENDIX E - "SUMMARY OF BOND INDENTURE."

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner's failure to pay the Special Taxes when due are included within the Special Tax revenues pledged to the payment of principal of and interest on the Bonds under the Bond Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due; and (ii) all properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which the District receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount in the Reserve Account is less than the Reserve Requirement. See APPENDIX E - "SUMMARY OF BOND INDENTURE - Other Covenants of the District" herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended

with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS – Land Values" herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for ad valorem taxes.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The Bond Indenture provides that the amount in the Reserve Account shall, as of any date of calculation, equal the lesser of (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the maximum annual debt service on the Bonds and any Parity Bonds; or (iii) one hundred twenty-five percent (125%) of average annual debt service on the Bonds and any Parity Bonds; provided that, in calculating the amounts referred to in the preceding clauses (i), (ii) and (iii), there will be excluded the debt service on, or the principal amount of, as applicable, the Escrow Term Bonds as of such date of calculation (the "Reserve Requirement"). In the event that amounts are released from the Escrow Fund, a portion of the amount released will be deposited in the Reserve Account to increase the balance therein to the Reserve Requirement.

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in APPENDIX A, the District has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds, to the extent other monies are not available therefor; (ii) redeem the Bonds in whole or in part; and (iii) pay the principal and interest due in the final year of maturity of the Bonds. In the event of a prepayment of Special Taxes, under certain circumstances, a portion of the Reserve Account will be added to the amount being prepaid and be applied to redeem Bonds. As described in the Rate and Method, the Reserve Account Credit will be equal to the expected reduction in the Reserve Requirement; provided, however, there will be no Reserve Account Credit if the amount in the Reserve Account is less than the Reserve Requirement. See APPENDIX E – "SUMMARY OF BOND INDENTURE – Reserve Account" herein.

Issuance of Parity Bonds

Subject to the limitations set forth in the Bond Indenture, the District may, at any time after the issuance and delivery of the Bonds, and without the consent of the Owners of the Bonds, issue additional bonds ("Parity Bonds") payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued pursuant to the Bond Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, or for other purposes of the District in a principal amount not to exceed \$5,000,000. Parity Bonds may only be issued in accordance with the specific conditions precedent to the issuance of any such Parity Bonds as set forth in the Bond Indenture. See APPENDIX E – "SUMMARY OF BOND INDENTURE – Conditions for the Issuance of Parity Bonds" herein.

Escrow Fund

\$30,583,005 of the Bond proceeds will be held initially in the Escrow Fund established under the Bond Indenture. This amount includes the \$30,570,000 principal amount of the Escrow Term Bonds plus \$13,005 from non-escrowed Bond proceeds. The \$13,005 is the amount, together with projected earnings on amounts in the Escrow Fund, needed to pay interest on the principal amount of Bonds on deposit in the Escrow Fund to the Initial Escrow Redemption Date. On the Business Day prior to each Interest Payment Date, amounts will be transferred from the Escrow Fund to the Interest Account of the Special Tax Fund to pay the interest due since the prior Interest Payment Date on the principal amount of Bonds on deposit in the Escrow Fund.

Amounts in the Escrow Fund may be released for deposit in the Interest Account and the Reserve Account of the Special Tax Fund and the Project Account of the Acquisition and Construction Fund prior to the Escrow Closing Date, or any Extended Escrow Closing Date, only if certain conditions to the release (the "Release Tests") as set forth in the Bond Indenture are satisfied. The Release Tests require, in part, that:

(i) the Value of District Property as a whole following the release is at least four (4) times the Direct Debt for District Property, the Value of Developed Property (i.e., non-delinquent taxable property for which a building permit has been issued) is at least four and one quarter (4.25) times the Direct Debt for Developed Property and the Value of Undeveloped Property (i.e., non-delinquent taxable property not classified as Developed Property) is at least four (4) times the Direct Debt for Undeveloped Property, or such lesser amount as described in the following paragraph, all calculated as set forth in the Bond Indenture;

(ii) the maximum Special Taxes that may be levied in each Fiscal Year on parcels that are not then delinquent in the payment of Special Taxes and the maximum Special Taxes that may be levied on parcels within the District in each Fiscal Year at buildout, based on the current development plan for the District, shall be at least 110% of the then maximum annual debt service on the Bonds; and

(iii) the landowner in the District which is then acting as the master developer under the Development Agreement with the City has certified that there has been no bankruptcy filing by it or its partners, members or affiliates since the date of delivery of the Bonds (or, if there has been a filing by an affiliate, an Independent Financial Consultant has certified that such bankruptcy will have no material adverse effect on the ability of the landowner to complete its development activities within the District as planned and to pay its Special Taxes when due).

The Value of Undeveloped Property need only be 3.6 times the Direct Debt for Undeveloped Property, calculated as set forth in the Bond Indenture, if there is delivered to the Trustee a Certificate of the Special Tax Administrator stating that the maximum Special Taxes that may be levied on Developed Property is not less than 20% of the maximum annual debt service on the Bonds, or 3.5 times the Direct Debt for Undeveloped Property where the maximum Special Taxes on Developed Property are not less than 40% of maximum annual debt service and 3 times the Direct Debt for Undeveloped Property where the maximum Special Taxes on Developed Property is not less than 60% of maximum annual debt service.

In the event that the Release Tests are not satisfied and all funds have not been released from the Escrow Fund by July 1, 2003, then all or a portion of the Escrow Term Bonds will be redeemed from amounts in the Escrow Fund on September 1, 2003, or on such later date as is established under the Bond Indenture if certain conditions set forth in the Bond Indenture are satisfied to extend the period of time for releasing proceeds from the Escrow Fund. See "THE BONDS – Redemption – *Special Mandatory Redemption from Escrow Fund Transfer*" and APPENDIX E – "SUMMARY OF BOND INDENTURE – Funds and Accounts – *Escrow Fund.*"

Guaranteed Investment Contracts

The District has obtained a bid from CDC Funding Corp. ("CDC") to invest amounts in the Escrow Fund and the Reserve Account in an investment agreement (the "Investment Agreement"). CDC's obligations under the Investment Agreement are guaranteed pursuant to a Guarantee by Caisse des Dépôts et Consignations (the "Guarantor"), the long-term obligations of which currently are rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Rating Group. The District intends to instruct the Trustee to invest the Bond proceeds deposited to the Escrow Fund and the Reserve Account with CDC on the Closing Date. Under the terms of the Investment Agreement, amounts in the Escrow Fund are to be invested at the rate of 6.36 percent per annum, calculated on a 30/360-day basis to the earlier of September 1, 2003 or the date of withdrawal from the Escrow Fund and amounts in the Reserve Account are to be invested at the rate of 6.42 percent per annum calculated on a 30/360-day basis to September 1, 2030. No assurance can be given that the Investment Agreement will close as expected.

THE DISTRICT

General Description of the District

The District consists of approximately 2,546 gross acres located in the northern portion of the City in northwestern San Diego County, roughly halfway between Interstate 5 and Interstate 15 approximately 20 miles northeast of the City's downtown area and 6 miles north of the La Jolla/Golden Triangle Area.

Description of Authorized Facilities

The facilities authorized to be acquired or constructed by the District with the proceeds of the Bonds and Parity Bonds consist of various public improvements described in Table 1 below. It is expected that the facilities will be financed from a variety of sources, including the Bonds, a City contribution for the water reservoir and other water facilities, Developer contributions and bonds issued by Improvement Area No. 2 and Improvement Area No. 3 of the District. Improvement Area No. 3 is issuing bonds simultaneously with the Bonds, and is expected to contribute \$3,640,000 of proceeds for construction. The City has not currently set a schedule for the sale of Improvement Area No. 2 Bonds. To the extent that Improvement Area No. 2 bonds are not issued, the balance of the costs of the facilities not paid for with the proceeds of the Bonds, the City contribution for the water reservoir and other water facilities and the Improvement Area No. 3 bonds must be financed by the Developer. Under the Indenture, the District has the right to sell up to \$5,000,000 of Parity Bonds to finance the public improvements listed in Table 1. In its projected sources and uses of funds set forth in Table 6 below, the Developer assumes that Improvement Area No. 2 will contribute \$2,500,000 toward the cost of the facilities, but does not assume the sale of any Parity Bonds.

TABLE 1
ESTIMATED COSTS OF PROJECTS

<u>Project</u>	<u>Total Cost Estimate</u>	<u>Portion to be Paid from Bonds⁽⁴⁾</u>	<u>Portion to be Paid by Developer and Other Sources⁽⁵⁾</u>
Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road ⁽¹⁾	\$13,400,036	\$9,172,453	\$4,227,583
Carmel Valley Road Segments 1, 2 and 3 from North SR56 to Via Abertura	4,373,343	4,373,343	0
Camino Ruiz South ⁽¹⁾	6,223,386	5,735,732	487,654
Camino Ruiz from CR South Northerly to San Dieguito and Extension of Stn. 213 ⁽¹⁾	13,320,524	12,098,041	1,222,483
San Dieguito Road from Camino Ruiz to existing San Dieguito Road ⁽¹⁾	5,037,163	5,037,163	0
Median and Parkway Landscaping of Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road	1,696,595	1,696,595	0
Water and Sewer Facilities, including Pump Stations, Sewer Trunk Lines and Water Lines ⁽²⁾	6,869,385	4,232,194	2,637,191
25 Million Gallon Reservoir ⁽²⁾	3,525,108	2,182,036	1,343,072
South Fire Station and Equipment (Fair Share) ⁽³⁾	1,024,643	55,502	969,141
Offsite Traffic Signals and Intersection Improvements	1,561,259	0	1,561,259
Onsite Traffic Signals	775,500	775,000	0
Regional Park Land Acquisition and Grading ⁽³⁾	551,441	551,441	0
Preliminary Design Costs for Public Improvements	490,000	490,000	0
Total Bonds before Deduction of Improvement Area 2 Bonds and Parity Bonds	\$58,848,383	\$46,400,000	\$12,448,383

(1) Roadway projects include street improvements, water and sewer improvements as indicated, utilities (joint trench, electric, gas, cable TV, telephone) included within the roadway right-of-way or within a designated easement, if eligible for funding by the District.

(2) Approximately 82% of the cost of the water reservoir and 56% to 80% of the cost of certain other water facilities is to be funded by the City pursuant to the terms of a cost sharing agreement entered into between the City and the Developer. Cost amount shown is the Developer's share.

(3) The Developer expects to be reimbursed from other developments for a pro rata cost (including land value) of the community park and fire station. Amount shown represents costs anticipated to be incurred by Developer, after such reimbursements.

(4) If Bond proceeds remain after all projects listed above are included, certain other projects may be funded from Bond proceeds.

(5) In addition to Developer funds, possible other sources include proceeds from Improvement Area No. 2 bonds, Improvement Area No. 3 bonds and Parity Bonds. Under the Bond Indenture, up to \$5,000,000 in Parity Bonds may be issued to fund infrastructure improvements. No assurance can be given that Improvement Area No. 2 bonds or any Parity Bonds of the District will be sold, in which case all remaining costs of the facilities must be paid for by the Developer.

Source: Developer and District.

Estimated Direct and Overlapping Indebtedness

Within the District's boundaries are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and assessments on the parcels within the District and others have authorized but unissued bonds which, if issued, will be secured by taxes and assessments levied on parcels within the District. The approximate amount of the direct and overlapping debt secured by such taxes and assessment on the parcels within the District for fiscal year

2000-01 is shown in Table 2 below (the "Debt Report"). The Debt Report excludes the principal amount of the Bonds in the Escrow Fund. As amounts are released from the Escrow Fund, the direct debt listed in the Debt Report will increase.

The Debt Report has been derived from data assembled and reported to the District by David Taussig and Associates, Inc. Neither the District, the City nor the Underwriters have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
DIRECT AND OVERLAPPING DEBT SUMMARY
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 1

Overlapping District	Fiscal Year 2000-01 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding ⁽¹⁾	Share of Total Debt Outstanding ¹
Poway Unified School District CFD No. 4 ⁽²⁾	None	None	None	None	None
Metropolitan Water District G.O. Bond ⁽³⁾	\$111,265,357	\$5,120	0.0046%	\$549,615,000	<u>\$ 25,290</u>
				Estimated Share of Overlapping Debt Allocable to the District	\$ 25,290
				Plus: Series A of 2000 Bonds ⁽⁴⁾	<u>\$25,450,000</u>
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$25,475,290

⁽¹⁾ As of June 30, 2000.

⁽²⁾ Authorized to issue up to \$32 million.

⁽³⁾ Estimated levy based on Fiscal Year 2000-01 assessed value.

⁽⁴⁾ Excludes principal amount of Bonds in Escrow Fund.

Source: David Taussig & Associates, Inc.

The Poway Unified School District Community Facilities District No. 4 ("Poway CFD No. 4") is authorized to issue up to \$32,000,000 of bonds which will be paid from special taxes levied on developed property within the District. The District is informed that Poway CFD No. 4 currently expects to issue approximately \$10,000,000 in bonds with approximately \$4,500,000 being issued when 305 building permits have been issued in the District and the remainder approximately two years later.

Expected Tax Burden

It is expected that the total tax burden on residential units in the District will be slightly less than 2% of the initial sales price of the units. The Market Absorption Analysis states that the total effective tax rates within the District will vary by product, ranging from 1.68% to 1.94% of initial sales price and that the total combined homeowner association dues, fees and Special Tax obligations in the District are higher than most every other new home project currently on the market in San Diego County. Table 3 below sets forth an estimated property tax bill for single family detached units of 2,525 square feet and 5,000 square feet. The

estimated tax rates and amounts presented herein are based on currently available information. The actual amounts charged may vary and may increase in future years.

TABLE 3

**SAMPLE PROPERTY TAX BILL
PROJECTED FOR FISCAL YEAR 2000-01
FOR TYPICAL SINGLE FAMILY DETACHED UNITS**

<u>Assessed Valuation and Property Taxes</u>	<u>Percent of Total Assessed Valuation</u>	<u>Expected Amount</u>	<u>Expected Amount</u>
HOUSE SQUARE FOOTAGE ⁽¹⁾		2,525	5,000
SALES PRICE ⁽¹⁾		\$495,000	\$1,100,000
TOTAL ASSESSED VALUE ⁽²⁾		\$488,000	\$1,093,000
AD VALOREM PROPERTY TAXES⁽³⁾			
Basic Levy	1.00000%	\$4,880.00	\$10,930.00
San Diego City Zoological Exhibits	0.00500%	24.40	54.65
San Diego City Public Safety Communication Systems	0.00243%	11.86	26.56
San Diego County Water Authority	0.00100%	4.88	10.93
Metropolitan Water District	0.00880%	42.94	96.18
Total Ad Valorem Property Taxes	<u>1.01723%</u>	<u>\$4,964.08</u>	<u>\$11,118.32</u>
ASSESSMENTS AND SPECIAL TAXES			
City of San Diego CFD No. 2 (Santaluz)		\$2,764.14	\$ 7,191.16
Poway Unified School District CFD No. 4 ⁽⁴⁾		748.80	1,397.76
County Mosquito/Rat Control ⁽⁵⁾		3.00	3.00
Metropolitan Water District Standby Charge		11.50	11.50
San Diego County Water Authority Water Availability Charge ⁽⁶⁾		10.00	10.00
Total Assessments and Special Taxes		<u>\$3,537.44</u>	<u>\$ 8,613.42</u>
<u>TOTAL, ALL PROPERTY TAXES</u>		<u><u>\$8,501.52</u></u>	<u><u>\$19,731.74</u></u>
Total Effective Tax Rate		1.71748%	1.79379%

- (1) House square footage and base unit prices (excluding premiums) based on Market Absorption Analysis. Table 4 below reflects projected prices including premiums.
- (2) For residential properties only, assessed value and *ad valorem* taxes incorporate owner-occupied assessed valuation exemption of \$7,000. Sales price is used to determine Total Effective Tax Rate.
- (3) Based on projected rates for Fiscal Year 2000-01.
- (4) Proposed Special Tax rates for Poway USD CFD No. 4.
- (5) Based on per parcel amount and will remain the same for an indefinite term unless voted upon.
- (6) Based on amount per parcel or amount per acre, whichever is greater.

Source: David Taussig and Associates, Inc.

Estimated Appraised Value-to-Lien Ratio

The value of the land within the District is significant because in the event of a delinquency in the payment of Special Taxes the District may foreclose only against delinquent parcels. All of the property within the District is currently owned by the Developer and has been appraised as of June 1, 2000 at \$101,900,000. See APPENDIX C. Dividing this appraised value by the sum of the principal amount of the non-escrowed Bond proceeds of \$25,450,000 and the \$25,290 of additional land secured debt described in Table 2 above results in an estimated appraised value-to-lien ratio of 4-to-1 for property in the District. The

Bond Indenture requires that an overall 4-to-1 value-to-lien ratio, based either on an appraisal or on assessed value, be maintained in connection with subsequent releases from the Escrow Fund. See "SOURCES OF PAYMENT FOR THE BONDS – Escrow Fund" and APPENDIX E – "CREATION OF FUNDS AND APPLICATION OF PROCEEDS – Escrow Fund."

Estimated Assessed Value-to-Lien Ratio

The assessed value of the land within the District for fiscal year 2000-01 is \$58,178,422. Dividing the assessed value by the principal amount of the non-escrowed Bonds proceeds results in an estimated assessed value-to-lien ratio of 2.28 to 1 including the \$25,450,000 principal amount of the non-escrowed Bonds and the \$25,290 of additional land-secured debt which is payable from taxes and assessments levied on the property within the District as set forth in Table 2 above.

As a part of its Annual Report delivered pursuant to its Continuing Disclosure Agreement, the District will provide the estimated assessed value-to-lien ratio for all Developed Property in the aggregate and for each owner of Undeveloped Property.

THE DEVELOPMENT AND PROPERTY OWNERSHIP

Except for the information under the captions "Appraisal" and "Market Absorption Analysis," the Developer has provided the information in this section.

The information herein regarding ownership of property in the District has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to the Developer should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the Bonds, are recourse obligations of any property owner in the District. A property owner may sell or otherwise dispose of land within the District or a development or any interest therein at any time.

No assurance can be given that the proposed development within the District will occur as described below. As the proposed land development progresses and parcels are sold, it is expected that the ownership of the land within the District will become more diversified. No assurance can be given that development of the land within the District will occur, or that it will occur in a timely manner or in the configuration or intensity described herein, or that the Developer will retain ownership of any of the land within the District. The Bonds and the Special Taxes are not personal obligations of the Developer or any subsequent landowners and, in the event that the Developer or any subsequent landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of the Developer or any subsequent landowner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about the Developer. The Bonds are secured solely by the Special Taxes and other amounts pledged under the Bond Indenture. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS."

General Description of Santaluz

The portion of the Santaluz development which comprises the District consists of approximately 2,500 acres situated in the City in northwestern San Diego County. The development is located approximately 20 miles north of the City's downtown area and 6 miles north of the La Jolla/Golden Triangle area. The vesting tentative tract map for the development was approved by the City on October 31, 1995. On March 17, 1997, the City Council of the City adopted the Second Amended and Restated Development Agreement ("Development Agreement") encompassing the project. During 1998 and 1999, the land use plan for the project was revised. The revised plan reduces the grading substantially, provides larger lots, and orients the lots to take advantage of the natural terrain, open space, golf course and views. On October 29, 1999, the City issued an administrative determination stating that the modifications are in substantial conformance with the

general intent, terms and conditions of the approved Vesting Tentative Map and Planned Residential Development Permit No. 95-0173.

Santaluz is characterized by gently rolling terrain. The land use plan is based on a foundation of neighborhoods and community. The land use plan provides for the development of a maximum of 1,121 residential units (including 179 income-restricted units), an 18-hole private golf course, and school and institutional facilities.

The Developer

The Developer is Santaluz, LLC, a Delaware limited liability company, which currently is the sole owner of the taxable property within the District. The primary business of the Developer is to own, develop and sell the approximately 2,500 acres that it acquired in the District. The Developer purchased the property on June 16, 1998. The Developer was formed by DMB Realco LLC and Santaluz TM LLC for the sole purpose of acquiring the property and participating in its development. Santaluz TM LLC is owned by Taylor Woodrow Homes, Inc. and Monarch Homes of California, Inc., an affiliate of Taylor Woodrow Homes, Inc. Taylor Woodrow Homes, Inc. is the managing member of Santaluz TM LLC. Santaluz TM LLC is the managing member of Santaluz, LLC. DMB Realco LLC together with certain affiliates, are collectively referred to herein as "DMB." DMB comprises a privately held real estate development and investment group continuously active in the acquisition, development and management of a variety of real estate projects and business activities since 1984. From its initial investment in suburban office buildings, DMB subsequently moved into residential lot development. In addition to Santaluz, DMB is involved in a number of other master planned communities, including:

DC Ranch: This is an approximately 4,000-acre mixed use master planned community, located in the western foothills of Scottsdale, Arizona. 6,718 homesites are zoned including custom lots and an array of products to be sold to merchant builders. DC Ranch is zoned for nearly 3.5 million square feet of commercial, retail and employment uses and 800 resort hotel rooms. DC Ranch is a joint venture between DMB and the original landowner. Portions of DC Ranch have been acquired by the venture and future phases are subject to an agreement to purchase the property. As of July 1, 2000, 198 custom lots had been sold or were in escrow and sites comprising 571 lots had been sold or were in escrow to merchant builders.

Power Ranch: This 2,000-acre mixed-use residential, commercial and retail master-planned community, located in the town of Gilbert, Arizona, is proposed to become two distinct communities, tied together by consistent design guidelines, program and project character. Power Ranch is a joint venture between DMB and Sunbelt Holdings. The venture teamed with Shea Communities to develop Trilogy, the project's first phase, a 670-acre active adult, golf course community, which broke ground during the first quarter of 1998. The second community, a 1,330 acre master-planned single family community broke ground in early 1999. As of July 1, 2000 approximately 200 homes had been sold at Trilogy and parcels comprising approximately 1,106 lots had been sold or were in escrow to merchant builders in the second community.

Ladera: This 4,000 acre property is set in historic Rancho Mission Viejo, in Orange County, California. DMB is joint venturing the project with the family that has owned the land since 1882. The community is comprised of several residential villages, each of which has subtly distinguished product mixes, land forms, development patterns, architectural style and landscape character. Community elements include an urban Activity Center, Town Center, Sports Park and numerous "pocket parks." Approximately 1,600 acres are preserved for open space elements such as natural arroyos, hillsides and ridge line trails. The grand opening of Phase I in late July 1999 attracted over 21,000 visitors on the first weekend. As of July 1, 2000, parcels comprising 1,940 lots had been sold or were in escrow to merchant builders.

Forest Highlands: This 1,100-acre master planned development, located 8 miles southeast of the city of Flagstaff, Arizona, is a luxury, private residential golf community amidst the world's largest stand of Ponderosa Pine. Through a joint venture with the Forest Highlands Homeowner's Association, the original

master plan has been complemented by 170 new custom home sites, an extensive path and trail system, a clubhouse with health and fitness facility and children's center, and the "The Meadow," an 18-hole, 7,200-yard Tom Weiskopf designed golf course. As of July 1, 2000, 163 custom lots were in escrow or had closed.

Lahontan: A private residential golf club community in North Lake Tahoe, California, this 720-acre community is centered around an 18-hole Tom Weiskopf designed golf course and features a variety of sport, recreational and lodging amenities. The project features 450 custom homesites with lots ranging from half an acre to 1.38 acres, a 5-acre recreation center (Camp Lahontan), a community path and trail system, the Lodge at Lahontan (a 24,000 square foot clubhouse and spa) and Martis Creek, a natural trout stream that winds its way through the community. As of July 1, 2000, 426 custom lots were in escrow or had closed.

Taylor Woodrow Homes, Inc. is a wholly-owned subsidiary of Taylor Woodrow plc. Taylor Woodrow plc is a diversified international real estate construction and development company with activities in the United Kingdom, Canada, Spain, Australia, Florida and California. Shares of Taylor Woodrow plc are traded on the London Stock Exchange. Taylor Woodrow Homes, Inc. and Taylor Woodrow plc are collectively referred to herein as Taylor Woodrow.

Taylor Woodrow is active in the California real estate market, with 12 communities currently under development in Southern California and 8 communities under development in Northern California. Taylor Woodrow is recognized nationally as a leading and innovative builder of moveup and luxury homes. Over the past 5 years, Taylor Woodrow has sold an average of over 300 homes per year in California. Sales prices for the communities currently under development range from \$275,000 to \$2.9 million in Southern California with square footages for the homes ranging from approximately 1,500 to 5,900 square feet. In Northern California, sales prices for the communities currently under development range from \$250,000 to \$1.3 million, with square footages for the homes ranging from approximately 1,400 to 4,500 square feet. Following is a summary of selected developments in California by Taylor Woodrow:

Amberly Lane, Ladera Ranch, Orange County, CA: Amberly Lane is located in the planned community of Ladera Ranch in Orange County, California. It consists of 97 single-family detached homes on lots averaging 6,000 square feet. The homes in Amberly Lane average 2,993 square feet with an average selling price of \$491,000. As of July 1, 2000, 31 homes had been sold, 14 of which had closed escrow.

Cambria, Orange County, CA: Cambria is located in the Northpark development in the Irvine Ranch. It consists of 53 single-family detached homes on lots averaging 8,500 square feet. The homes in Cambria average 4,071 square feet with an average selling price of \$769,000. As of July 1, 2000, 25 homes had been sold, with 9 having closed escrow.

Watermark, Orange County, CA: Watermark is located in the Crystal Cove community of Newport Coast, a luxury home community located in Orange County, California being developed by The Irvine Company. It consists of 33 single-family detached homes on lots averaging 16,200 square feet. The homes in Watermark average 5,066 square feet with an average selling price of \$2.6 million. As of July 1, 2000, 6 homes had been sold; none had closed escrow.

Woodlands at Valencia, Los Angeles County, CA: Taylor Woodrow is the managing member of a limited liability company developing a 316-home development known as Woodlands. Woodlands consists of four projects located in a gated enclave in the planned community of Valencia. The 316 units in Woodlands range in size from 1,537 square feet to 4,740 square feet with home prices ranging from \$275,000 to \$879,990. The average lot sizes in Woodlands range from 3,500 to 6,500 square feet. As of July 1, 2000, 165 homes had been sold and 133 had closed escrow.

Traditions, Marin County, CA: Traditions is located in the Hamilton Town planned community in the City of Novato, Marin County. The 143 homes in Traditions are located on lots averaging 3,800 square feet in

size. The homes in Traditions average 2,039 square feet with an average sales price of \$554,000. As of July 1, 2000, all 141 homes had been sold with 117 having closed escrow.

Taylor Woodrow is the managing member of Fairbanks Highlands, LLC, which is developing the 93 home Fairbanks Highlands development adjacent to Santaluz. Fairbanks Highlands comprises most of Improvement Area No. 3 of Community Facilities District No. 2 (Santaluz).

In addition to Santaluz and Fairbanks Highlands, Taylor Woodrow is the Operations Supervisor of a limited liability company developing a 1,750 unit planned community on 400 acres in Newport Beach, California. In its role as Operations Supervisor, Taylor Woodrow is responsible for the management of the day-to-day operations of the development. The project is currently in the process of obtaining its entitlement approvals; construction is currently expected to commence in 2002.

Development Plan

Current development plans for the 2,500 acres in the District include 914 market rate residential units, 179 affordable housing units, an 18 hole golf course comprising 282 acres, 11.9 acres of church and other institutional uses, 45.5 acres of public parks, 27 acres for two school sites and 1,641 acres of open space, roads, other public facilities, and property owner association property. One of the school sites will include an additional 9.6 acres included within Improvement Area No. 3. The Developer is currently planning to develop 690 lots to be sold to merchant builders and 224 custom lots, to be marketed by the Developer to individuals and custom home builders.

As of September 25, 2000, the Developer had entered into option agreements with merchant builders to sell land within the District approved for the development of 403 single family housing units. As set forth in Table 4 below, included within these 403 units are 146 housing units to be developed by Taylor Woodrow Homes. The Developer has received nonrefundable deposits from the merchant builders of \$7,480,000 and a refundable deposit of \$687,500. The Developer currently expects the first phases of these land sales to close in November, 2000 and December, 2000. No assurance can be given that escrows will close on the land covered by the option agreements. The Developer is continuing to market the land on which the balance of the market rate residential units are planned to be developed and currently projects that the first phases of lots on this land will be sold by the end of 2001. Custom lot sales are anticipated to commence in the spring of 2001.

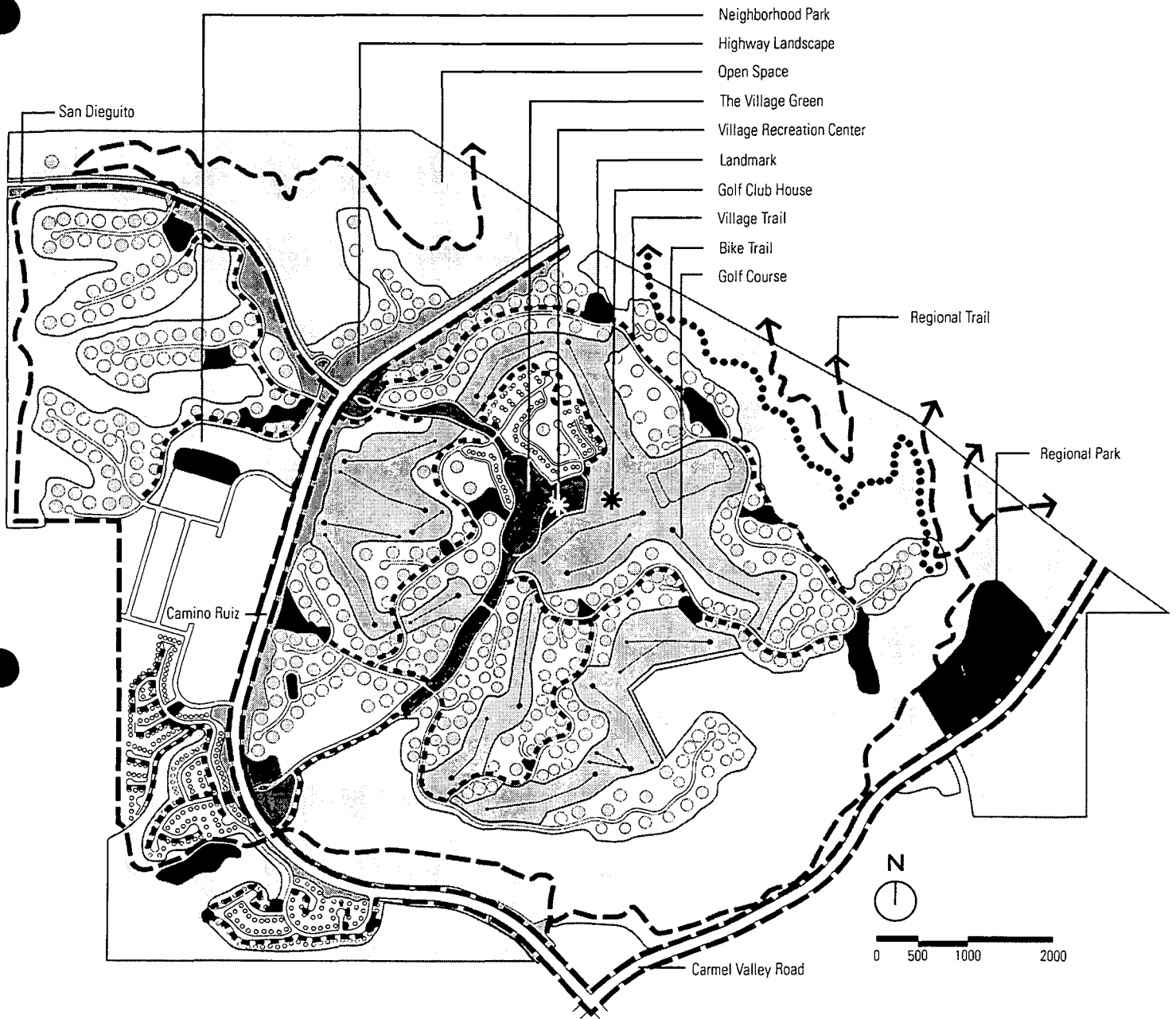
Based on current economic and market conditions, the Developer expects to continue to develop Santaluz over the next several years. The Developer's development expectations could be altered due to changes in economic and market conditions, or other factors.

The Developer's plan is to develop the majority of the land into finished lots and to sell the land to merchant builders to construct residential units. A finished lot is one that has been graded to its final elevation, with adjacent streets, utilities, curbs, and sidewalks installed. One of the development areas within the project (containing 263 lots) is being partially developed by the Developer; the streets and lots will be graded and the merchant builder will be responsible for the installation of streets, utilities, curbs, sidewalks, landscaping, and other lot improvements. In the case of the affordable housing units, the Developer anticipates being responsible for grading the site and installing streets, utilities, and landscaping improvements adjacent to the site.

The Developer also intends to install the golf course, clubhouse and community center. The golf course is planned to be an 18-hole course, designed by Reese Jones, a designer of numerous golf courses, including the Nantucket Golf Club (Nantucket, Massachusetts), Sandpines Golf Club (Florence, Oregon) and Atlantic Golf Club (Bridgehampton, New York). The Nantucket and Atlantic courses were named "Best New Private Course" in 1998 and 1992, respectively, by Golf Digest. The Sandpines Golf Club was named "Best New Public Course" by Golf Digest in 1993. A variety of grass, sand and water features will be employed to create a "multi-theme" style of design. The routing is expected to provide significant diversity throughout the

holes and to maximize the natural plateaus, ridges, hollows and valleys of the site. When complete, the course is anticipated to blend harmoniously with the natural landscape and to feature a mature appearance when opened for play. It is planned to be a private equity membership course, with membership limited initially to Santaluz residents. The golf course commenced construction in September 2000 and is scheduled to open for play in the fall of 2001. A clubhouse of approximately 35,000 square feet is planned to be constructed to serve golf course members. The clubhouse is scheduled to commence construction in the summer of 2001 and be completed in the fall of 2002. A community center of approximately 19,000 square feet is planned for construction adjacent to the clubhouse. It will be used for community functions and will provide recreational facilities to District residents.

A site map of Santaluz is set forth on the next page, and a summary of the planned units by product type and the estimated sizes and prices is set forth in Table 4 below. Table 5 below sets forth the three types of custom lots being marketed by the Developer and the Developer's estimated sales prices.



**SITE MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 1**

TABLE 4
SUMMARY OF PROPOSED DEVELOPMENT
FOR MERCHANT BUILDER PRODUCTS

(As of September 25, 2000)

Product Type	Proposed Merchant Builder	Number of Lots	Projected Average Square Footage (1)	Projected Average Home Price (2)
Sentinels	Baywood	80	2,400 (3)	\$ 575,000 (3)
Casitas	Taylor Woodrow	80	2,260	585,000
Spanish Bungalows	Christopher Homes	64	3,000 (3)	585,000 (3)
Garden Homes	Rielly Homes	63	3,400 (3)	645,000 (3)
Ranch Homes	Taylor Woodrow	66	5,000	1,295,000
Haciendas Sur	Centex Homes	50	3,300 (3)	785,000 (3)
Ranch Cottages	To Be Determined	80	2,600	595,000
Court Homes	To Be Determined	71	3,750	690,000
Country Homes	To Be Determined	65	4,000	730,000
Villas	To Be Determined	32	3,400	885,000
Estancias	To Be Determined	39	4,000	1,055,000
Total/Average		690	3,294	\$ 737,826

- (1) Square footages shown exclude room options which may be offered by several of the merchant builders.
(2) Average home prices shown include the builder's estimate of lot premiums but exclude the sales of options and extras.
(3) Information provided by the merchant builder which has not been independently verified by the Developer.

Source: The Developer

TABLE 5
SUMMARY OF PROPOSED DEVELOPMENT
FOR CUSTOM LOTS

(As of September 25, 2000)

Product Type	Number of Lots	Projected Typical Pad Size (Square Feet) (1)	Projected Average Estimated Sales Price (2)
Custom Northern Lights(non-golf)	96	14,000-30,000	\$ 625,000
Custom Golf	84	21,000	742,000
Custom Villas	44	8,500	429,000
Total/Average	224	18,120	\$ 630,375

- (1) Pad size shown is based on preliminary engineering estimates and is subject to change as those estimates are refined and as a result of revisions to the grading plan during construction.
(2) Average custom lot prices shown include lot premiums but exclude the custom lot buyers' costs of constructing homes.

Source: The Developer

The development summaries shown above are based on the Developer's current plans. These plans may change to respond to changes in economic or market conditions.

Financing Plan

The full development of the District property requires the expenditure of substantial amounts both directly related to the District property and for other infrastructure improvements located outside the District. Table 6 below has been provided by the Developer to indicate its present projection of the sources and uses associated with the development of Santaluz. There can be no assurance that the Developer will have timely access to the sources of funds (as shown below) which will be necessary to construct the various public facilities and other capital improvements necessary to accommodate the proposed development. There can also be no assurance that there will be no substantial changes in the sources and uses of funds shown below. Although Table 6 reflects the Developer's current projections, many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. Table 6 is presented to show that expected revenues make the development proposed feasible and not to guarantee a particular cash flow to the Developer. Future changes to the Developer's financial projections will be shown in the Annual Report to be prepared by the Developer pursuant to the Continuing Disclosure Agreement of Developer. See APPENDIX G – "Continuing Disclosure Agreement of the Developer."

TABLE 6
DEVELOPER'S PROJECTED SOURCES AND USES OF FUNDS
(Amounts in Thousands) (As of October 1, 2000)

	Year 2000 (Starting 10/1)	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Total
Sources of Funds								
Beginning Cash Balance	\$ 6,782							\$ 6,782
Net Land Sale Proceeds	47,225	\$114,712	\$ 70,256	\$ 33,933	\$ 18,354	\$ 6,900	\$ -	291,380
Net Bond Proceeds ⁽¹⁾	19,955	21,739	7,856	-	2,500	-	-	52,050
Third party Cost Sharing	5,382	7,589	4,357	3,103	1,736	1,736	1,736	25,639
Builder Marketing Fees & Golf Course Membership Sales	725	7,563	14,547	15,063	12,201	7,370	270	57,739
Total Sources	80,069	151,603	97,016	52,099	34,791	16,006	2,006	433,590
Uses of Funds								
Public Facilities	19,567	31,414	7,126	3,429	-	-	-	61,536
Other Project Costs	18,766	85,168	38,138	7,950	4,743	795	(17)	155,543
Subtotal Project Costs	38,333	116,582	45,264	11,379	4,743	795	(17)	217,079
Member Management Fees	1,385	7,272	2,653	113	66	36	6	11,531
Total Uses	39,718	123,854	47,917	11,492	4,809	831	(11)	228,610
Sources in Excess of Uses	40,351	27,749	49,099	40,607	29,983	15,175	2,017	204,980
Cumulative Annual Sources Over Uses	\$40,351	\$68,100	\$117,199	\$157,806	\$187,788	\$202,063	\$204,980	\$204,980

⁽¹⁾ Assumes the sale of bonds by Improvement Area No. 2 of the District.

Source: The Developer.

As of June 1, 2000, the Developer had expended \$45,968,000 on project costs, not including land acquisition costs, of which approximately \$20,751,000 is subject to reimbursement out of Bond proceeds. As shown in Table 6 above, the Developer expects to expend an additional \$217,079,000 to complete development of the land within the District, including \$61,536,000 for public improvements being financed in part by the District. From June 1, 2000 through September 30, 2000, the Developer expended approximately \$24,555,000 developing the land within the District, of which \$5,647,000 is subject to reimbursement out of

Bond proceeds. No bank loans or other debt exists as an encumbrance on the property owned by the Developer within the District. The Developer anticipates that revenues from land sales, together with available proceeds of the Bonds and other anticipated reimbursements will be more than sufficient to cover future development expenses.

The projected sources and uses of funds in Table 6 has been prepared based upon assumptions of future sales revenues, development costs, operating costs, property taxes, public facilities financing and other items. Option agreements have been executed with five merchant builders with sales prices which total to approximately 57% of the revenues projected to be received from the sale of land to merchant builders. Approximately one-half of these sales revenues are to be received from Taylor Woodrow, the part owner of one of the members of the Developer. The balance of the sales revenues for the remaining five product types as well as for the sale of custom lots have been derived from internal estimates. No contracts have been signed for the sale of the lots for the remaining five product types or for the sale of custom lots, and there can be no assurance that any of these sales will occur, or if they do occur that they will occur on the dates projected. Table 6 portrays the projected sources and uses of cash that the Developer projects based on its current development plans. The absorption estimates used in arriving at the land sales shown in Table 6 assume a more rapid sale of land than projected by the Appraiser. The project's actual sources and uses of cash may vary from the table above. Therefore, there can be no assurance that the actual revenues will not be less than projected or occur later than projected by the Developer.

Detailed construction plans have not yet been approved nor construction bids received for all of the work to be undertaken with respect to the development of Santaluz. Therefore, there can be no assurance that the actual development costs will not be greater than projected or occur sooner than projected by the Developer. There can be no assurance that any of the other assumptions made by the Developer in Table 6 will occur or that other matters not considered in the projections will not occur that have an adverse impact on cash available to the Developer for construction of improvements. There can be no assurance that projected sources of revenue will, in fact, be available as projected by the Developer.

To the extent that actual revenues are less than projected in Table 6 or are received more slowly than projected in Table 6, other needed financing mechanisms are not put into place or actual expenses are greater than or occur earlier than projected above, there could be a shortfall in the cash required to complete the development as projected above.

Status of Entitlement Approvals

The vesting tentative tract map for the development was approved by the City on October 31, 1995. During 1998 and 1999, the land use plan for the project was revised with the goal of enhancing the economics and marketability of the project. The revised plan reduces the grading substantially, provides larger lots, and orients the lots to take advantage of the natural terrain, open space, golf course and views. On October 29, 1999 the City issued a determination that the modifications are consistent with the general intent, terms and conditions of the approved Vesting Tentative Map and Planned Residential Development Permit No. 95-0173.

On March 17, 1997, the City Council adopted the Development Agreement encompassing the project. The Development Agreement vests the right to develop the property with respect to the permitted uses of land, density and intensity and timing and phasing as described in the Project Phasing and Financing Plan attached to the Development Agreement. Specifically, the Development Agreement permits the development of a maximum of 942 market rate dwelling units, 179 affordable dwelling units, one 18-hole golf course accompanying clubhouse and other onsite and off-site public and private facilities subject to various land use regulations referred to in the Development Agreement. The Developer believes that all discretionary approvals required for development of the property have been received.

Environmental Constraints

The Santaluz project has received extensive environmental review and has acquired all of the required permits from regulatory agencies that the Developer currently believes will be required to complete the project. All appeal periods with respect to such approvals have expired. An extensive series of mitigation measures are required which the Developer has implemented or is carrying out. An active program of monitoring during construction to protect conserved habitats and sensitive species, cultural resources, to provide noise control and dust abatement, and to control soil erosion, is being carried out. Notwithstanding the foregoing, the Developer must resolve the 404 Permit violation with the Army Corps of Engineers referred to below, and it is possible that future events relating to environmental issues could impact the development. See "SPECIAL RISK FACTORS – Future Land Use Regulations and Growth Control Initiatives" and "– Endangered Species."

The Environmental Impact Report (the "EIR") for the project was prepared in 1995. The EIR included analysis of associated permits and environmental regulations, including the City Resource Protection Ordinance, State Natural Communities Conservation Program, Clean Water Act and Fish and Game Code, among others. Issues addressed in the 1995 EIR included land use, transportation, biology (including wetlands and endangered species), hydrology, landform alteration/visual quality, cultural resources, air quality, geology/soils, agriculture, natural resources, paleontology, noise, public services, water conservation, and public safety. Permits were issued by the Army Corps of Engineers (404 permit) and from California Department of Fish and Game (1603 Streambed Alteration Agreement).

The Developer has advised the District that a violation has occurred under the Army Corps of Engineers 404 Permit for the project as a result of the grading of approximately 0.7 acres of area reserved for habitat conservation purposes. See "INTRODUCTION – Changes Since Preliminary Official Statement."

An EIR for the 5,000-acre Subarea I Plan area which the Santaluz development is within, was also prepared in 1998. This EIR addresses future development in areas adjoining the Santaluz development on the north and east, but also addressed the cumulative impacts of all the current and future projects.

Infrastructure Requirements and Construction Status

The infrastructure requirements for the District consist of four major construction categories, each of which is discussed below.

Major Backbone Infrastructure. The major backbone infrastructure for Santaluz consists of the construction of two lanes of Carmel Valley Road from East of Black Mountain Road to Via Abertura (with grading to accommodate future widening), construction of Camino Ruiz from Carmel Valley Road to San Dieguito Road, construction of San Dieguito Road from its existing terminus to Camino Ruiz, a water reservoir and water and sewer facilities, traffic signal improvements, acquisition of a fire station site and construction of a fire station, and acquisition and grading of a regional park site. Bond proceeds are anticipated to be used to acquire most of the major backbone infrastructure and the regional infrastructure referred to below as the facilities are completed and to the extent that Bond proceeds are available; a major portion of the water facilities are being funded by the City under provisions of a cost-sharing agreement. Construction of Carmel Valley Road from East of Black Mountain Road to Via Abertura and of a portion of Camino Ruiz have been completed and are awaiting acceptance by the City.

Minor Backbone Infrastructure. A series of two-lane collector roads complete the onsite improvements which are anticipated to be installed by the Developer to provide access from the major backbone roads to the merchant builder sites, the golf course facilities and the community center. The construction of the future minor backbone roads will be coordinated with the timing requirements of future merchant builders.

Intract Infrastructure. These roads and improvements will be located within the merchant builder tracts and are directly accessed by residential units. Santaluz is anticipated to be responsible for construction of these roadways within most of the project. A portion of the project comprising 263 lots is planned to be delivered to merchant builders on a bluetop lot basis. The lots will be graded to ultimate elevation with the merchant builder responsible for construction of intract streets, utility extensions, and landscaping.

Regional Infrastructure. Construction of Carmel Valley Road from Via Abertura to Highway SR-56 is the major regional infrastructure requirement for the development. Grading and improvement plans have been prepared for this segment of Carmel Valley Road. Construction of the first segment (approximately 30% of the total roadway length) is underway. Construction is scheduled to commence in October 2000 on the remaining segment.

Affordable Housing Requirements

Pursuant to the terms of the Development Agreement, the Developer is required to provide 179 affordable housing units which are affordable to persons earning 60% or less of the area median income, adjusted for family size. The Development Agreement also provides that the units must be completed prior to the closing of escrow of certain numbers of market rate units (homes and custom lots) as shown below:

**TABLE 7
AFFORDABLE HOUSING REQUIREMENTS**

Threshold for Market Rate Units		Affordable Units		Threshold Date Per Reeb Development Consulting ⁽¹⁾
Increment	Total	Increment	Total	
450	450	60	60	Early 2003
200	650	60	120	2003
145	795	59	179	2004
119	914			

⁽¹⁾ Estimated per Market Absorption Analysis.

Source: The Developer.

The Developer is investigating the feasibility of providing either a rental or a for-sale affordable housing program within the District. The Developer may be required to provide additional funding to a builder of affordable housing units. The need for such additional funding and the amount of such funding is not known at this time and is not included in the development proforma shown in Table 6 above.

Merchant Builders

The Developer intends to complete the land development process and sell all of the developable land within the District to merchant builders, custom home buyers, or affordable housing developers. The product types and the merchant builders who have entered into option agreements with the Developer for the purchase of 403 lots are discussed below. There can be no assurance that the merchant builders will close escrow pursuant to the terms or schedule set forth in the option agreements. The lot sizes, house sizes, and sales prices discussed below are based on estimates by the Developer and the merchant builders and are subject to change based on final engineering plans or changes by the merchant builders.

Sentinels (Baywood Development Group). Founded in 1977, Baywood Development Group has built a variety of projects in Southern California. The projects have ranged from high density attached affordable housing to large single-family move-up homes. Sites have been in in-fill locations as well as large master-planned communities such as Woodbridge and Rancho Santa Margarita in Orange County. To date Baywood has completed over 1,700 homes.

The Sentinels product is planned to consist of development areas of detached homes in clusters of eight with common landscape areas as well as individual private lots. The Sentinels product will overlook the golf course with distant views beyond. Escrow on the purchase of the first phase of the Sentinels lots is anticipated to close by the end of 2000. The project is anticipated to be financed through a loan from an institutional lender. Construction of models is anticipated to begin shortly after escrow closes and construction of production units is scheduled to commence in the first quarter of 2001. The project is planned for 80 single family detached homes with three different floor plans ranging in size from 2,175 square feet to 2,860 square feet, with an average sales price, including lot premiums, of \$575,000. The average lot size is approximately 6,800 square feet each.

Casitas (Taylor Woodrow Homes). Taylor Woodrow Homes has been building homes in Southern California since 1974, including new home neighborhoods at Woodlands in Valencia, Wyndover Bay in Newport Beach, Perazul in Newport Coast, Watermark in the Crystal Cove community of Newport Coast, Cambria in Irvine, and Amberly Lane in Ladera Ranch. Taylor Woodrow Homes is a subsidiary of Taylor Woodrow plc. Founded in 1921, Taylor Woodrow plc is a publicly-held corporation based in London, England, and consists of more than 130 subsidiary and related companies whose core operations account for more than \$2 billion in sales annually and currently operates in 26 countries.

The Casitas product will overlook either the golf course or the Village Green, a large open space park area. The Casitas are planned as one-story homes; many with courtyards. Escrow on the purchase of the first phase of the Casitas lots is anticipated to close by the end of 2000. The project is anticipated to be financed internally. Construction of models is anticipated to begin shortly after the close of escrow and construction of production units is scheduled to commence in the first quarter of 2001. The project is planned for 80 single family detached homes with 3 different floor plans. The Casitas are anticipated to average 2,260 square feet each, with an average sales price, including lot premiums, of \$585,000 and with average lot sizes of approximately 6,000 square feet each.

Spanish Bungalows (PLC Christopher Homes). PLC Christopher Homes has been building homes in Southern California for more than 30 years, including new-home neighborhoods in Orange County at Huntington Seacliff in Huntington Beach, Coto de Caza and Westridge in La Habra and in San Diego County at Torrey Hills. PLC Christopher Homes is part of the PLC group of companies which include PLC Land Company, PLC Greystone Apartments and PLC Commercial.

The Spanish Bungalows will be located in the Lazanja area, west of Camino Ruiz and south of the proposed town center. Escrow on the purchase of the first phase of the Spanish Bungalows lots is anticipated to close by the end of 2000. The project is anticipated to be financed through a loan from an institutional lender, which has not yet been obtained. Construction of models is anticipated to begin in the first quarter of 2001 and construction of production units is projected to commence in the second quarter of 2001. The project is planned for 64 single family detached homes. The minimum lot size is planned to be approximately 6,000 square feet, with the average lot size averaging 8,000 square feet. The Spanish Bungalows are anticipated to include three different floor plans with averaging approximately 3,000 square feet each, with an average sales price, including lot premiums, of \$585,000.

Garden Homes (Rielly Homes). Since the late 1970's, Rielly Homes has constructed more than 2,000 residences throughout Southern California, Arizona and Colorado. Rielly Homes is a division of Schuler Homes, a publicly traded Honolulu-based company that has been building homes since 1973. Schuler Homes

and its family companies operate in six states, including California, Colorado, Hawaii, Oregon, Washington, and Arizona.

The Garden Homes will be located in the Lazanja area. Escrow on the purchase of the first phase of the Garden Homes lots is anticipated to close by the end of 2000, with construction beginning soon thereafter. Rielly Homes anticipates financing the project through a loan from its parent company, Schuler Homes. Construction of models is anticipated to begin shortly after the close of escrow. The project is planned for 63 single family detached homes. The minimum lot size is anticipated to be approximately 7,100 square feet. The Garden Homes are anticipated to include four different floor plans ranging in size from approximately 3,192 square feet to 3,900 square feet, with an average sales price, including lot premiums, of \$645,000.

Ranch Homes (Taylor Woodrow Homes): Taylor Woodrow Homes has executed an option agreement to purchase the Ranch Home lots located throughout the central area of Santaluz. Escrow on the purchase of the first phase of the Ranch Home lots is anticipated to close by the end of 2000. The project is anticipated to be financed internally. The Ranch Home lots are large circular pads with a minimum pad size of 22,000 square feet. The lot size, including slopes, is anticipated to range in size from .7 acres to 2.3 acres. Construction of models is anticipated to begin shortly after the close of escrow and construction of production units are anticipated to commence in the first quarter of 2001. The project is planned for 66 single family detached homes with 3 different floor plans. The Ranch Homes are anticipated to average 5,000 square feet each, with an average sales price, including lot premiums, of \$1,295,000.

Haciendas Sur (Centex Homes): Centex Homes is one of the largest builders of single family detached housing in the United States. Established in Dallas, Texas in 1950, today Centex Homes builds in 77 markets in 20 states. To date, Centex Homes has built and sold nearly a quarter of a million homes. Centex Homes is a subsidiary of Centex Corporation, a New York Stock Exchange listed company. Copies of Centex Corporation's most recent filings with the Securities and Exchange Commission (the "SEC") are available at the SEC's website at www.sec.gov and from Centex Corporation's website at www.centex.com.

The Haciendas Sur homes are planned with some facing the golf course and others overlooking open space or in a small valley. A four-lane major roadway is located in proximity to several homesites. The Haciendas Sur homes are planned to be built in clusters of two detached homes each. Escrow on the purchase of the first phase of the Haciendas Sur lots is anticipated to close by the end of 2000. The project is anticipated to be financed by Centex Homes from internal sources. Construction of models is anticipated to begin shortly after the close of escrow, and construction of production units is scheduled to commence in January 2001. The project is planned for 50 single family detached homes with three different floor plans. The lot size is anticipated to range from one-quarter acre to one acre, with a minimum 10,000 square foot building pad. The Haciendas Sur homes are anticipated to range in size from 3,000 square feet to 3,600 square feet, with anticipated sales price, including lot premiums, ranging from \$760,000 to \$815,000. There can be no guarantee that the buildout described in this paragraph will occur as described. Centex Homes may elect to change such buildout plans depending on market conditions or other factors.

Ranch Cottages (Builder to be determined): The Ranch Cottages are to be spread throughout Santaluz in groups of two to four dwelling clusters of detached homes. Many of the lots overlook the golf course, while others have views of adjacent open space. The minimum lot size is anticipated to be approximately 7,800 square feet. The Ranch Cottages are anticipated to average 2,600 square feet each, with an average anticipated sales price, including lot premiums, of \$595,000.

Court Homes (Builder to be determined): The Court Homes also are to be located in the Lazanja area, west of Camino Ruiz and south of the proposed town center. The minimum lot size is anticipated to be approximately 8,200 square feet. The Court Homes are anticipated to average 3,750 square feet each, with an average anticipated sales price, including lot premiums, of \$690,000.

Country Homes (Builder to be determined): The Country Homes are to be the largest of the four home types in the Lazanja area, with lots that are currently planned to be a minimum of 9,500 square feet. The Country Homes are anticipated to average 4,000 square feet each, with an average anticipated sales price, including lot premiums, of \$730,000.

Villas (Builder to be determined): The Villas are to be built in clusters of four detached homes each. Many of the Villas are planned to overlook the golf course; all home sites are planned to have views of either the golf course, the Village Green, or open space. The minimum lot size is anticipated to be approximately 9,100 square feet. The Villas are anticipated to average 3,400 square feet each, with an average anticipated sales price, including lot premiums, of \$885,000.

Estancias (Builder to be determined): The Estancias are to be scattered throughout Santaluz and are typically located on a one-acre site nested into the gentle terrain. Many of the home sites are planned to have golf course views while others are planned to face public or private open space. The minimum lot size is anticipated to be approximately 19,600 square feet. The Estancias are anticipated to average 4,000 square feet each, with an average anticipated sales price, including lot premiums, of \$1,055,000.

Custom Lots

The Developer intends to develop and market 224 custom lots. 96 of the lots are situated in the northwest portion of the development. The remaining 128 lots will be located in the central area of the development, overlooking the golf course. The lots are expected to range in size from .2 acres to over two acres with building pad sizes ranging from 8,500 to 30,000 square feet. The lots are anticipated to be graded to final elevations with all utilities and street improvements installed to the edge of the lots. The custom lots are anticipated to range in average price from \$429,000 to \$742,000, depending on the location, size of lot, and view premiums. Actual sales prices for custom lots may be more or less than the averages shown, depending on the location, size of lot, and view premiums. The lot sizes shown are subject to change based on final engineering plans.

Potential Changes to Product Plan

The Developer will retain the discretion to change the product plan in response to or in anticipation of changes in market conditions. The changes may include increasing or decreasing the house sizes or estimated sales prices; other changes may include, without limitation, increasing or decreasing the number of custom lots and merchant builder lots.

Potential Limitations on Development

The City may prevent the recordation of final maps and the issuance of certificates of occupancy for Santaluz if the required facilities as identified in the Development Agreement are not completed in accordance with the conditions of Vesting Tentative Tract Map No. VTM-0179 and the Development Agreement. The foregoing documents are available for review in the office of the City's Planning and Development Review Department.

The most significant restrictions on the issuance of certificates of occupancy for the property in the District are the requirements for the construction of parks, a water reservoir, and regional roads, including Carmel Valley Road, a major east-west regional roadway and the requirements to provide affordable housing.

Table 8 below summarizes selected excerpts from the Development Agreement and the City's Tentative Map Conditions for property within the District. The sections summarized below are not intended to be an exhaustive list, but are representative of the City's potential powers to restrict development.

**TABLE 8
DEVELOPER INFRASTRUCTURE REQUIREMENTS AND STATUS**

Facility	Estimated Cost (Amounts in Thousands)	Completion Requirement	Comments	Estimated Completion Date (4)
Construction of 2 lanes of Carmel Valley Road from Via Abertura to Black Mountain Road and construction of 2 lanes of Black Mountain Road from Carmel Valley Road to existing improvements	\$13,400	Prior to first Certificate of Occupancy, excluding models.	Construction currently complete and awaiting City acceptance.	Complete
Construction of 2 lanes of Camino Ruiz from San Dieguito Road to Carmel Valley Road	\$19,544	Prior to first Certificate of Occupancy, excluding models.	Construction of the first segment (approximately 23% of the total roadway length) is currently complete and awaiting City acceptance. Plans have been completed and City permits received for the remaining segment; construction is anticipated to commence in September 2000.	May 2001
Construction of San Dieguito Road from Camino Ruiz to existing improvements	\$5,037	Prior to first Certificate of Occupancy, excluding models.	Plans have been completed and City permits received; construction is anticipated to commence in October 2000.	May 2001
Construction of 2 lanes of Carmel Valley Road from Via Abertura to Highway SR-56	\$4,373	Prior to first Certificate of Occupancy, excluding models.	Construction of the first segment (approximately 30% of the total roadway length) is underway; construction of the remaining segment is anticipated to commence in October 2000.	May 2001
Construction of a 25 million gallon water reservoir	\$3,525	Prior to recordation of the first sale of residential units.	Grading of the reservoir site is complete; a construction contract has been issued for the water reservoir; construction commenced in May 2000.(1)	August 2001
Grading and conveyance of 30 acre community park site	\$551	Prior to recordation of final maps on the Property for more than 600 market rate residential units.	Grading of the community park site has commenced.(2)	May 2001
Construction of fire station	\$1,025	As determined by the City	(2), (3)	As determined by City

- (1) Approximately 82% of the cost of the water reservoir is funded by the City pursuant to the terms of a cost sharing agreement entered into between the City and the Developer. Cost amount shown is the Developer's share.
- (2) The Developer expects to be reimbursed from other developments for a *pro rata* cost of the community park (including land value) and fire station. Amount shown represents costs anticipated to be incurred by Developer, after such reimbursements.
- (3) Discussions have commenced with the City regarding the necessary acquisition agreement for the construction and acquisition of the fire station.
- (4) Estimated completion dates are subject to change based on construction schedules, weather and project requirements.

Source: The Developer

In addition to the improvements shown above, there are requirements for construction of on-site and offsite traffic signal and intersection improvements. The Developer is also required to post performance bonds to assure construction of major roadway improvements prior to recordation of final maps on the property and to dedicate the required roadway right-of-way.

The Development Agreement and Vesting Tentative Tract Map conditions for the project also assign to the Developer responsibility for certain onsite and offsite improvements to Camino Ruiz, at the election of the City Engineer. Based on requirements imposed by the City on adjacent developments and the revision currently in process to the Public Facilities Financing Plan for Subarea IV, which is located immediately southwest of the District, the Developer believes that the improvements will be constructed by other developments and will not be required of Santaluz.

Market Absorption Analysis

The Executive Summary from the Market Absorption Analysis is included herein as APPENDIX B. The Market Absorption Consultant has estimated, based upon the analysis of relevant demographic and economic conditions in the San Diego County area, the number and proportion of housing units in the District that can be expected to be sold annually using the estimated absorption schedules for each of the product types. The Market Absorption Analysis concludes that the 690 for sale units and the 224 custom lots will be sold by the middle of 2006. The Market Absorption Analysis projects annual absorption within the District as set forth in Table 9 below. Given that the Market Absorption Analysis is based on sales, actual escrow closings and move-ins for the units will occur later than the projected sales dates.

TABLE 9

**PROJECTED ABSORPTION OF UNITS
WITHIN DISTRICT**

Year Ending May 31	For Sale Units	Custom Lots	Total
2002	208	76	284
2003	251	51	302
2004	184	38	222
2005	41	38	79
2006	<u>6</u>	<u>21</u>	<u>27</u>
Total	690	224	914

Source: Reeb Development Consulting.

The Market Absorption Analysis uses the Developer's assumption that the 690 for sale units will range in size from 2,250 to 5,000 square feet and in price from \$495,000 to \$1,100,000 per unit with additional lot premiums ranging from \$7,500 to \$195,000 per unit. The detached units are to be built on lots ranging in minimum size from 5,200 to 31,800 square feet. The unit sizes and prices are averages for the individual product types that will be built.

The Market Absorption Analysis conclusions are predicated upon the project being developed as currently proposed by the Developer. The projected sales figures assume that home sales within each product line begin approximately six months after the delivery of lots from the Developer to the merchant builders. If delivery of the lots does not occur as presently projected, the Market Absorption Analysis states that the absorption would need to be adjusted accordingly.

The Market Absorption Analysis adopts an annual absorption rate for the 690 proposed production units which is slower than the absorption rates being achieved by comparable projects on the market today in

the same geographic area as the District. This conclusion is based on several factors, including (i) the possibility of an economic downturn in the near future; (ii) a projected over-supply of \$500,000+ homes in the market area of the District; (iii) projected prices in the District which are significantly above comparable size homes on comparable size lots in the market area of the District; (iv) significant cross-competition among the 11 projects to be simultaneously marketed within the District; (v) a likely capture rate of total projected sales for homes of \$500,000 and above of 20% to 30%; and (vi) anticipated logistical problems and construction inefficiencies resulting from the plans to construct 11 projects in the District simultaneously during fiscal year 2002-03.

The actual absorption of units is dependent upon future events and economic conditions, and there is no guarantee that the estimated absorption schedule in the Market Absorption Analysis will be achieved. See APPENDIX B - "SUMMARY OF MARKET ABSORPTION ANALYSIS."

Appraisal

The Appraiser has appraised the property within the District based upon a number of assumptions and limiting conditions contained in the Appraisal and set forth in APPENDIX C. Based on these assumptions and limiting conditions, in the opinion of the Appraiser, the market value of the fee simple interest of the property in the District in one bulk sale to one buyer, assuming that the improvements to be financed with the Bonds are complete, was \$101,900,000 as of June 1, 2000.

The Appraiser valued the property within the District owned by the Developer based upon a discounted cash flow analysis. Under the discounted cash flow analysis, the Appraisal takes into account the revenues to be derived by the sale of the residential land to builders and custom lot purchasers and from the sale of the golf course and other non-residential land, the absorption time needed to sell these properties and the costs associated with developing the property. The resulting cash flow of land sale revenues and expenses is then discounted based on a discount rate which takes into account the time value of money, the risk associated with the development and a profit due to the Developer. This calculation results in a net present value for the land which is the subject of the discounted cash flow analysis, assuming that it is all under a single ownership. The value of the land concluded by the Appraiser takes into account all existing special assessments and special tax liens as well as the proposed Special Taxes to be levied by the District.

The Appraisal is based on the Developer's current development plan for 914 single family residential lots, 179 affordable units, an 18-hole championship golf course, two church sites and a day-care center. In computing the present value of the property, the Appraiser projected an absorption period for the Developer's property based upon a review of the Market Absorption Analysis, with the land for the 690 production homes being sold by May 2003, and the Custom Lots by May 2006. Subsequent to the date of the Appraisal, the Market Absorption Analysis was revised as set forth in APPENDIX B. The Appraiser has concluded that the revisions to the Market Absorption Analysis have no impact on the valuation or assumptions and limiting conditions contained in the Appraisal. For purposes of the discounted cash flow analysis, the Appraisal projects total sales revenues from the Developer's parcels of \$322,487,595 and concludes that the cost to finish the residential lots and bring the non-residential sites to a superpad condition will be \$167,471,298. To these direct costs the Appraiser has added indirect costs for sales and marketing, overhead, homeowner association fees and taxes. In calculating the estimated retail values, the Appraiser assumes that prices on the parcels will appreciate 4% annually for two years and that costs will increase 4% annually for two years.

In the discounted cash flow, the Appraiser has deducted from the total costs the cost of the public improvements expected to be financed with the proceeds of the Bonds. This deduction assumes that Bond proceeds will be released from the Escrow Fund to the Project Account. The Appraiser has also reduced the costs given certain expected reimbursements that the Developer or its successor within the District is entitled to receive under an agreement with the City, pursuant to a City fee program and pursuant to agreements with an adjacent property owner and certain utilities. Had the Appraiser not assumed the releases from the Escrow Fund and reduced the costs by the projected reimbursement amounts, then the appraised value for the land

within the District would have been less. If funds are not released from the Escrow Fund or the reimbursements are not received from the City and other sources as assumed by the Appraiser, then the price that a bulk sale purchaser would be willing to pay for the property within the District might be less than the appraised value. See "SPECIAL RISK FACTORS – Inability to Access Escrow Fund."

The Appraisal uses a discount rate of 22.5% per year in the discounted cash flow. The Appraiser selected the 22.5% figure based upon a review of current market conditions, the construction and economic risk associated with the current condition of the property, and the profit due to the Developer.

Certain of the other assumptions in the Appraisal are that (i) there are no hazardous waste or toxic chemicals on the property that render it more or less valuable; (ii) the property is free of adverse soil conditions that would prohibit development to its highest and best use; (iii) the expenses presented by the Developer as the costs to develop the property are accurate; (iv) all required licenses, certificates of occupancy or other legislative or administrative authorizations from governmental agencies or private entities or organizations have been or can be obtained; and (v) the improvements to be funded with the proceeds of the Bonds are completed. See "- Potential Limitations on Development" above.

No assurance can be given that the assumptions made by the Appraiser will, in fact, be realized, which is one reason that no assurance can be given that the property within the District could be sold at the appraised value. See "SPECIAL RISK FACTORS - Land Values."

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant investment risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "SPECIAL RISK FACTORS - Land Values" and "- Limited Secondary Market" below.

Concentration of Ownership

All of the land within the District is currently owned by the Developer. Until the sale of parcels by the Developer, the receipt of the Special Taxes is dependent on the willingness and the ability of the Developer to pay the Special Taxes when due. Failure of the Developer, or any successor, to pay the annual Special Taxes when due could result in a default in payments of the principal of, and interest on, the Bonds, when due. See "SPECIAL RISK FACTORS - Failure to Develop Properties" below.

No assurance can be made that the Developer, or its successors, will complete the intended construction and development in the District. See "SPECIAL RISK FACTORS - Failure to Develop Properties" below. As a result, no assurance can be given that the Developer, and its successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Bond Indenture, no Owner of the

Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the Special Taxes and other amounts pledged under the Bond Indenture.

Inability to Access Escrow Fund

The proceeds from the sale of the Bonds being deposited in the Escrow Fund may be released to finance additional public improvements only if certain release tests set forth in the Bond Indenture are satisfied. One of the assumptions relied upon by the Appraiser in arriving at the appraised value of the property in the District was that money on deposit in the Escrow Fund will be made available to acquire facilities from the Developer at certain times as the District is developed. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP – Appraisal." The Developer's plan for the financing of the costs of developing the District assumes the availability of Bond proceeds to acquire facilities in the years and amounts shown in Table 6 above. Thus, if money on deposit in the Escrow Fund is not released and made available for the acquisition of facilities at the times and in the amounts assumed in the Appraisal, the value of the property within the District could be adversely affected and the Developer would be forced to find other funds to finance the construction of the facilities or the facilities might not be built.

As described above under the caption "SOURCES OF PAYMENT FOR THE BONDS – Escrow Fund," a number of conditions must be satisfied prior to the transfer of any money from the Escrow Fund to the Project Account of the Acquisition and Construction Fund (where it would be available to pay for facilities). The failure to satisfy all of these conditions would mean that no money could be transferred from the Escrow Fund to the Project Account of the Acquisition and Construction Fund.

Several of the conditions precedent to the transfer of money from the Escrow Fund to the Acquisition and Construction Fund generally relate to the satisfaction of certain coverage and value-to-lien tests. These tests cannot be currently met; and, in order for them to be met in the future, it will be necessary that, among other things, the values of various parcels within the District increase. See, "SOURCES OF PAYMENT FOR THE BONDS – Escrow Fund." While the successful completion of each step in the land development process generally adds value to the land in question, land values are ultimately determined by the market place and are therefore subject to numerous factors (such as the national, regional and local economies, interest rates, demand for a particular type of land, competing projects, etc.) that are beyond the control of the Developer. Thus, there can be no assurance either that the various coverage and value-to-lien tests set forth in the Bond Indenture will be satisfied in the time frame required in order for money to be released from the Escrow Fund as assumed by the Appraiser and the Developer, or that such tests will be satisfied prior to the Initial Escrow Redemption Date.

Any money remaining in the Escrow Fund on the Initial Escrow Closing Date (July 1, 2003) will be transferred to the Redemption Account and applied to redeem Bonds on the Initial Escrow Redemption Date. The Initial Escrow Redemption Date is September 1, 2003. The Bond Indenture permits the Initial Escrow Closing Date and the Initial Escrow Redemption Date to be extended upon the satisfaction of certain conditions. If and to the extent that the Developer has failed to satisfy the conditions precedent to the transfer of money from the Escrow Fund to the Project Account of the Acquisition and Construction Fund prior to the Initial Escrow Closing Date (July 1, 2003) (or any later date to which the Initial Escrow Closing Date has been extended), the amount then on deposit in the Escrow Fund will never again be available for transfer to the Project Account of the Acquisition and Construction Fund, and such amount will never be available for the acquisition or construction of facilities.

Reinvestment of Amounts on Deposit in Escrow Fund

The amount initially deposited in the Escrow Interest Account will be calculated so that such amount, together with investment earnings thereon and on the amounts deposited in the Escrow Fund to be received pursuant to the initial Investment Agreement for the Escrow Fund, will be sufficient to pay interest on the Escrow Term Bonds to and including the Initial Escrow Redemption Date of September 1, 2003. Pursuant to the terms of the initial Investment Agreement for the Escrow Fund, upon the occurrence of certain events (for example, an event of default by the initial provider of the Investment Agreement, certain downgrades in the long-term debt rating of the initial provider of the Investment Agreement or the bankruptcy of the initial Investment Agreement provider), the District will have the right to withdraw all funds invested under the initial Investment Agreement for the Escrow Fund. Such funds will then be reinvested in one or more Authorized Investments. There can be no assurance that the Authorized Investments in which such amounts would be reinvested would generate investment earnings that, together with amounts in the Escrow Interest Account, would be sufficient to pay interest on the Escrow Term Bonds to and including the Initial Escrow Redemption Date. If such investment earnings, together with such amounts, were not sufficient to pay such interest, Special Taxes would have to be levied and collected to provide for such payment. In such a circumstance, Special Taxes would be levied to pay interest on a portion of the Escrow Term Bonds even though the escrow release tests (and the value-to-lien and tax generating capacity tests incorporated therein) had not been satisfied with respect to such Escrow Term Bonds. A similar risk would be present if moneys deposited in the Escrow Principal Account in connection with an extension of the Initial Escrow Redemption Date were, upon occurrence of certain events such as those described above, withdrawn from the Authorized Investment in which they were initially invested and reinvested in another Authorized Investment. See "SOURCES OF PAYMENT FOR THE BONDS – Escrow Fund."

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on whether such parcel is categorized as Undeveloped Property or as Developed Property and on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A - "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" and "SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – *Rate and Method of Apportionment of Special Taxes.*"

The maximum Special Taxes that may be levied within the District are at least 110% of Maximum Annual Debt Service on the Bonds. Notwithstanding that the maximum Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method governing the levy of the Special Tax expressly exempts up to 1,374.4 acres of property owned by public agencies and 339.5 acres owned by a property owners association. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or a religious organization, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining property within the District might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Grading of the land within the District began in November, 1999. Although grading has commenced, no final maps have been recorded and only one building permit has been issued with respect to parcels within the District.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

Merchant builders and purchasers of Custom Lots will likely need to obtain financing to complete the development of the units that they are developing. No assurance can be given that the required funding will be secured or that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred which will require additional funding beyond what the Developer has projected, which may or may not be available. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Financing Plan" herein.

The future development of the land within the District may be adversely affected by existing or future governmental policies, or both, restricting or controlling the development of land in the District. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Potential Limitations on Development" and "Environmental Constraints" for a discussion of certain limitations on the ability of the Developer and merchant builders to complete the projected development within the District.

There can be no assurance that land development operations within the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

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

The payment of principal of and interest on the Bonds depends upon the receipt of Special Taxes levied on undeveloped property. Undeveloped property is less valuable per unit of area than developed land, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The undeveloped property also provides less security to the Bondowners should it be necessary for

the District to foreclose on undeveloped property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on undeveloped property for a longer period of time than projected. Because all of the land within the District is currently owned by the Developer, the timely payment of the Bonds depends upon the willingness and ability of the Developer to pay the Special Taxes levied on the undeveloped property when due. See "SPECIAL RISK FACTORS - Concentration of Ownership" above. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Developer to make Special Tax payments on undeveloped property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "SPECIAL RISK FACTORS - Land Values" below.

Future Land Use Regulations and Growth Control Initiatives

The Developer and the City have entered into the Development Agreement which provides that the Developer is entitled to proceed with development within the District based upon the laws and regulations existing as of the March 17, 1997 date of the Development Agreement.

Notwithstanding the terms of the Development Agreement, it is possible that future growth control initiatives could be enacted by the voters or future local, state or federal land use regulations could be adopted by governmental agencies and be made applicable to the development of the vacant land within the District with the effect of negatively impacting the ability of the owners of such land to complete the development of such land if they should desire to develop it. See "SPECIAL RISK FACTORS - Endangered Species" below. This possibility presents a risk to prospective purchasers of the Bonds in that an inability to complete desired development increases the risk that the Bonds will not be repaid when due. The owners of the Bonds should assume that any reduction in the permitted density, significant increase in the cost of development of the vacant land or substantial delay in development caused by growth and building permit restrictions or more restrictive land use regulations would cause the values of such vacant land within the District to decrease. A reduction in land values increases the likelihood that in the event of a delinquency in payment of Special Taxes a foreclosure action will result in inadequate funds to repay the Bonds when due.

Completion of construction of any proposed structures on the vacant land within the District is subject to the receipt of approvals from a number of public agencies concerning the layout and design of such structures, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned development of such land.

Under current State law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on the permits. There is no case law precedent on the issue of whether a statutory development agreement, such as the Development Agreement, will exempt development within the District from future land use regulations. Because future development of vacant property in the District could occur over many years, if at all, the application of future land use regulations to the development of the vacant land could cause significant delays and cost increases not currently anticipated, thereby reducing the development potential of the vacant property and the ability or willingness of owners of such land to pay Special Taxes when due or causing land values of such land within the District to decrease substantially from those in the Appraisal.

Endangered Species

To mitigate the possible effects of the proposed development on endangered and threatened species, the Developer agreed to donate 1,514 acres of land to be preserved as open space. The Development Agreement provides that preservation of open space constitutes full mitigation of all biological impacts resulting from future development of the property provided that such development is consistent with the biological impacts analyzed in the environmental impact report for the development. The proposed

development is also covered by the City's Multiple Species Conservation Program ("MSCP"). The MSCP subarea plan is a comprehensive, long-term habitat conservation plan for eighty-five Covered Species (species that have been listed as threatened or endangered, have been proposed for listing as threatened or endangered, are candidates for listing as threatened or endangered, or which are otherwise of concern) which addresses the needs of multiple species and the preservation of natural vegetation communities. The MSCP addresses the potential impacts of urban growth, natural habitat loss and species endangerment, and creates a plan to mitigate for the potential loss of Covered Species and their habitat due to the direct and indirect impacts of future development of both private and public lands within the MSCP Area.

The MSCP forms the basis for the Implementing Agreement which is the contract between the City and the wildlife agencies (United States Fish and Wildlife Service and California Department of Fish and Game) that ensures implementation of the plan and allows the City to issue take permits at the local level. The Implementing Agreement states in the event that an unlisted species addressed in an approved conservation plan is subsequently listed, pursuant to the Endangered Species Act, no further mitigation requirements should be imposed if the conservation plan addressed the conservation of the species and its habitat as if the species were listed pursuant to the Endangered Species Act. The City expects that under current regulations it will be able to issue any take permits required for the proposed development in the District.

The existence of the MSCP does not entirely eliminate the possibility that development in the District is delayed or altered due to environmental issues related to endangered or threatened species. In recent years there has been an increase in activity at the State and federal levels related to the possible listing of certain plant and animal species found in San Diego County as endangered species. The identification of an endangered or threatened species not covered by the MSCP could curtail development in the District. Any action by the State or federal governments to protect species located on or adjacent to the property within the District in a manner not contemplated by the MSCP could negatively impact the ability of the Developer and any subsequent owner of that land to develop it. This, in turn, could reduce the likelihood of timely payment of the Special Taxes levied against such land and would likely reduce the value of such land and the potential revenues available at the foreclosure sale for delinquent Special Taxes. See "SPECIAL RISK FACTORS - Failure to Develop Properties" above.

The Developer does not believe that any threatened or endangered species are located on the developable land within the District. Certain endangered and threatened species such as the California gnatcatcher and the least Bell's Vireo are located in the open space portion of the development, which could slow development within the District.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

According to recent geotechnical reports, no active or potentially active faults are known to cross the land within the District; therefore, the potential for primary ground rupture due to faulting on-site is very low to negligible. The land within the District is not within an Alquist-Priolo Earthquake Fault Zone. However, the land within the District will likely be subject to seismic shaking at some time in the future. The nearest known active or potentially active fault, the Rose Canyon fault, is located 8 miles southwest of the District.

According to geotechnical reports, an inactive unnamed fault is located within the southwest corner of the District.

Methane Gas

The Developer recently sampled portions of the property within the District to test for the presence of methane gas. This testing was undertaken in connection with a contingency contained in one of the merchant builder option agreements. Low levels of methane gas were detected in 11 of 30 of the test samples. All of the levels detected were below the 5,200 parts per million which typically would require mitigation by builders. The three highest levels detected in the samples were 3,600 parts per million, 1,700 parts per million and 170 parts per million. All other readings were below 100 parts per million. Methane gas deposits have been located in other projects within several miles of the District at levels which have precluded development or required mitigation measures before building occurred. The Developer does not believe that any mitigation measures will be required within the District as a result of methane gas. However, methane gas deposits do migrate beneath ground in certain conditions and no assurance can be given that methane gas levels will not rise in the future to levels that require mitigation.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel 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 taxed parcels 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.

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

A small area of the property, encompassing approximately 25 square feet, was subject to a fuel spill during the time period that the property was utilized for agricultural uses. The contaminated material has been removed and disposed of using approved regulatory agency methods and the site has been certified as being clean.

In Spring 2000, a subcontractor on the project had a small fuel spill from his oil storage tank. The site has been cleaned up and the Developer has been informed that the contaminated materials, consisting of two 55 gallon drums of earth, have been properly disposed of using approved regulatory agency methods. An evaluation by the Department of Environmental Health, County of San Diego, is underway to determine whether action will be taken against the subcontractor.

Parity Taxes, Special Assessments and Land Development Costs

Property within the District is subject to taxes and assessments imposed by public agencies also having jurisdiction over the land within the District. See "THE DISTRICT - Estimated Direct and Overlapping Indebtedness."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the City and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure" below.

Development of land within the District is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities, schools, parks and street lighting, as well as local in-tract improvements and on-site grading and related improvements. Certain of these improvements have been acquired and/or completed; however, there can be no assurance that the remaining improvements will be constructed or will be constructed in time for development to proceed as currently expected. The cost of these additional improvements plus the public and private in-tract, on-site and off-site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the property owners to pay the annual Special Taxes levied against the property. In that event there could be a default in the payment of principal of, and interest on, the Bonds when due.

Neither the City nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described herein.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. 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 property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or

failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the ad valorem property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments.

See "SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – *Proceeds of Foreclosure Sales*," for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Bond Indenture, in the event of delinquencies in the payment of Special Taxes. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure" below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Non-Cash Payments of Special Taxes

Under the Act, the City Council as the legislative body of the District may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond or Parity Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond or Parity Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds or Parity Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond or Parity Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds or Parity Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds or Parity Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds or Parity Bonds in payment of Special Taxes, the Bond Indenture includes a covenant pursuant to which the District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds or Parity Bonds unless the District shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the District having insufficient Special Tax revenues to pay the principal of and interest on all Outstanding Bonds and any Parity Bonds when due.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE DISTRICT - Estimated Appraised Value-to-Lien Ratios" herein.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the San Diego County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of June 1, 2000, the market value of the land within the District in one bulk sale to one buyer was \$101,900,000. The Appraisal is based on the assumptions as stated in APPENDIX C "APPRAISAL REPORT." The Appraisal does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of the Developer or subsequent landowners to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP - Appraisal."

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See APPENDIX C for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS - Special Tax - *Proceeds of Foreclosure Sales.*"

FDIC/Federal Government Interests in Properties

The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition,

the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against the County of Orange, California in the United States Bankruptcy Court and in Federal District Court contending, among other things, that special taxes are not ad valorem taxes, and therefore not payable by the FDIC, and any special taxes previously paid by the FDIC must be refunded. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on March 22, 1999, the United States Bankruptcy Appellate Panel of the Ninth Circuit affirmed the decision of the Bankruptcy Court. The County of Orange has appealed such ruling to the United States Court of Appeals for the Ninth Circuit and the FDIC has cross-appealed. The Ninth Circuit has not yet issued a ruling on the matter. The FDIC does not currently own any of the property in the District nor have any FDIC-insured institutions made loans on property in the District.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS - Special Taxes - *Proceeds of Foreclosure Sales.*" In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Project Account of the Acquisition and Construction Fund and the Escrow Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against the Developer and if the court found that the Developer had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an ad valorem property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the Glasply holding inoperative as it relates to ad valorem real property taxes. However, it is possible that the original rationale of the Glasply ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

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

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

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

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 Bonds or the Bond Indenture.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Bond Indenture.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Bond Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District and the Developer have committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

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

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the

Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District to an amount that is less than 110% of Maximum Annual Debt Service on the Outstanding Bonds and Parity Bonds in each future Bond Year. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS - Limitations on Remedies."

Ballot Initiatives

Article XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete the remaining proposed development. See "SPECIAL RISK FACTORS - Failure to Develop Properties" herein.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee, as dissemination agent, the District has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (each, a "Repository") certain annual financial information and operating data concerning the District. The Annual Report to be filed by the District is to be filed not later than April 1 of each year, beginning April 1, 2001, and is to include audited financial statements of the City. The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Agreement solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS - Limited Obligations." The City has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events. The full text of the Disclosure Agreement is set forth in APPENDIX F.

To assist the Underwriters in complying with Rule 15c2-12(b)(5), the Developer will enter into a Continuing Disclosure Agreement (the "Developer Disclosure Agreement") covenanting to provide an Annual Report not later than March 1 of each year beginning March 1, 2001, a Semiannual Report on each September 1 and notice of certain material events as they occur. The Annual Report provided by the Developer is to contain the audited financial statements of the Developer, if any are prepared, and the additional financial and operating data outlined in Section 4 of the Developer Disclosure Agreement attached in APPENDIX G. The Developer does not currently prepare audited financial statements and has no plans to have them prepared in

the future. The Semiannual Report will contain certain operating data as set forth in Section 4 of the Developer Disclosure Agreement.

The Developer's obligations under the Developer Disclosure Agreement will terminate upon the earliest to occur of: (i) the legal defeasance, prior redemption or payment in full of all the Bonds; (ii) the date on which the Developer and all affiliates of the Developer are no longer responsible for the payment of more than 20 percent of the annual Special Tax levy and at least 95% of the public and private improvements to be constructed by the Developer have been completed; or (iii) the date on which the Developer delivers to the City an opinion of nationally-recognized bond counsel to the effect that the continuing disclosure is no longer required under the Rule. The Developer has also agreed that if it sells or transfers an ownership interest in any property in the District which will result in the transferee becoming responsible for the payment of 20 percent or more of the annual Special Tax levy in the fiscal year following such transfer, the Developer will cause any such transferee to enter into a disclosure agreement described in Section 12 of the Developer Disclosure Agreement attached hereto in APPENDIX G.

The Developer Disclosure Agreement will inure solely to the benefit of the District, any Dissemination Agent, the Underwriters and Bondowners or Beneficial Owners from time to time of the Bonds.

LEGAL MATTERS

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds (including any original issue discount) will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Owner of the Bonds is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds (including any original issue discount) is based upon certain representations of fact and certifications made by the District, the Underwriters and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds (including any original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds (including any original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Bond Indenture.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Although Bond Counsel has rendered an opinion that interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds (including any original issue discount) may otherwise affect the tax liability of the recipient. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of Bonds.

The form of Bond Counsel's opinion with respect to the Bonds is attached as APPENDIX H.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, the pledge of Special Taxes to repay the Bonds, the powers or authority of the District with respect to the Bonds, or seeking to restrain or enjoin development of the land within the District and a certificate of the District to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds.

No Rating

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Bonds.

Underwriting

The Bonds are being purchased by PaineWebber Incorporated, Morgan Stanley & Co. Incorporated and E. J. De La Rosa & Co., Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a price of \$55,362,910 (being \$56,020,000 aggregate principal amount thereof, less Underwriters' discount of \$532,190 and original issue discount of \$124,900). The purchase agreement relating to the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

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

Financial Interests

The fees being paid to the Financial Advisor, the Underwriters, Underwriters' Counsel and Bond Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Bonds and Underwriters' Counsel represents the City on matters unrelated to the Bonds.

Pending Legislation

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

The execution and delivery of this Official Statement by the Deputy City Manager of the City has been duly authorized by the City Council acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)

By: /s/ Patricia T. Frazier *Patricia T. Frazier*
Deputy City Manager

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COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)

By: /s/ Patricia T. Frazier
Deputy City Manager

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2 (Santaluz) (Improvement Area No. 1) ("CFD No. 2 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2000-01, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," "Taxable Public Property," and "Undeveloped Property" as described below. All of the real property in CFD No. 2 (IA No. 1), unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2 (IA No. 1): the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2 (IA No. 1) or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2 (IA No. 1) or any designee thereof of complying with disclosure requirements of the City, CFD No. 2 (IA No. 1) or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2 (IA No. 1) or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2 (IA No. 1) for any other administrative purposes of CFD No. 2 (IA No. 1), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Affordable Unit(s)" means up to 179 dwelling units located on an Assessor's Parcel of Residential Property, including Affordable Companion Units, that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing for affordable housing. Dwelling units shall be classified as Affordable Units by the CFD Administrator in the chronological order in which the building permits for such property are issued. If the total number of Affordable Units exceeds the amount stated above, then the units exceeding such total shall not be considered Affordable Units and shall be assigned to Land Use Classes 1 through 11 based on the Residential Floor Area for such units. However, notwithstanding the above, the number of Affordable Units may exceed 179 dwelling units if the total number of dwelling units in CFD No. 2 (IA No. 1) exceed 1,121. In such cases, the number of Affordable Units exceeding 179 shall not be greater than the total number of units in CFD No. 2 (IA No. 1) which exceed 1,121.

“Affordable Companion Unit(s)” means any Companion Units that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing for affordable housing. The Residential Floor Area of an Affordable Companion Unit shall not be included when calculating the total Residential Floor Area for the Assessor’s Parcel on which it is located.

“Assessor’s Parcel” means a lot or parcel shown in an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the annual Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

“Backup Special Tax” means the Special Tax that may be required to be paid as a result of changes in development, as determined in accordance with Section D below.

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2” means Community Facilities District No. 2 (Santaluz).

“CFD No. 2 (IA No. 1)” means CFD No. 2 (Improvement Area No. 1), as identified on the boundary map for CFD No. 2.

“CFD No. 2 (IA No. 1) Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2 for CFD No. 2 (IA No. 1) under the Act.

“City” means the City of San Diego.

“Companion Unit(s)” means any dwelling unit located on an Assessor’s Parcel of Residential Property for which the building permit was issued for purposes of constructing an attached or detached secondary unit on a single family lot. The Residential Floor Area of a Companion Unit, except for Affordable Companion Units, shall be added to the Residential Floor Area of the primary dwelling unit when calculating the total Residential Floor Area for the Assessor’s Parcel on which it is located.

“Council” means the City Council of the City, acting as the legislative body of CFD No. 2 (IA No. 1).

“County” means the County of San Diego.

“Custom Lot Property” means, for each Fiscal Year, any Assessor’s Parcel of Taxable Property (i) that is within a Final Map that was recorded prior to March 1 of the prior Fiscal Year, (ii) for which escrow has closed prior to March 1 of the prior Fiscal Year to a buyer who is not in the regular course of business of building homes for resale as determined by the CFD Administrator, and (iii) that is one of the 116 custom lots included in the substantial conformance approval granted by the City on October 29, 1999, for Black Mountain Ranch Tentative Map No. VTM-0173, as amended from time-to-time or modified pursuant to a final tract map or precise site plan for such custom lot property, and listed in Exhibit A.

“Developed Property” means, for each Fiscal Year, all (i) Custom Lot Property, (ii) Golf Course Property, and (iii) all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction or renovations was issued after January 1, 1999, but prior to March 1 of the prior Fiscal Year.

“Final Map” means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Golf Course Property” means the land area consisting of up to 282.3 Acres to be utilized for golf course purposes including: fairways, greens, driving ranges, tennis facilities, club house, locker rooms, maintenance facilities, garages, pro shop, restaurant, or banquet facilities as geographically identified in the substantial conformance approval granted by the City on October 29, 1999, for Black Mountain Ranch Tentative Map No. VTM-0173, as amended from time-to-time or modified pursuant to a final tract map or precise site plan for such golf course property, and listed in Exhibit B. Any Residential Property located within this area shall not be considered Golf Course Property. If the golf course Acreage exceeds the amount stated above, then the Acres exceeding such total shall not be considered Golf Course Property but shall be classified as Property Owner Association Property.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2 (IA No. 1) Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Institutional Property” means Assessor’s Parcels of Developed Property, including up to 11.9 Acres, for which the building permit was issued for the following institutional uses: day care center, recreation center, seniors center, private school or church. If the Acreage of institutional uses exceeds the amount stated above, then the Acres exceeding such total shall not be considered Institutional Property but shall be classified as Non-Residential Property.

“Land Use Class” means any of the classes listed in Table 1.

“Master Developer” means Santaluz, LLC and/or any assignee(s) or successor(s) serving as the master developer of infrastructure within CFD No. 2 (IA No. 1).

“Maximum Annual Special Tax” means the maximum annual Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property, excluding Golf Course Property and Institutional Property, for which a building permit(s) was issued for a non-residential use.

“Outstanding Bonds” means all CFD No. 2 (IA No. 1) Bonds which are deemed to be outstanding under the Indenture.

“Property Owner Association Property” means any property within the boundaries of CFD No. 2 (IA No. 1) owned in fee or by easement or irrevocably offered for dedication to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of CFD No. 2 (IA No. 1) that is used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to any agency of the federal government, the State of California, the County, the City or any other public agency, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Purchase and Financing Agreement” means (i) the Purchase and Financing Agreement by and between the City and Fairbanks Highlands LLC and Santaluz LLC that was approved by the Council on February 7, 2000, as it may be modified or supplemented from time to time and/or (ii) the Purchase and Financing Agreement by and between the City and Black Mountain Ranch LP that was approved by the Council on February 7, 2000, as it may be modified or supplemented from time to time.

“Residential Property” means (i) Custom Lot Property, and (ii) all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property, to fund the Special Tax Requirement or the Backup Special Tax Requirement.

“Special Tax Requirement” means, for any Fiscal Year, the amount required after taking into account amounts held in funds and accounts under the Indenture which are intended to be used to pay debt service on Outstanding Bonds in the calendar year beginning in such Fiscal Year, to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2 (IA No. 1) Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2 (IA No. 1) Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any Reserve Accounts for any CFD No. 2 (IA No. 1) Bonds; (v) pay directly for authorized facilities in accordance with the Purchase and Financing Agreement; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2 (IA No. 1) which are not exempt from the Special Tax pursuant to law or Section F below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section F below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C, D and E below.

C. MAXIMUM ANNUAL SPECIAL TAX

1. Developed Property

Residential Property shall be assigned to Land Use Classes 1 through 14 as listed in the table below based upon the type of structure or the Residential Floor Area for each unit or units located on an Assessor's Parcel, or in the case of Custom Lot Property to Land Use Class 13. Non-Residential Property shall be assigned to Land Use Class 15. Golf Course Property shall be assigned to Land Use Class 16. Institutional Property shall be assigned to Land Use Class 17.

(a) Maximum Annual Special Tax

The Maximum Annual Special Tax for each Assessor's Parcel classified as Developed Property shall be equal to the sum of the Assigned Special Tax and any Backup Special Tax due on such Assessor's Parcel.

(b) Assigned Special Tax

The Fiscal Year 2000-01 Assigned Special Tax for each Land Use Class is shown in Table 1.

TABLE 1

**Fiscal Year 2000-01 Assigned Special Taxes for Developed Property
CFD No. 2 (Improvement Area No. 1)**

Land Use Class	Description	Residential Floor Area/Unit Type	Assigned Special Tax Per Unit/Acre
1	Residential Property	< 1,500 sq. ft.	\$1,755.01 per unit
2	Residential Property	1,500 to 2,249 sq. ft.	\$2,285.90 per unit
3	Residential Property	2,250 to 2,749 sq. ft.	\$2,764.14 per unit
4	Residential Property	2,750 to 3,149 sq. ft.	\$3,461.76 per unit
5	Residential Property	3,150 to 3,749 sq. ft.	\$4,102.34 per unit
6	Residential Property	3,750 to 4,049 sq. ft.	\$4,852.61 per unit
7	Residential Property	4,050 to 4,499 sq. ft.	\$4,979.85 per unit
8	Residential Property	4,500 to 4,999 sq. ft.	\$5,765.21 per unit
9	Residential Property	5,000 to 5,499 sq. ft.	\$7,191.16 per unit
10	Residential Property	5,500 to 5,999 sq. ft.	\$7,880.00 per unit
11	Residential Property	6,000 to 6,499 sq. ft.	\$8,564.46 per unit
12	Residential Property	≥ 6,500 sq. ft.	\$8,884.75 per unit
13	Residential Property	Custom Lots	\$8,884.75 per unit
14	Residential Property	Affordable Units	\$102.00 per unit
15	Non- Residential Property	Not Applicable	\$5,066.55 per Acre
16	Golf Course Property	Not Applicable	\$500.69 per Acre
17	Institutional Property	Not Applicable	\$102.00 per Acre

(c) Increase in the Assigned Special Tax

On each July 1, commencing July 1, 2001 and ending on July 1 of the tenth Fiscal Year in which Special Taxes are levied in CFD No. 2 (IA No. 1), the Assigned Special Tax for Developed Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year. On July 1 of the eleventh and twelfth Fiscal Years in which Special Taxes are levied in CFD No. 2, the Assigned Special Tax for Developed Property may be increased by up to two percent (2%) of the amount in effect in the previous Fiscal Year, provided that such increase is necessary to meet the Special Tax Requirement. There will be no increase in the Assigned Special Tax that may be levied after the twelfth Fiscal Year in which Special Taxes are levied in CFD No. 2 (IA No. 1).

(d) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Assigned Special Tax and any Backup Special Tax that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel.

In the event that Custom Lot Properties are combined, the Assigned Special Tax on an Assessor's Parcel of Custom Lot Property shall be the sum of the Assigned Special Taxes for all of the predecessor Custom Lot Properties. Should Custom Lot Properties be subdivided so that the total number of Custom Lot Properties is decreased, the CFD Administrator shall allocate the Assigned Special Taxes from the lost parcel(s) to the remaining Custom Lot Properties proportionately based on the additional acreage apportioned to each remaining Custom Lot Property.

2. **Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property**

(a) Maximum Annual Special Tax

The Fiscal Year 2000-01 Maximum Annual Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$18,842.67 per Acre.

(b) Increase in the Maximum Annual Special Tax

On each July 1, commencing July 1, 2001 and ending on July 1 of the tenth Fiscal Year in which Special Taxes are levied in CFD No. 2 (IA No. 1), the Maximum Annual Special Tax for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year. On July 1 of the eleventh and twelfth Fiscal Years in which Special Taxes are levied in CFD No. 2, the Maximum Annual Special Tax for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property may be increased by up to two percent (2%) of

the amount in effect in the previous Fiscal Year, provided that such increase is necessary to meet the Special Tax Requirement. There will be no increase in the Maximum Annual Special Tax for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property after the twelfth Fiscal Year in which Special Taxes are levied in CFD No. 2 (IA No. 1).

D. BACKUP SPECIAL TAX

The following definitions apply to this Section D:

“Aggregate Credits” means the total Assigned Special Taxes from all Developed Property and Update Property within all Built Out Development Products minus the total Assigned Special Taxes that would have been levied in these Built Out Development Products as projected in the Original Report.

“Excess Aggregate Credits” means the total Aggregate Credits minus the Aggregate Credits previously allocated to Development Products with shortfalls, as computed under step 4 of Section D.7, below.

“Backup Special Tax Account” means, for each Development Product, the fund or account (regardless of its name) identified in the Indenture to hold payments of Backup Special Taxes received from property owners within such Development Product.

“Backup Special Tax Requirement” means the total amount of Backup Special Taxes necessary as calculated under Section D.7 below, as of the date of any Backup Special Tax calculation.

“Builder” means the merchant builder for each Assessor’s Parcel.

“Builder Certificate” means a certificate from the Builder stating that the Development Product will generate at least the amount of Assigned Special Taxes that was projected for such Development Product in the Original Report, or that the Development Product’s Assigned Special Taxes plus Excess Aggregate Credits currently available will generate at least the amount of Assigned Special Taxes that was projected for such Development Product in the Original Report.

“Buildout” means, for any Development Product, that all expected building permits have been issued.

“Built Out Development Product” means a Development Product which has reached Buildout.

“Certificate of Satisfaction of Backup Special Tax” means a certificate from the CFD Administrator stating that the property described in such certificate has sufficiently met the Backup Special Tax Requirement for such property as calculated under Section D.7 below.

“Development Product” means a geographic area representing the expected construction phases planned to be developed by each merchant builder or sold to custom lot buyers. The initial Updated Report will designate the geographic area included in each Development Product by tract and lot. Notwithstanding the above, no Custom Lot Properties shall be included in a Development Product.

“Letter of Compliance” means a letter from the CFD Administrator stating that the property described in such letter will generate at least the amount of Assigned Special Taxes that was established for such property in the Original Report.

“Update Property” means an Assessor’s Parcel of Undeveloped Property for which a building permit has been issued and/or for which escrow has closed to a buyer who is not in the regular course of business of building homes for resale, but which has not yet been classified as Developed Property

because such events occurred after the March 1 cutoff for the current Fiscal Year. For purposes of all calculations in Section D, Update Property shall be taxed as if it were Developed Property.

1. Original Report

Prior to the issuance of the first series of CFD No. 2 (IA No. 1) Bonds the Master Developer shall submit a report (the "Original Report") to the CFD Administrator containing a lot-by-lot listing for each of the 1,121 expected taxable dwelling units that identifies for each expected taxable lot the expected Builder, Residential Floor Area, Land Use Class, Assigned Special Tax, and Acreage.

At the request of the Master Developer, the CFD Administrator may amend the Original Report to reflect changes approved by the City, provided that changes in the Original Report shall not be permitted if the total Assigned Special Taxes for all of CFD No. 2 (IA No. 1) are reduced by such changes.

2. Updated Report

Not less than 30 days prior to the submission (by the Master Developer or any Builder) of an application for the first building permits within CFD No. 2 (IA No. 1), the Master Developer shall submit a report to the CFD Administrator containing a lot-by-lot listing for each Development Product that lists for each expected taxable lot the expected or actual Builder, Residential Floor Area, Land Use Class, Assigned Special Tax, and Acreage, and compares such information to the information provided for such property in the Original Report. Upon approval by the CFD Administrator, such report shall constitute an Updated Report (the "Updated Report").

After the submittal of the initial Updated Report, the Master Developer shall submit additional Updated Reports to the CFD Administrator quarterly (within 45 days after each March 31, June 30, September 30, and December 31) until CFD No. 2 (IA No. 1) reaches Buildout for all Development Products. For Assessor's Parcels of Developed Property and Update Property, the quarterly Updated Report will also include the date the building permit was issued, or the date that escrow closed to an end user of a Custom Lot Property.

3. Initial Letters of Compliance

If, based on the initial Updated Report, the CFD Administrator determines that a Development Product will generate at least the amount of Assigned Special Taxes that was established for such Development Product in the Original Report, the CFD Administrator shall, within 30 days of the submittal of the initial Updated Report, issue an initial Letter of Compliance with respect to such Development Product. If the CFD Administrator determines that a Development Product will not generate at least the amount of Assigned Special Taxes that was established for such Development Product in the Original Report, then a Letter of Compliance will not be issued for such Development Product at such time.

4. Letters of Compliance Based on Subsequent Updated Reports

Upon the receipt of each Updated Report, the CFD Administrator shall compare the data provided for each Development Product to the data included in the Original Report and make one of the determinations set forth in the following two paragraphs.

If the CFD Administrator determines that a Development Product will generate at least the amount of Assigned Special Taxes that was established for such Development Product in the

Original Report, then, if a Letter of Compliance is not currently in effect for such Development Product, the CFD Administrator shall, within 30 days of the submittal of an Updated Report, issue a Letter of Compliance with respect to such Development Product.

If the CFD Administrator determines that a Development Product will not generate the amount of Assigned Special Taxes that was established for such Development Product in the Original Report, then any Letter of Compliance previously issued for such Development Product will be rescinded. The CFD Administrator shall, within 30 days of the submittal of an Updated Report, notify the Master Developer, Builder, and City Building Department that such Letter of Compliance has been rescinded. If building permits have already been issued for such Development Product, then the CFD Administrator shall calculate and levy the Backup Special Tax pursuant to Section D.7 below for the Assessor's Parcels for which building permits have been issued.

5. Issuance of Building Permits for Parcels with a Letter of Compliance

Each time a request for a building permit (or group of permits) is submitted to the City Building Department within a Development Product, the Builder shall provide a copy of the Letter of Compliance for the applicable property, along with either a Builder Certificate or a Certificate of Satisfaction of Backup Special Tax. No building permit shall be issued without (i) a Letter of Compliance and (ii) either a Builder Certificate or a Certificate of Satisfaction of Backup Special Tax.

6. Builder Notification for Parcels without a Letter of Compliance and Builder Certificate

At least 30 days prior to submitting a building permit application for property that has not yet received a Letter of Compliance, or for property that has received a Letter of Compliance but for which the Builder is unable to provide the certification required by Section D.5 above, the Builder shall notify the CFD Administrator of its intent to request building permits for particular lots within a Development Product. The Builder's notification ("Builder Notification") shall include for each Assessor's Parcel for which building permits are being requested the proposed Residential Floor Area, Land Use Class, Assigned Special Tax, and Acreage.

If the CFD Administrator determines based on the calculations in Section D.7 that no Backup Special Tax is required for the Assessor's Parcels included within the Builder Notification, then the CFD Administrator shall, within 30 days of the submittal of the Builder Notification, issue a Letter of Compliance and a Certificate of Satisfaction of Backup Special Tax with respect to such property. If the CFD Administrator determines based on the calculations in Section D.7 that a Backup Special Tax is required, then the CFD Administrator shall calculate and levy the Backup Special Tax pursuant to Section D.7 below.

7. Calculation of Backup Special Tax

Upon the receipt of a Builder Notification or determination under Section D.4 or Section D.6 that a Backup Special Tax is required, the CFD Administrator shall determine the Backup Special Tax to be applied to the property identified in the Builder Notification by undertaking the following steps:

- Step 1. Compute the sum of the Assigned Special Taxes from all Developed Property and Update Property within the Development Product in which the property is located, plus the Assigned Special Taxes from the property described in the Builder Notification (assuming such property is taxed as Developed Property).

- Step 2. Compute the sum of the expected Assigned Special Taxes from all Developed Property and Update Property within the Development Product in which the property is located, plus the Assigned Special Taxes from the property described in the Builder Notification (assuming such property is taxed as Developed Property), assuming that all such property was developed as set forth in the Original Report.
- Step 3. If the amount computed pursuant to step 1 is greater than or equal to the amount computed pursuant to step 2, then no Backup Special Tax will be required. If the amount computed pursuant to step 1 is less than the amount computed pursuant to step 2, then continue to Step 4.
- Step 4. If there are Excess Aggregate Credits currently available, assign a sufficient number of such Excess Aggregate Credits to the Development Product to cover the shortfall calculated under step 3, so that the sum of the Assigned Special Taxes as computed under step 1 plus the Excess Aggregate Credits assigned to the Development Product is equal to the Assigned Special Taxes as computed under step 2. If the total number of Excess Aggregate Credits currently available are not sufficient to cover the shortfall calculated under step 3, then assign all of the available Excess Aggregate Credits to the Development Product.
- Step 5. If the sum of the Assigned Special Taxes and the Excess Aggregate Credits assigned pursuant to step 4 is greater than or equal to the amount computed pursuant to step 2, then no Backup Special Tax will be required. If the sum of the Assigned Special Taxes and the Excess Aggregate Credits assigned pursuant to step 4 is less than the amount computed pursuant to step 2, then continue to Step 6.
- Step 6. (i) After subtracting such Development Product's share of estimated Administrative Expenses from the Assigned Special Taxes and Excess Aggregate Credits determined under Step 4, determine the amount of CFD No. 2 (IA No. 1) Bonds that can be supported by the remaining Assigned Special Taxes plus the Excess Aggregate Credits assigned to the Development Product as computed under step 4, with 110% debt service coverage; and
- (ii) After subtracting such Development Product's share of estimated Administrative Expenses from the Assigned Special Taxes determined under Step 2, determine the amount of CFD No. 2 (IA No. 1) Bonds that can be supported by the remaining Assigned Special Taxes computed under step 2, with 110% debt service coverage.
- Step 7. The Backup Special Tax Requirement will be calculated using the prepayment formula described in Section I.1, with the following exceptions: (i) the Bond Redemption Amount in Paragraph 3 of the prepayment formula described in Section I.1 shall equal the difference between the amount calculated pursuant to paragraph 6(ii) and the amount calculated pursuant to paragraph 6(i); (ii) no Future Facilities Amount shall be required pursuant to Paragraphs 4 and 5 in Section I.1; (iii) in Paragraph 7 of the prepayment formula described in Section I.1, compute the amount needed to pay interest on the Bond Redemption Amount until the first redemption date that occurs after two years from the initial date of payment of Backup Special Taxes for a Development Product; (iv) no determination of amounts pursuant to Paragraphs 8, 9 and 14 in Section I.1 need be made; (v) any payments of the Backup Special Tax (less Administrative Fees and Expenses) shall be deposited into the Backup Special Tax Account and disbursed pursuant to the Indenture; and

(vi) the Maximum Special Taxes applicable to an Assessor's Parcel shall not be reduced or relieved as a result of payment of the Backup Special Tax.

Step 8. The Backup Special Tax for each Assessor's Parcel included in the Builder Notification (or, if the calculation is required pursuant to Section D.4, for which building permits have been issued) shall be calculated by multiplying the Backup Special Tax Requirement by the quotient of the Acreage of such Assessor's Parcel divided by the Acreage of all Assessor's Parcels of Taxable Property for which the Backup Special Tax is being calculated.

The Backup Special Taxes computed under step 8 shall be billed directly to the owner of each Assessor's Parcel and shall be due within 30 days of the billing date. If Backup Special Taxes are not paid within 45 days of the billing date, a delinquent penalty of 10 percent shall be added to the Backup Special Taxes, and no additional building permits shall be issued for any property owned by the Builder or Master Developer until payment is received. Upon receipt of the Backup Special Tax payment, the CFD Administrator shall issue a Letter of Compliance (if one has not been issued for such Assessor's Parcels) and a Certificate of Satisfaction of Backup Special Tax for the subject property.

8. Use/Release of Backup Special Tax Payments

When a Development Product reaches Buildout, the CFD Administrator shall calculate the actual Assigned Special Taxes that will be generated from such Development Product. If the actual Assigned Special Taxes are greater than or equal to the amount of Assigned Special Taxes established for such Development Product in the Original Report, the balance in the Backup Special Tax Account shall be returned to the payer as established under the Indenture. If Backup Special Taxes have been paid by more than one entity, the amount of Backup Special Taxes returned to each payer shall be in proportion to the amount paid by each entity. If based on such calculation at Buildout, the actual Assigned Special Taxes are less than the amount of Assigned Special Taxes established for such Development Product in the Original Report, then the balance in the Backup Special Tax Account shall be used to redeem CFD No. 2 (IA No. 1) Bonds on the next available redemption date. If a Development Product has not reached Buildout within two years after the first payment of Backup Special Taxes for such Development Product, then the balance in the Backup Special Tax Account shall be used to redeem CFD No. 2 (IA No. 1) Bonds on the next available redemption date.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2000-01 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Annual Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel

of Taxable Property Owner Association Property or Taxable Public Property at up to the Maximum Annual Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax in step one (above), when (i) the Council is no longer required to levy a Special Tax pursuant to steps two and three above in order to meet the Special Tax Requirement; (ii) all authorized CFD No. 2 (IA No. 1) Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 2 (IA No. 1) Bonds (except refunding bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment; and (iii) and all facilities identified on Exhibit A to the Purchase and Financing Agreement have been acquired.

F. EXEMPTIONS

No Special Tax shall be levied on up to 339.5 Acres of Property Owner Association Property and 1,374.4 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked and such Assessor's Parcel will be assigned to a Land Use Class if it is Developed Property or as Undeveloped Property, as appropriate.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the third step in Section E above, at up to 100% of the applicable Maximum Annual Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

G. APPEALS AND INTERPRETATIONS

Any landowner or resident may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall make a recommendation to the City Manager or designee to eliminate or reduce the Special Tax on the appellant's property and/or to provide a refund to the appellant. The approval of the City Manager or designee must be obtained prior to any such elimination or reduction. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the City Manager or designee by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

H. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 2 (IA No. 1) may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial

obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

1. Payment in Full

The following definitions apply to this Section I:

"Certificate of Occupancy" means a certificate of occupancy issued by the City Building Department.

"Construction Fund" means the account (regardless of its name) identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Custom Lot Merchant Builder" means a buyer who (i) is in the regular course of business of building homes for resale as determined by the CFD Administrator, and (ii) owns four or more Custom Lot Properties.

"Future Facilities Costs" means the CFD No. 2 (IA No. 1) Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facilities costs.

"CFD No. 2 (IA No. 1) Public Facilities" means either \$42,337,474 in 1999 dollars, which shall increase by the Construction Inflation Index on July 1, 2000, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2 (IA No. 1) under the authorized Mello-Roos financing program for CFD No. 2 (IA No. 1), or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 2 (IA No. 1) Bonds to be supported by Special Taxes.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 2 (IA No. 1) Bonds that have been issued by CFD No. 2 (IA No. 1) prior to the date of prepayment.

"Total Tax and Assessment Obligation" means for an Assessor's Parcel or portion of an Assessor's Parcel, the sum of the ad valorem taxes and any special assessments or taxes which may be included on the annual property tax bill, including but not limited to: CFD No. 2, general obligation debt of the City or any other public agency, improvement district charges, vector control charges, and standby charges projected by the CFD Administrator to be applicable to the Assessor's Parcel in the Fiscal Year following the issuance of a Certificate of Occupancy as discussed in Section I.3 below.

“Value” means the sales price as established in the escrow documents for the sale to the first private residential owner.

Only an Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be prepaid. The Special Tax obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel. Prepayment must be made not less than 60 days prior to any redemption date for the CFD No. 2 (IA No. 1) Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Future Facilities Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Account Credit
less	<u>Capitalized Interest Credit</u>
Total:	equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which building permits have already been issued, compute the Assigned Special Tax for the Assessor’s Parcel to be prepaid as though it were already designated as Developed Property, based upon the building permit which has been issued for that Assessor’s Parcel.
2. Divide the Assigned Special Tax computed pursuant to paragraph 1 by the estimated Assigned Special Taxes for the entire CFD No. 2 (IA No. 1) based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of the entire CFD No. 2 (IA No. 1), excluding any Assessor’s Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “Bond Redemption Amount”).
4. Compute the current Future Facilities Costs.

5. Multiply the quotient computed pursuant to paragraph 2 by the amount determined pursuant to paragraph 4 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
6. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
7. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed until the earliest redemption date for the Outstanding Bonds, less any amounts collected in such Fiscal Year to pay all or a portion of such interest.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10.
12. Compute the net present value of the amount computed pursuant to paragraph 11, using as a discount rate the rate of return assumed by the CFD Administrator in paragraph 10 (the "Defeasance Amount").
13. The administrative fees and expenses of CFD No. 2 (IA No. 1) are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2 (IA No. 1) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
14. If Reserve Accounts for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, the Reserve Account credit shall equal the expected reduction in the reserve requirement, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment (the "Reserve Account Credit"). No Reserve Account Credit shall be granted if Reserve Accounts are below 100% of the reserve requirement.
15. If any capitalized interest for the Outstanding Bonds will not have been expended as of the first bond interest and/or principal payment date following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
16. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 5, 6, 12, and 13, less the amounts computed pursuant to paragraphs 14 and 15 (the "Prepayment Amount").

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 6, and 12 less the amounts computed pursuant to paragraphs 14 and 15 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 5 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 13 shall be retained by CFD No. 2 (IA No. 1).

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2 (IA No. 1) Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2 (IA No. 1) Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in full in accordance with this Section I.1., the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax (including any Backup Special Tax) shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2 (IA No. 1) after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = PE \times F.$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section I.1

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 2 (IA No. 1) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

3. Mandatory Partial Prepayment

For Custom Lot Properties owned by a Custom Lot Merchant Builder, the Special Tax for each Assessor's Parcel of Residential Property shall be prepaid, at or prior to the close of escrow to the first private residential owner for such Assessor's Parcel, using the partial prepayment methodologies described in Section I.2, such that the resulting Total Tax and Assessment Obligation after the partial prepayment is less than or equal to 2.00 percent of the Value. No mandatory partial prepayment is required if the Total Tax and Assessment Obligation is less than or equal to 2.00 percent.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed fifty years commencing with Fiscal Year 2000-01, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2 (IA No. 1) Bonds have been paid; and (ii) all facilities have been acquired and all reimbursements to the developer have been paid pursuant to the Purchase and Financing Agreement.

EXHIBIT A

LIST OF 116 CUSTOM LOTS WITHIN IA No. 1

(unit and lot numbers are from the substantial conformance approval granted by the City on October 29, 1999, for Black Mountain Ranch Tentative Map No. VTM-0173)

UNIT	LOTS
1	1 through 15
2	1 through 13
3	1 through 19
4	1 through 13
5	1 through 12
6	1 and 2
7	1 through 8
8	1 through 14
16	1 through 6, 36 and 37
28	1 and 2
29	1 through 3, and 10 through 16

EXHIBIT B

LIST OF GOLF COURSE LOTS WITHIN IA No. 1

(unit and lot numbers are from the substantial conformance approval granted by the City on October 29, 1999, for Black Mountain Ranch Tentative Map No. VTM-0173)

UNIT	LOT
13	Golf Course 1
15	Golf Course 1
16	Golf Course 1
17	Golf Course 1
17	Lot 1
20	Golf Course 1
21	Golf Course 1
21	Golf Course 2
24	Golf Course 1
24	Golf Course 2
29	Golf Course 1
29	Golf Course 2
35	Golf Course 1
37	Golf Course 1

APPENDIX B

The following is an Executive Summary of the Market Absorption Analysis prepared by Reeb Development Consulting. Neither the City, the District nor the Underwriters have independently verified the information set forth herein.



SUMMARY OF MARKET ABSORPTION ANALYSIS

**City of San Diego
Community Facility District No. 2 (Santaluz)
Improvement Area One
Market Absorption Analysis**

Executive Summary

I. Study Objectives, Methodology & Development Concepts

- * The objective of this assignment was to determine the most likely potential market absorption of the land uses to be covered by Community Facility District (CFD) No. 2 (Santaluz), Improvement Area One, in the City of San Diego. The CFD includes the “southern portion” of the proposed Santaluz community.
- * To achieve the objective of this assignment, a thorough market evaluation was undertaken for each of the land uses in the CFD. Research included: an inspection of the subject site, analysis of demographic and economic data, analysis of historical market trend data, analysis of active competitive projects, analysis of planned and proposed projects, and preparation of projections of future market supply and demand conditions. All research and analysis was conducted in March and April, 2000.
- * This executive summary was originally prepared in April 2000, and was subsequently revised in July 2000 and in September 2000, to reflect changes to CFD No. 2 and Santaluz. The full original back-up report (dated April 2000) has not been revised, and still reflects CFD No. 2 and Santaluz as originally proposed.
- * Santaluz is located in the northern area of the City of San Diego, roughly halfway between Interstate 5 and Interstate 15. Santaluz is located in what has been known as the “Future Urbanizing Area” (Sub-Area I) of the City of San Diego. According to the developer, the projects covered under CFD No. 2 have the necessary approvals to proceed with development as proposed.

- * The portion of Santaluz covered by CFD No. 2 has been approved for 1,121 residential units (942 single family homes and lots, and 179 "affordable" units), and an 18-hole golf course. At this time, a total of only 1,093 residential units are planned in CFD No. 2 spread amongst 11 single family product lines and five custom lot areas. Average prices (with premiums) for the 11 single family product lines will range from \$570,000 to \$1.295 million, with an overall average price of about \$770,000. The custom lots have average projected prices ranging from \$429,000 to \$799,000. The golf course will be a private equity membership club.
- * This analysis assumes that homes in Santaluz will have a base property tax rate of 1.0179%, a Poway Unified School District CFD tax assessment of 0.1267%, a landscape and lighting maintenance district obligation of \$600 per year, and the City of San Diego CFD No. 2 tax assessment of from \$2,332 to \$9,062 per year, depending on home size. Total effective tax rates will vary by product, ranging from 1.68% to 1.94%, averaging 1.76%. Santaluz will have a master HOA of about \$325 per lot per month. The total combined HOA dues, fees, and CFD obligations at Santaluz are higher than most every other new home project on the market today in San Diego County.

II. Demographic & Economic Trends

- * According to the San Diego Association of Governments (SANDAG), San Diego County is expected to grow by 17,780 households per year over the next five years. Households earning over \$150,000 per year (the primary target market for homes and lots at Santaluz) are expected to grow by almost 6,200 households per year in San Diego County as a whole over the next five years, and by over 1,550 households per year in the Central county area (location of Santaluz).
- * The Central market area has a much higher proportion of home owners than the county as a whole (Central - 68.5%, County - 54.3%). This is a reflection of a number of positive attributes of the Central area such as excellent proximity to employment, proximity to the Pacific Ocean, the presence of two of the best school districts in the county (San Dieguito and Poway), and good proximity to the main cultural and recreational resources of the county.
- * Since the beginning of the latest economic recovery in 1994, San Diego County has added over 203,000 new jobs. Job growth peaked in 1998 at 51,200 new jobs, declining to still strong job growth of 44,800 new jobs in 1999. Initial figures indicate that job growth has continued at an annual pace of over 30,000 new jobs so far in 2000. Typical economic expansions in San Diego County in the past lasted at most from five to seven years. San Diego is now in the seventh year of the latest up cycle, indicating that, from a historical perspective, an economic slowdown could be on the horizon.
- * Rising gas and energy prices, rising interest rates, and instability in the stock market all could trigger a slowdown in the local economy. A slowdown in job growth would translate into a drop in the demand for new housing in the region, which in turn would translate into slower absorption rates for projects coming on the market in the years ahead compared to projects that opened in 1997, 1998 or even 1999, when job growth was rising, interest rates were lower, the stock market was rising, and home prices were lower than they are today.
- * Employment growth for the county as a whole has been projected by SANDAG at 28,020 new jobs per year through the year 2005. While this rate of growth is below levels achieved over the past few years, San Diego most likely will continue to face a new home supply versus demand imbalance, as developable residential sites continue to become more and more scarce. Growth of 28,020 jobs per year would translate into the demand for at least 14,000 to 19,000 new homes per year over the next five years. In comparison, there were an average of only about 13,300 building permits issued each year over the past three years.

III. Housing Market Trends

- * After several years of rising new home sales activity from 1996 through 1998, new single family home sales activity stabilized in 1999. The stabilization in sales was primarily a result of: higher new home prices, rising interest rates, and slowing job growth. A total of 7,235 new single family homes were sold in San Diego County in 1999. Among the units sold in 1999, 3,889 were priced under \$299,999 (53.8%) and 2,606 were priced from \$300,000 to \$499,999 (36.0%). In the price ranges planned at Santaluz, there were 627 sales countywide from \$500,000 to \$749,999 (8.7%), 69 sales from \$750,000 to \$999,999 (1.0%), and 44 sales over \$1.0 million (0.6%).
- * A combination of flat overall sales and an increase in the number actively selling projects caused project-by-project absorption rates in San Diego County to drop to 0.82 sales per project per week in 1999 from 0.95 sales per project per week in 1998. The median price of all new single family homes sold in San Diego County in 1999 was \$288,749, or about half the price of the projected average price of the least expensive project at Santaluz (\$570,000).
- * New single family home sales totaled 3,134 units in the Central market in 1999, representing 43.3% of all new home sales in San Diego County. Thanks to the positive attributes of the area, the Central market captures by far the highest proportion of high-end new home sales of any portion of San Diego County. In 1999, the Central market accounted for 84.4% of all sales from \$500,000 to \$749,999 (451 sales), 95.7% of all sales from \$750,000 to \$999,999 (54 sales), and 100% of all sales over \$1.0 million (44 sales).
- * The median price of all new single family homes sold in the Coastal Central market area in 1999 was \$459,717, while the median in the Inland Central market area was \$363,493. Santaluz is in the right part of the county from a locational standpoint to be developed as one of the highest priced communities in the region.
- * Resales of single family homes priced over \$500,000 accounted for only 7.6% of county-wide resales in 1999 (2,324 sales), but accounted for 22.0% of sales in the Central County area (1,228 sales). The Central market accounted for about 53% of all \$500,000+ homes resold in the county in 1999, despite representing only 8.5% of all existing households.
- * While new home market trends in general are fairly positive, it is worth reiterating that only 10.3% of all new home sales county-wide in 1999 were in the \$500,000+ price range (740 sales), indicating that despite recent increases in economic prosperity in the region, that the high-end of the market in San Diego County represents a relatively small proportion of the total market at this time.

IV. Residential Market Analysis

- * The largest master planned communities throughout all of San Diego County have averaged sales of about 300 new single family homes per community per year since the latest recovery began in 1996. Among communities in close proximity to Santaluz, Carmel Valley has averaged 345 sales per year since 1996 (average price in the 4th Quarter of 1999 of \$540,000), while Scripps Ranch Villages has averaged sales of 417 units per year since 1996 (average price in the 4th Quarter of 1999 of \$425,000). With an average price projected at almost \$770,000, it is doubtful that Santaluz could achieve aggregated sales rates similar to Carmel Valley or Scripps Ranch which have much lower average prices.
- * There is a very close correlation in San Diego County between average home price and project-by-project sales rates. Generally the higher the home price, the lower the sales rate. In the 4th Quarter of 1999, projects with an average price under \$299,999 averaged 1.51 sales per project per week, while

projects from \$300,000 to \$499,999 averaged 0.93 sales per project per week. Projects with prices most closely matching planned prices at Santaluz (\$500,000 to \$999,999) averaged only 0.52 sales per project per week, while projects over \$1.0 million averaged only 0.19 sales per week in the 4th Quarter of 1999. It should be noted that sales rates in the Central area are higher than in the county as a whole in the \$500,000 to \$999,999 range, averaging 0.72 sales per week at this time.

- * The proposed home prices for Santaluz position homes in the community at, or above, the top of the Central market at this time on an absolute price basis relative to comparable size homes on comparable size lots. With projected home owners association dues and CFD costs, the cost of owning a home in Santaluz will be well above most of the rest of the market in the area today, particularly for most of the lower priced projects at in the community. Given the aggressive pricing of the single family product lines at Santaluz, it is doubtful that projects in Santaluz will be able to achieve project-by-project absorption rates similar to projects on the market today. This is particularly true since most of the projects on the market today opened at a time when there was higher job growth, lower interest rates, and less competition than there will be when Santaluz opens for sales.
- * New custom lot projects in the Central market area are performing quite well at this time. The most popular lots on the market today are lots located on a golf course, although it is worth noting that projects with strong view orientations have also sold well. As planned, Santaluz will offer a good mix of golf and non-golf oriented lots, however the proposed prices are moderately aggressive. This could have a moderate dampening effect on absorption rates at Santaluz.
- * There are seven active large-scale communities in the Central market area that may be competitive in one way or another with Santaluz. There are about 14,265 residential units of all types left to be developed in those communities (although only about 50% of the units are likely to be priced over \$500,000), indicating that Santaluz will face competition from existing communities. There are also four proposed developments in the Central area that are likely to provide additional competition to Santaluz in the future. The four proposed communities have the potential for over another 11,900 units, although only about half of those units are expected to be priced over \$500,000.
- * The demand for new single family homes priced over \$500,000 in the Central market has been projected at from 831 ("conservative") to 1,209 ("optimistic") units per year over the next five years. In comparison, the actual number of new single family homes sold in the Central area priced over \$500,000 totaled 520 units in 1998 and 639 units in 1999. In light of historical sales, even the "conservative" projected demand should be considered somewhat aggressive.
- * If all of the existing communities in the Central area continue to bring new product to the market as expected, if all of the planned and proposed communities come on line as expected, and if the developer's original projections for sales at Santaluz are utilized, the \$500,000+ market in the Central area will start becoming over-built in 2001. If every project comes on-line as expected, total sales will need to reach 1,348 units in 2001 and 1,776 units in 2002 to accommodate all of the projects planned (versus conservative demand projections of 831 units per year, and optimistic demand projections of 1,209 units per year).
- * There are three likely consequences in the Central market area if the \$500,000+ market becomes over-supplied as is projected starting in the year 2001: 1) home prices will decline and/or the use of incentives will increase dramatically, 2) project-by-project absorption rates will slow, and/or 3) projects will be delayed in coming on the market. Our estimate of the most likely negative outcome of an over-supply of high-end housing in the Central market area relative to Santaluz would be decreased absorption rates on a project-by-project basis in the community. Given expected macro level supply and demand conditions, it appears unlikely that projects in Santaluz will be able to

achieve the same project-by-project absorption rates exhibited by projects in the area in the recent past, despite the superior community execution planned at Santaluz versus current projects.

V. Golf Market Analysis

- * There are currently 78 golf courses in San Diego County (not including military courses), representing a total of 1,379 holes of golf. The 78 courses include 48 public courses (62%), 12 semi-private courses (15%), and 18 private courses (23%). These ratios are fairly close to nation-wide averages (80% public and semi-private, 20% private). A total of 13 new courses were built in San Diego in the 1990s (nine public (69%), two semi-private (22%), and two private (15%).
- * Although the total number of rounds of golf played at the 25 busiest courses in San Diego dropped in 1998 and 1999 compared to the peak in 1997, part of the drop-off can be explained by the opening of four new courses in the county in 1998 and 1999. Given the number of rounds played at the new courses, it appears that county-wide rounds played have continued to increase, at the same time that play slowed at some of the busiest courses. Greens fees hit an all-time high in 1999 at the 25 busiest courses, hitting an average of almost \$50 per round.
- * Prior to the opening of The Bridges in October of 1999, no new private equity golf clubs had been built in San Diego County since 1984. The Crosby Estate, another private equity golf club, is now under construction, and is expected to open for play in early 2001. Membership sales at The Bridges have been averaging a brisk 20 per month, despite a membership fee of \$125,000 (reportedly increasing to \$160,000 as of April of 2000).
- * Private equity clubs averaged 43,000 rounds of golf each in 1999, while courses open to the public averaged 62,500 rounds each. Golf courses associated with a hotel averaged 58,600 rounds each in 1999, while golf courses not associated with a hotel that averaged 52,800 rounds per course, indicating that courses associated with a hotel got an 11% boost in rounds played from hotel guests.
- * There are currently 17 planned and proposed golf courses in the county (including two 9-hole courses), representing the potential for 288 holes of golf. The proposed courses include 14 public courses (including one "undecided" course), no semi-private courses, and three private courses (including the proposed Santaluz course, and the Crosby Estate which is now under construction).
- * Based on a statistical analysis of the market, it is estimated that there is an under-supply of six golf courses in San Diego at this time, and that there will be demand for an additional 14 more courses over the next ten years. Combined, there should be market support for as many as 20 new golf courses over the next ten years, including five private courses (versus three planned), three semi-private courses (none currently planned), and 12 public courses (14 planned). In general, the golf market is expected to be roughly in equilibrium over the next ten years.
- * Although one new private equity course opened in 1999 and another is scheduled to open in 2001, there should be adequate demand in the market to support the opening of the private southern course at Santaluz as proposed in 2002. Support for this can be seen in the strong membership sales already occurring at The Bridges, and the fact that no new private equity courses had been built in the county since 1984, creating pent-up demand in the market. In addition, the proposed membership fee at Santaluz (\$75,000), is far below membership fees at The Bridges (\$125,000), or projected for the Crosby Estate (\$120,000), which should allow Santaluz to serve a niche for lower-priced memberships.

VI. Absorption Conclusions

- * More so than any other part of San Diego County, the Central market area is appropriate for the development of a high-end golf course community such as is proposed at Santaluz. Thanks to a rare combination of attributes (proximity to jobs, proximity to the ocean, two of the best school districts in the county, etc.) the Central market area captures far more \$500,000+ sales than any other part of the county. As such, the development of Santaluz as a high-end community makes sense from a locational perspective.

- * Despite the positive location, attractive setting, and market justification for high-end housing at Santaluz, there are a number of factors which are expected to impact the demand for housing at Santaluz, the corresponding absorption potential of individual projects within the community, and the overall annual absorption potential of residential units in the community as a whole as follows:
 1. The possibility of an economic downturn in the near future. San Diego is now in the seventh year of an economic expansion. Past expansions have tended to last at most five to seven years. Employment growth in San Diego County so far in 2000 is down compared to the same time last year. Rising gas and energy prices, rising interest rates and stock market instability all have the potential to trigger a slowdown in the local economy. A slowdown in the economy would translate into less demand for new housing than exhibited in the recent past.
 2. A projected over-supply of \$500,000+ homes in the Central market. Even based on relatively optimistic projections of the future demand for \$500,000+ housing, it appears that there will be an over-supply of new \$500,000+ homes in the Central area starting in 2001. An over-supply of high-end housing will result in: 1) declining prices (and/or dramatically increased incentives), 2) slower absorption rates, and/or 3) delays in projects coming on the market. Our best estimate is that the most likely impact on Santaluz will be decreased absorption rates relative to projects on the market today.
 3. The above the top-of-the-market prices projected at Santaluz. Although Santaluz can justifiably be priced at the top of the local market given all the positive attributes of the community, the prices for some product lines are significantly above comparable size homes on comparable size lots in the local area, particularly when view premiums, HOA dues, fees, and CFD obligations are factored in. For this reason, it will be very difficult for projects in Santaluz to achieve absorption rates similar to comparable projects on the market today.
 4. The number of concurrently selling projects at Santaluz. As planned, Santaluz will have 11 simultaneously selling single family home projects in fiscal year 2002-03, all of which will have average prices well over \$500,000. Even the most aggressive master plans in San Diego in the recent past have typically not had more than eight, and at most ten, concurrently selling projects, and those communities typically offered a significant amount of product under \$500,000, and even under \$400,000. Despite planned market segmentation among the 11 projects, we believe that Santaluz projects will face a significant amount of cross-competition within the community, thus decreasing project-by-project absorption rates.
 5. Home delivery issues. Santaluz has an innovative community design with different product types interspersed amongst each other so that different builders will be building homes side-by-side within the same neighborhood. While this approach will create more varied street scenes and more interesting looking neighborhoods, it most likely will create some logistical problems and construction inefficiencies. Coupled with plans to have 11 projects all open and selling at the same time in fiscal year 2002-03, the likely outcome will be home delivery

problems which have the potential to have a backlash on sales, as some buyers will not be willing or able to wait the extra time that will be necessary to close on a home due to construction delays. Home delivery issues could be compounded if a high proportion of builders in Santaluz are not based in San Diego County due to a potential lack of local supplier and subcontractor connections, lack of local market expertise, and lack of local personnel to deal with the day-to-day issues that inevitably crop up with the construction of a new home project.

- * For all of the reasons outlined above, projects in Santaluz will not be able to achieve absorption rates comparable to projects on the market today in the Central market area, nor will Santaluz be able to achieve aggregated sales at levels originally projected by the developer. Although we do believe that Santaluz will become one of the premier new home communities in San Diego County, that will not translate into absorption rates comparable to projects that are on the market today. Based on our evaluation of the market, the following represents our best estimates as to the absorption potential of the single family home projects planned at Santaluz:

Projected Single Family Home Sales at Santaluz - "Future Market Trends" Scenario*

Product Line	# of Lots	Average Price	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Sentinels	80	\$575,000	27	27	26		
Casitas	80	\$570,000	27	27	26		
Spanish Bungalows	64	\$585,000	23	23	18		
Ranch Cottages	80	\$635,000		28	28	24	
Garden Homes	63	\$622,500	44	19			
Haciendas Sur	50	\$775,000	17	17	16		
Court Homes	71	\$725,000	22	34	15		
Country Homes	65	\$730,000	9	27	27	2	
Villas	32	\$885,000	18	14			
Estancias	39	\$1,070,000	6	20	13		
Ranch Homes	66	\$1,295,000	15	15	15	15	6
Annual Total	690	\$769,773	208	251	184	41	6
Capture of "Conservative" Demand	--	--	25.0%	30.2%	22.1%	4.9%	0.7%
Capture of "Optimistic" Demand	--	--	17.2%	20.8%	15.2%	3.4%	0.5%

*Absorption figures are for the fiscal year from June 1st to May 31st. Figures represent projected home sales.

- * The aggregated projected annual new home sales at Santaluz reflected above appear to be reasonable based on the performance of existing master plans in San Diego County. With projected "conservative" demand capture rates of 22.1% to 30.2% in peak years, and projected "optimistic" demand capture rates of 15.2% to 20.8% in peak years, the aggregated projected sales figures for Santaluz fall within the parameters of capture rates exhibited by other master plans in San Diego County over the past few years (individual master plans typically have captured 20% to 30% of local new home demand in any particular area).
- * It should be noted that the projected absorption figures are predicated upon Santaluz being developed as proposed as of September, 2000. The projected sales figures assume that home sales within each product line begin approximately six months after the delivery of lots from the developer to production home builders. If lots are not delivered to builders in the time frames currently indicated, the absorption figures would need to be adjusted accordingly.
- * Based on our review of Santaluz itself, and our analysis of the custom lot market in the Central San Diego County market area, the following are our projections for the sale of custom lots at Santaluz.

Projected Custom Lot Sales at Santaluz - "Future Market Trends" Scenario*

Product Line	# of Lots	Average Price	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Northern Lights (non-golf)	96	\$625,000	38	19	17	17	5
Village Green (golf)	20	\$799,000	4	4	4	4	4
Hacienda Norte (mostly non-golf)	28	\$725,000	17	11			
Estancias (golf)	36	\$725,000	8	8	8	8	4
Villas (golf)	44	\$429,000	9	9	9	9	8
Annual Total	224	\$660,600	76	51	38	38	21

*Absorption figures are for the fiscal year from June 1st to May 31st. Figures represent projected individual lot sales.

(Please note: Northern Lights includes 73 lots with 0.50 acre pads and 23 lots with 0.25 acre pads – the two lot sizes were treated as two different "products" within the Northern Lights area, thus increasing the overall absorption potential of the Northern Lights lots while both sizes are available (2001 & 2002). The Northern Lights lots are located to the west of the bulk of Santaluz, while all the remaining custom lot areas are within the main golf-oriented portion of the community. As such, it was determined that the market for the Northern Lights lots would be different from the market for the Hacienda Norte lots ("interior" non-golf oriented lots), and would be different from the market for golf oriented lots (Village Green, Estancias, Villas); hence our conclusion is that there could be three concurrently selling custom lot "products" at Santaluz: 1) "exterior" non-golf lots (Northern Lights), 2) "interior" non-golf lots (Hacienda Norte), and 3) golf-oriented

lots (Village Green, Estancias, Villas). The annual total projected demand potential for golf-oriented lots (21 lots/year) was split proportionally amongst the three golf-oriented projects (Village Green, Estancias, Villas.)

- * The demand in San Diego County at this time is so great for “affordably” priced apartments that the 179 affordable units planned in Santaluz could be brought on-line at any time during the development of the community, and the units most likely would be able to lease up at a rate of at least 25 to 30 units per month, and most likely would lease up significantly faster. This should hold true whether the affordable units are targeted to seniors or the market as a whole, and for the projected opening date of Summer, 2001. As such, the affordable component should take far less than one year to reach stabilized occupancy.
- * Golf course market supply and demand conditions are expected to be roughly in equilibrium over the next decade. Despite the opening of one new private equity golf course in 1999, and the expected opening of another private equity course in 2001, there should be sufficient demand for the Santaluz private equity course to open as planned in the 1st Quarter of 2002.

APPENDIX C
APPRAISAL REPORT

APPRAISAL REPORT

VOLUME I OF II

PROPOSED MELLO-ROOS COMMUNITY FACILITIES DISTRICT NO. 2

(SANTALUZ - IMPROVEMENT AREA 1)

East and south of Artesian Road; west of the westerly terminus of Rancho Bernardo Road; east of the easterly terminus of San Dieguito Road; both sides of Black Mountain Road and Carmel Valley Road, north of the future extension of Ted Williams Parkway (State Route 56); San Diego, California, 92127 and 92129

APPRAISED FOR

City of San Diego
Mail Station MS7B
202 C Street
San Diego, CA 92101

DATE OF VALUATION

June 1, 2000

APPRAISED BY

D.F. Davis Real Estate, Inc.
David F. Davis, MAI
16835 West Bernardo Drive, Suite 213
San Diego, California 92127-1613
File No. 00-02A

C-1

David F. Davis, MAI

July 5, 2000

Mr. Chuck Wilcox
Senior Management Analyst
City of San Diego
Mail Station MS7B
202 C Street
San Diego, CA 92101

Re: Proposed Mello-Roos Community Facilities District No. 2
(Santaluz - Improvement Area 1)

Dear Mr. Wilcox:

At your request and authorization, the above-referenced property and its environs were inspected for the purpose of formulating an opinion of the market value of the property as of the date of value.

The following report, of which this letter is a part, describes the facts and reasoning upon which the opinions are supported. The valuation is based on market data and economic trends present as of the date of value and is subject to the attached Assumptions and Limiting Conditions. This is a complete appraisal report in a self-contained format pursuant to the Uniform Standards of Professional Appraisal Practice (USPAP) Standards Rule 1 and Standards Rule 2-2(a). It was also prepared in accordance with the Appraisal Standards For Land Secured Financings published by the California Debt and Investment Advisory Commission.

Based upon investigation and analysis, the market value of the fee simple interest of the subject property in one bulk sale to one buyer, assuming Mello-Roos financed improvements complete, as of June 1, 2000, subject to the attached assumptions and limiting conditions, was:

\$101,900,000

Note that this is not an "as-is" value as it assumes that Mello-Roos financed improvements are complete.

The estimated marketing time is 12 months or less.

Thank you for this opportunity to be of service.

Very truly yours,



David F. Davis, MAI
President
#AG002752

DFD/mlm

C-2

David F. Davis, MAI

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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

ADDENDUM (under separate cover)

- A. Construction Status Report - "The State of Santaluz"
- B. Second Amended and Restated Development Agreement between the City of San Diego and Black Mountain Ranch Limited Partnership
- C. Reeb Development Consulting Market Absorption Analysis Cover Letter and Executive Summary
- D. Assessor's Maps
- E. Substantial Conformance Review Map
- F. Tentative Maps
- G. Comparable Sales - Location Maps
- H. Comparable Sales - Data Sheets and Plat Maps
- I. Certification
- J. Qualifications of David F. Davis, MAI



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Owner	:	Santaluz, LLC (formerly Black Mountain Ranch Developers, LLC)		
Developer	:	Santaluz, LLC (Taylor Woodrow Homes, managing member)		
Property Appraised	:	Mello-Roos Community Facilities District No. 2, Santaluz Improvement Area 1:		
		Residential Lots/Units	Non-Residential Sites/Uses	Total Acreage
		1,093	31	2,546.10*
		Land to be secured with Mello-Roos Special Taxes		820.28

*Per engineer's calculations

Location	:	East and south of Artesian Road; west of the westerly terminus of Rancho Bernardo Road; east of the easterly terminus of San Dieguito Road; both sides of Black Mountain Road and Carmel Valley Road, north of the future extension of Ted Williams Parkway (State Route 56); San Diego, California, 92127 and 92129
Thomas Map Code	:	San Diego County 1169- E-3, A through C.- 5 through 6; 1168- H through J - 5 through 7; 1188- J - 1 through 2; 1189- A through D - 1, A-2
Purpose of the Appraisal	:	To estimate the market value of the property, as of the date of value, assuming Mello-Roos financed improvements are complete.
Function of the Appraisal	:	To evaluate the security for potential Mello-Roos bond debt to be placed on the land.
Property Rights Appraised	:	Fee simple
Date of Valuation	:	June 1, 2000
Date of Report	:	July 5, 2000
Estimated Value	:	\$101,900,000

This is not an "as is" value as the above value is based on the property in its present condition assuming Mello-Roos financed improvements are complete.

The Bulk Sale Value is the valuation sought in this appraisal. According to the Appraisal Standards for Land Secured Financing prepared by the California Debt and Investment Advisory Commission:

Bulk Sale Value should be estimated for all vacant properties, both unimproved properties and improved or partially improved by unoccupied properties. Bulk sale value is derived by discounting retail values to present value by an appropriate discount rate, through a procedure called *Discounted Cash Flow Analysis*. Bulk sale value is defined as follows:

The most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress.

The estimated marketing time and exposure time are 12 months or less.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made expressly subject to the assumptions and limiting conditions, as follows:

1. The appraiser assumes no responsibility for matters legal in character; title is assumed to be good and marketable.
2. Unless otherwise specified in this report, the property is valued as a fee simple title, free and clear of all liens and encumbrances except easements and rights of way of record. A title insurance report was not submitted for review. A preliminary title insurance report for a portion of the property was submitted for review. On this basis, the property is assumed free and clear of all leases and financing and under responsible ownership and competent management.
3. Any sketches, maps, and photographs in this report are included to assist the reader in visualizing the property. There has been no survey of the property by or under the direction of the appraiser, and the appraiser assumes no responsibility in these matters.
4. Information furnished by others is believed to be reliable, but the appraiser assumes no responsibility for its accuracy.
5. The distribution of the total valuation between land and improvements (if any), applies only under the program of utilization stated in this report. The reported market value is for the total property as appraised and no attempt has been made to evaluate any fractional interest, should they exist.
6. The existence of potentially hazardous material used in the construction or maintenance of the building or on the property, such as urea formaldehyde foam insulation, and/or existence of toxic waste, which may or may not be present on the property, has not been considered in this appraisal assignment. The appraiser is not qualified to detect such substances. The client is urged to retain an expert in this field if desired.
7. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
8. Except as noted, this appraisal assumes the land to be free of adverse soil conditions which would prohibit development of the property to its highest and best use.

9. This appraisal is made of surface rights only. No analysis has been made of subsurface rights, if any.
10. The submission of this report does not obligate the appraiser to give testimony or attend any court, governmental or other agency proceedings, without prior arrangements having been made for such additional employment.
11. The possession of this report, and/or a copy thereof, does not carry with it the right of publication (except by the principal(s) to whom it is addressed), nor may it be used for any purpose by any but the principal to whom it is addressed, without said principal's previous consent.
12. All estimates of value are presented as the appraiser's considered opinions, based upon the facts and data set forth in this report. The appraiser assumes no responsibility for changes in market conditions nor the inability of the owner to locate a purchaser within a reasonable time at the appraised value.
13. There is an agreement with the Poway Unified School District for the district to purchase improved land of not less than 10 net usable acres for \$744,000 with a close of escrow not later than dwelling unit threshold 305. The transfer agreement and escrow instructions dated December 1, 1997 call for total consideration of \$1,789,341 comprised of \$1,045,341 of mitigation agreement in-kind payment credit plus \$744,000 of cash plus a 4% index to the close of escrow. The \$744,000 payment is to be made to the extent available from CFD No. 4 of the Poway Unified School District (Black Mountain Ranch) with the balance, if any, from the next available tax revenues. It is assumed that this payment will be made in project fiscal year June, 2001 through May, 2002.
14. Various information consisting of business plans and documents relating to revenue and expenses was submitted for review under a confidentiality agreement. Included were purchase contracts for five production builder lot groups and excerpts from a purchase contract for one production builder lot group. This information was given significant emphasis in the valuation with details held confidential at the developer's request.
15. The developer's projection of income and expenses was based upon a revised business plan issued as of June 12, 2000 which was submitted for review. The plan included a "go forward" calculation from June 1, 2000 and expenses were programmed into the valuation accordingly. Not considered in the valuation were accounts receivable and accounts payable as of May 31, 2000.
16. The cost estimates submitted under the Confidentiality Agreement do not include land acquisition costs for right-of-ways for major streets. According to the owner's representative, Tom Sakai, these acquisitions have been completed and there is no outstanding cost in this category to the developer.
17. The vesting tentative map for Black Mountain Ranch shows an irrevocable offer of dedication for future Camino del Norte, a major street along the northerly portion of the Black Mountain Ranch project site. This road bisects: a portion of Unit 29 which is for future development of Phase II and not a part of the subject property; and an 11.29 acre site designated as Lot 5

18. of Unit 49 (for future construction of 119 affordable housing dwelling units) that is a part of the subject property. It is assumed that access will be provided to this site in a time frame sufficient to meet the threshold for development.
18. The valuation is based upon: the Vesting Tentative Map (Black Mountain Ranch, now Santaluz); the Second Amended and Restated Development Agreement (Black Mountain Ranch, now Santaluz); and the substantial Conformance Review Map for Santaluz which altered the original vesting Tentative Map. The old and new tentative maps and Development Agreement are included in the Addendum. It is assumed that the project will be developed in accordance with these documents.
20. A memorandum of an Open Space Option Agreement was recorded on June 16, 1998. It references the terms of an option to purchase additional open space contained in the Declaration of Covenants, Conditions and Restrictions between Black Mountain Ranch Limited Partnership and Black Mountain Ranch Developers, LLC. The inclusion of this open space as part of the subject property was necessary to satisfy the overall project residential density requirement of one dwelling unit per four acres. Therefore, it is assumed that the open space was or will be purchased and dedicated to the City of San Diego. The exhibits for the subject property provided do not include the open space.
21. The original entitlement was for 942 market rate single family residential units. The developer proposed 942 units and obtained a substantial conformance review altering the lot sizes and configuration in October, 1999. In early June, 2000, the developer altered that plan shifting 44 of the Production Villas Units into the Custom Villas category; 36 of the Production Estancias units into the Custom Estancias category; and all of the Haciendas Norte units (56 lots) into the Custom lot category by combining their approved two lot cluster design into one lot each resulting in 28 custom lots or a reduction of 28 lots in the overall total. It is assumed that the project will be approved as amended based on the June 12, 2000 business plan for which the revised tentative maps for the reconfigured Haciendas Norte custom lots were not submitted for review.

At the client's request, the potential for the developer to revise the project to add the additional 28 lots removed by reconfiguring the Haciendas Norte lots, was not evaluated.

DISCLOSURE OF COMPETENCY

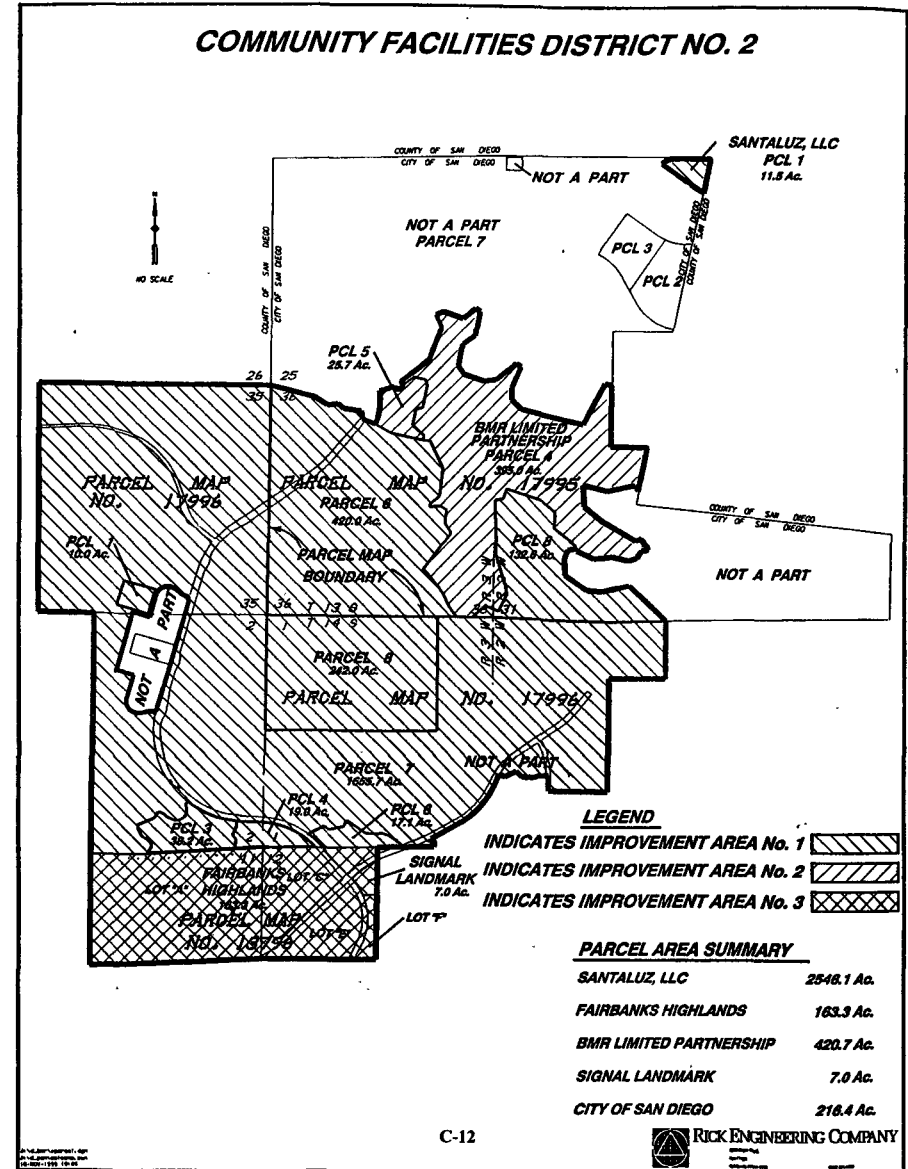
David F. Davis has appraised numerous residential tract properties (land, finished lots and proposed residences) and planned communities over the past 22 years in San Diego County and southern California. Recent planned community appraisals (most of which have included Mello-Roos or other bond financing) include: a prior appraisal of the subject property (as of September 1, 1998); Stonecrest; Rancho del Rey; Encinitas Ranch; Rancho Cielo; Salt Creek I/Salt Creek Ranch; Eastlake Greens; Tecate USA; Carmel Mountain Ranch; Rancho San Diego; Steele Canyon; Magellan Carlsbad Option Property; and Sunbow II.

The Carmel Mountain Ranch, Eastlake Greens and Steele Canyon Estates projects have golf courses. Many of the planned communities appraised also have commercial, industrial and hotel-recreation uses.

Prior appraisal experience of properties subject to Mello-Roos or assessment district financing (or contemplated bond financing) include:

- Otay International Center, San Diego
- Otay Rio Business Park, Chula Vista
- Parkway Business Centre, Poway
- Rancho del Rey Business Center, Chula Vista
- 4S Ranch Lots (TCW), San Diego County
- Sunbow II, Chula Vista
- Honey Springs Ranch, Jamul
- Tecate Water District, Tecate, USA
- Eastlake Greens, Chula Vista
- Rancho del Rey, Chula Vista
- Rancho San Diego, San Diego County
- Salt Creek I/Salt Creek Ranch, Chula Vista
- Encinitas Ranch, Encinitas
- Mareya at Paloma, San Marcos

The subject property was previously appraised as a portion of a larger property as of September 1, 1998.





**Community Facilities District No. 2 (Santaluz)
Land Use Summary—Improvement Area 1**

Project:

Use	Lots	Acreage
Residential	1,093	537.97
Property Owner's Association		339.54
Golf Course		282.31
Other Uses		11.92
Public Open Space		1,190.76
Public		183.60
Total		2,546.10
Land To Be Secured With Mello—Roos Taxes		820.28

Sites To Be Sold:

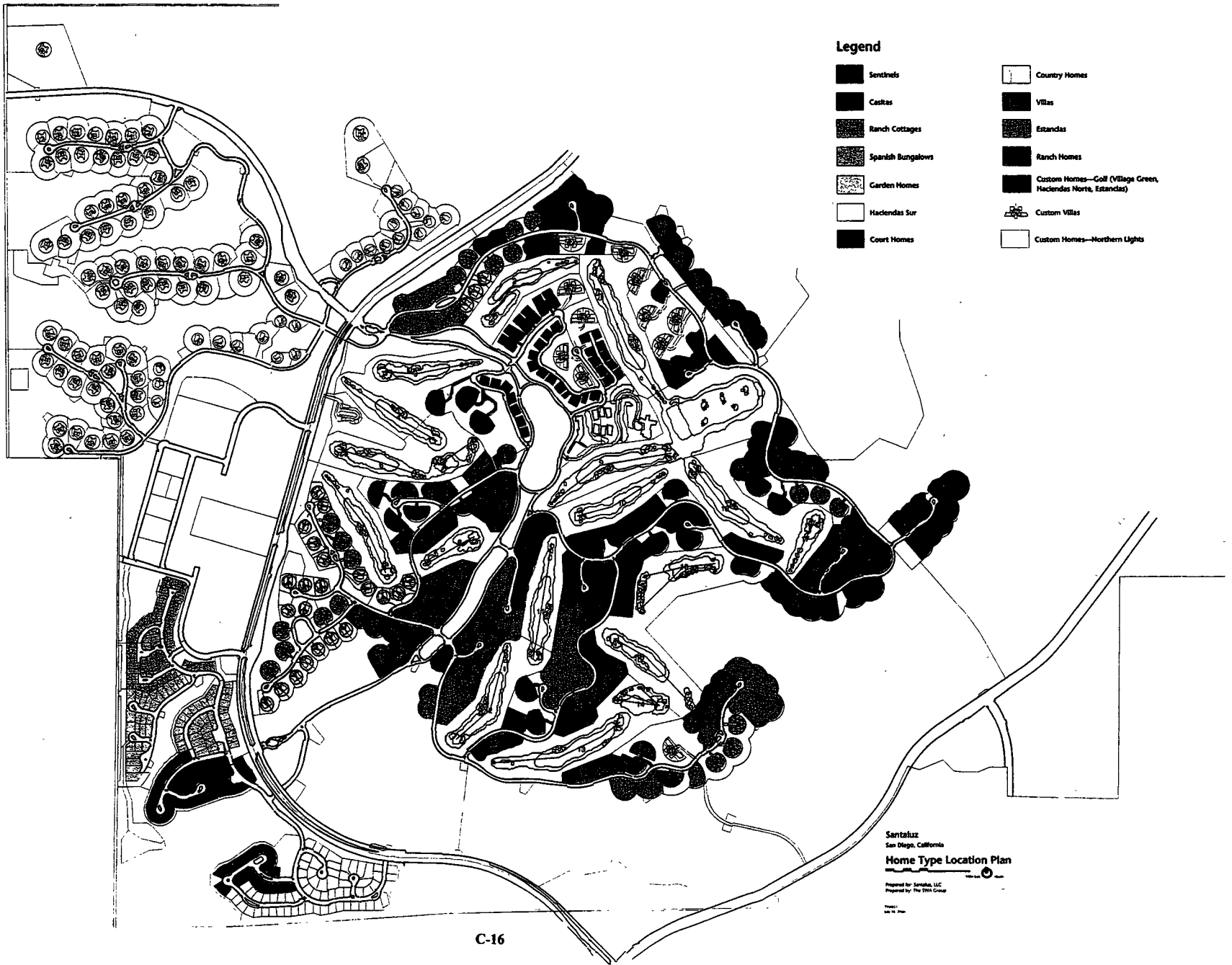
Non—Residential

Golf Course Land	N/A	282.31
Church Site 1	1	1.92
Church Site 2	1	5.65
Day Care Center	1	1.20
Village Elementary School Site	1	10.00
		301.08















Residential

Custom—Northern Lights	96	
Custom—Village Green	20	
Custom—Haciendas Norte	28	
Custom—Estancias	36	
Custom—Villas	44	
Production—Casitas	80	
Production—Court Homes (Lazanja)	71	
Production—Country Homes (Lazanja)	65	
Production—Estancias	39	
Production—Garden Homes (Lazanja)	63	
Production—Haciendas Sur	50	
Production—Ranch Cottages	80	
Production—Ranch Homes	66	
Production—Sentinels	80	
Production—Spanish Bungalows (Lazanja)	64	
Production—Villas	32	
Affordable Units	60	
Affordable Units	119	
Subtotal Residential Lots	1,093	537.97

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Legend

- | | | | |
|---|-------------------|---|---|
|  | Sentinels |  | Country Homes |
|  | Castles |  | Villas |
|  | Ranch Cottages |  | Estancias |
|  | Spanish Bungalows |  | Ranch Homes |
|  | Garden Homes |  | Custom Homes—Golf (Village Green, Haciendas Norte, Estancias) |
|  | Haciendas Sur |  | Custom Villas |
|  | Court Homes |  | Custom Homes—Northern Lights |

Santafuz
 San Diego, California
Home Type Location Plan
 Prepared by Santafuz, LLC
 Prepared by The SWA Group
 Date: 10/10/08

As previously noted, the original entitlement was for 942 market rate single family residential units. The developer proposed 942 units and obtained a substantial conformance review altering the lot sizes and configuration in October, 1999. In early June, 2000, the developer altered that plan shifting 44 of the Production Villas Units into the Custom Villas category; 36 of the Production Estancias units into the Custom Estancias category; and all of the Haciendas Norte (56 lots) into the Custom lot category by combining their approved two lot cluster design into one lot resulting in 28 custom lots or a reduction of 28 lots in the overall total. It is assumed that the project will be approved as amended based on the June 12, 2000 business plan for which the revised tentative maps for the reconfigured Haciendas Norte custom lots were not submitted for review.

The subject property of this appraisal is the Santaluz project (owned by Santaluz, LLC). Santaluz is the marketing name for a portion of the Black Mountain Ranch project originally entitled under that name as set forth in the Second Amended and Restated Development Agreement (see Addendum). To the extent that the description of the project includes the name Black Mountain Ranch in this appraisal, it is done so to be consistent with the Development Agreement and supporting documents previously submitted from which much of the background discussion was excerpted.

The greater "Black Mountain Ranch" project (of which the subject is a part) will evolve in two phases (a portion of Phase I is the subject of this appraisal):

The first phase will be developed at an overall rural density on one house per four acres in accordance with existing zoning. It will include a mix of single family housing types clustered in the southern portion of the property in association with the southern golf course and open space system. Of the 1,093 units to be constructed during this phase, 179 will be affordable to people of low income (earning no more than 65% of the median income). The City's density bonus ordinance was used to derive the original total of 1,121 units, that was based on 897 units plus a bonus of 224 units (179 affordable and 45 market rate units). Again, the developer of Improvement Area 1 (Santaluz) recently altered the total number of market rate units/lots proposed to 1,093.

A portion of the property will be offered to the public on a lot sales basis in anticipation of the construction of custom homes by individual owners. In order to establish and maintain a strong community character, homes will be constructed in accordance with the Santaluz design guidelines. Other portions of the property will be built out and sold by select group of single family home builders following the same strict guidelines. This phase of Black Mountain Ranch includes extensive public facilities, including major roads, parks and schools.

Consistent with the intent of the zoning, clustering of more manageable lot sizes maximizes the amount of open space. As a consequence, 1,191 of the 2,546 acres included in the subject property are set aside as open space. The subject property portion has approximately 832 acres of development area.

The subject property will also contain two churches, day-care and senior center complex, an elementary school and a portion of a middle school, fire station, and a community center will serve the village and surrounding rural residential areas.

North City Future Urbanizing Area

The Future Urbanizing Area was established by the City of San Diego as an urban reserve, an area intended for future planning and development. Proposition A was adopted by City voters in 1985, mandating a public vote to change the area designated for future urbanizing. The change from Future Urbanizing Area to Planned Urbanizing Area is commonly referred to as a "phase shift," and it is the necessary first step to permit other than primarily rural use and development within the Future Urbanizing Area.

The subject property is located within the Future Urbanizing Area of the City of San Diego (subject property approved and does not require voter approval). This area is also commonly referred to as the North City Future Urbanizing Area, and consists of approximately 12,000 acres stretching from Interstate 5 on the west, to the Rancho Penasquitos community on the east, with the Los Penasquitos Canyon to the south and the Santa Fe Valley to the north.

The Future Urbanizing Area has been divided into five sub-areas, each planned according to land use patterns, and policies regarding the long-term use and development of each area. The Black Mountain Ranch component is located within Subarea I, which is a 5,081 acre site bound on the west, north and the east by unincorporated areas of San Diego County. On the east, southeast and south, Subarea I is bound by the Rancho Penasquitos community planning area, and the Fairbanks Highlands planned residential development (presently under development in Subarea IV). Subarea I is the northeastern-most portion of the North City Future Urbanizing Area (see map in Neighborhood Description section).

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate market value of the subject property in its present condition assuming Mello-Roos financed improvements are complete.

DEFINITION OF MARKET VALUE

According to the Uniform Standards of Professional Practice (USPAP), 2000, "Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

According to the Appraisal Standards For Land Secured Financing prepared by the California Debt and Investment Advisory Commission, *Market Value* is defined as follows:

The most probable price is cash or in terms equivalent to cash for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress.

This definition of *market value*, though helpful, does not adequately reflect the dynamics of the real estate development industry which affect value. The market for detached single family houses is very different from the market for large tracts of undeveloped land. At any point in time, one or both of these markets will be at work in a CFD or assessment district. The appraiser's estimate of *market value*, therefore, needs to be further refined into *retail value* and *bulk sale value*. The development status of the subject property at the time of the appraisal will determine which definition applied.

Retail Value should be estimated for all fully improved and occupied properties. Retail value is an estimate of what an end user would pay for finished property under the conditions requisite to a fair sale. Appraisers estimate retail value through the conventional appraisal methods (principally the Sales Comparison Approach to Value). Investment bankers or other parties to the financing may request from the appraiser the *aggregate retail value*, which simply is the sum total of the retail values estimated for each parcel.

Bulk Sale Value should be estimated for all vacant properties, both unimproved properties and improved or partially improved but unoccupied properties. Bulk sale value is derived by discounting retail values to present value by an appropriate discount rate, through a procedure called *Discounted Cash Flow Analysis*. Bulk sale value is defined as follows:

The most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress.

The Bulk Sale Value is the valuation sought in this appraisal.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those of the fee simple unencumbered estate, subject to covenants, conditions, restrictions, zoning, present entitlements as set forth in this report and other matters of record.

DATE OF VALUATION

The date of valuation of this appraisal is June 1, 2000. Portions of the subject property were physically inspected at various times over the past eight months beginning in November, 1999 and photographs were taken on May 23, 2000.

FUNCTION OF THE APPRAISAL

To evaluate the security for potential Mello-Roos bond debt to be placed on the land.

SCOPE OF THE APPRAISAL

This appraisal report is intended to communicate the results of an "appraisal assignment," as defined in the Standards of Professional Appraisal Practice of the Appraisal Institute; i.e., it is intended that the appraisal service be performed in such a manner that the results of the analysis, opinion, or conclusion be that of a disinterested third party. It is intended that all appropriate data deemed pertinent to the solution of the appraisal problem be collected, confirmed, and reported in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute. The scope of the analysis is intended to be appropriate in relation to the significance of the appraisal problem. To develop the opinion of value, the appraiser performed a complete appraisal process, as defined by the Uniform Standards of Professional Appraisal Practice. This means that no departures from Standard 1 were invoked.

Comparable data, researched through Comps, Inc. (a professional data service), brokers, sales representatives, and public records, was verified with parties to obtain prices, terms, and units of comparison.

Specifically, the scope included a comprehensive survey of data necessary to complete the valuation. A reasonable effort was made to verify all data relied upon with a party to the transaction, i.e., buyer, seller or broker. Individual finished lot value estimates were completed using the Sales Comparison Approach. The value in its present condition, assuming Mello Roos financed improvements complete, was then estimated using the Development Method (discounted cash flow analysis). These terms are further explained in the Valuation Methodology Section.

MARKETING TIME/EXPOSURE TIME

The definition of market value specifies that a reasonable time is allowed for exposure in the open market, i.e. marketing time/exposure time. This analysis includes an estimate of the cash equivalent price that might be received upon exposure to the open market for reasonable time, considering the property type, and market conditions relating to that property. Additional considerations include the depth of the market for a particular type of property. An exposure time estimate is, therefore, implicit in the definition of market value.

Exposure time and marketing time are two distinct time periods. Exposure time is always presumed to have occurred before (and up to) the effective date of value, while marketing time occurs after the date of market value.

Marketing period is defined in The Dictionary of Real Estate Appraisal, Third Edition, as:

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions.

Exposure is defined in The Dictionary of Real Estate Appraisal, Third Edition, as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Since 1996, residential real estate transactions have been on the rise. This includes sales of land in the path of development. Demand for finished lots has been keen, and while most market participants are primarily interested in building houses, it has occasionally been necessary to do some land development in order to secure lots. A number of firms would be interested in buying the subject in its current condition. The house sales market is strong, at least for the short term, and though there is still risk associated with developing the subject, there is also upside potential. There are more financing options than at any time since 1990. Potential developer/homebuilder buyers are familiar with the property and performing due diligence (typical review of documents, surveys, tests, etc.) would not take very long.

Based upon this analysis, the time to close escrow after the property is exposed to the market would not be unusually lengthy. Therefore, based on all of this information, it is the appraiser's judgement that 12 months is a sufficient marketing time.

PROPERTY IDENTIFICATION

Legal Description

The legal description provided in the Second Amended and Restated Development Agreement included in the Addendum shows more property than is the subject of this appraisal. The subject property is in the process of being subdivided. The proposed legal description for the subject property will comprise the individual lots of the new maps which are included in the Addendum and summarized on a summary of lot acreage based on TTM's Substantial Conformance Submittal dated September 22, 1998 reflecting revisions as of October 15, 1999.

The legal description of the subject property will consist of the following parcels in the City of San Diego, County of San Diego, State of California:

Parcel	Parcel Map
1	17995
6	17995
8	17995
1	17996
3	17996
4	17996
6	17996
7	17996
8	17996

A further depiction of the current configuration of these parcels is included in the Addendum, summarized by Assessor's Parcel No. with the Assessor's Parcel Maps.

Location

The subject property is located in the North City Future Urbanizing Area of the City of San Diego. More specifically, the project is located east and south of Artesian Road; west of the westerly terminus of Rancho Bernardo Road; east of the easterly terminus of San Dieguito Road; both sides of Black Mountain Road and Carmel Valley Road, north of the future extension of Ted Williams Parkway (State Route 56); San Diego, California. The location is approximately 20 miles north of the San Diego Civic Center.

Owner of Record - History

According to the Assessor's records; Metroscan Property Profiles; and a preliminary title report prepared by First American Title Insurance Company dated as of February 24, 2000, title to the subject property is presently vested in the name of Santaluz, LLC, formerly known as Black Mountain Ranch Developers, LLC.

On June 16, 1998, a portion of the Black Mountain Ranch property transferred to Black Mountain Ranch Developers, LLC. The property transfer consisted of: the land for development of the 942 market rate residential lots; 179 affordable units; the southerly golf course; two church sites; one middle school site; the day care center site; the recreation center site; the senior center site; the elementary school site; and a 30-acre park site. There was also an option to purchase approximately 800 acres of open space between Black Mountain Ranch Developers, LLC (optionee) and Black Mountain Ranch Limited Partnership (optionor). The remaining Black Mountain Ranch property is owned by Black Mountain Ranch Limited Partnership. This sale of a portion of Black Mountain Ranch was considered and analyzed but the terms were held confidential pursuant to a Confidentiality Agreement.

AREA DESCRIPTION

San Diego County is located in the extreme southwestern corner of the United States, bounded on the south by Mexico and on the west by the Pacific Ocean.

The county covers 4,266 square miles and has three different zones: the coastal plain is cut and divided by canyons and valleys; the central zone contains irregular foothills and mountains to a 6,500 foot elevation; and the northeastern portion of the county drops down to low desert. It is the western coastal area that is urbanized, leaving the rest of the county fairly sparse in population. The region is known for its mild climate and attractive high quality of life.

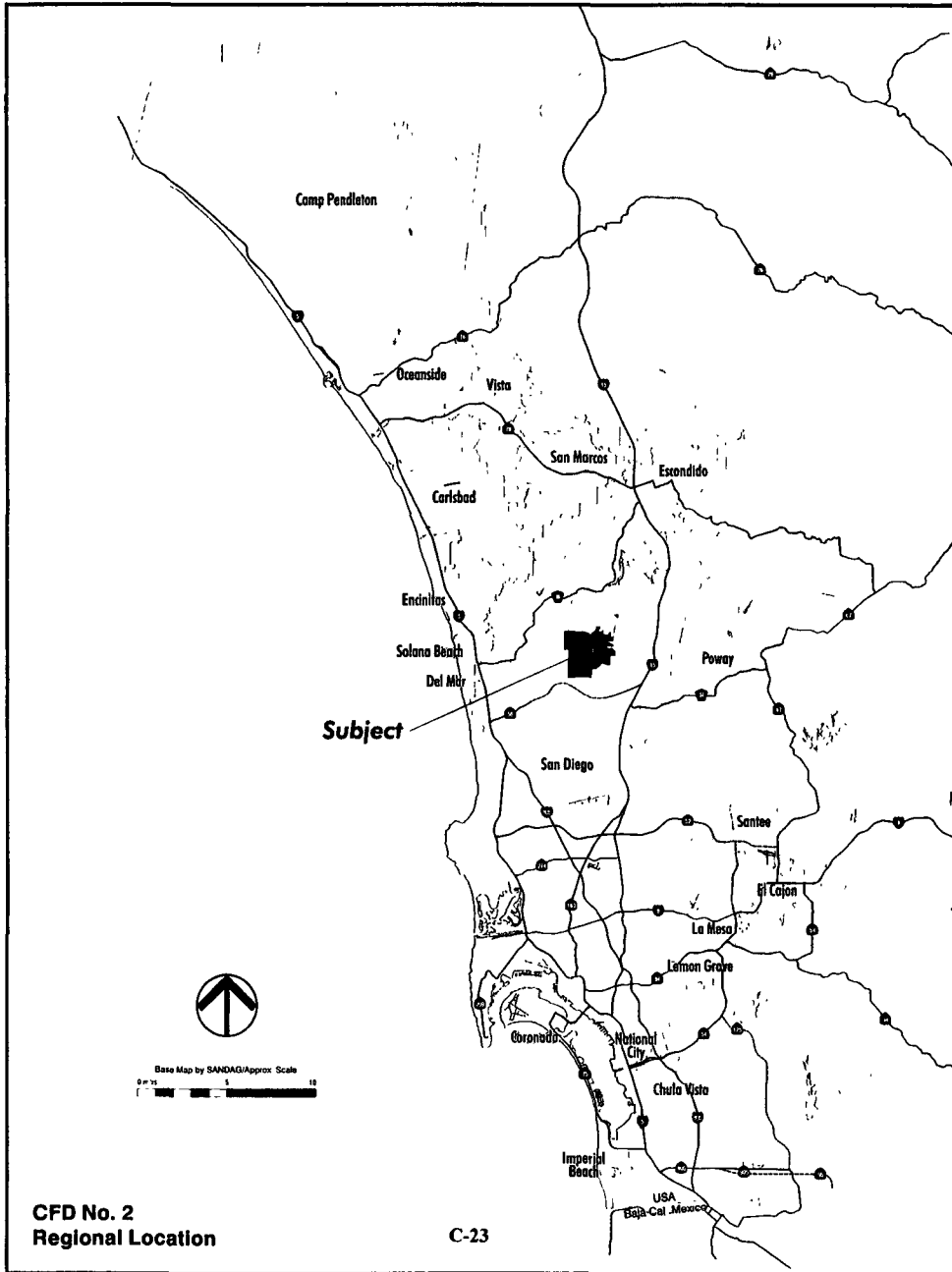
The county population was 2,853,258 as of January 1, 1999, currently the state's third largest county. The population estimate for 2000 is 2,946,500 and 3,223,474 for 2,005. In recent years San Diego's growth appeared to be slowing from high growth rates enjoyed during the 1970s when annual growth averaged 3.7%. During the 1980s, population growth averaged 2.98% per year, making San Diego's population growth rate the fastest among the 15 largest metropolitan areas in the nation. However, the growth rate slowed in the first half of the 1990s to 1.20% (1990-1997).

The city of San Diego contains the largest portion of the county's residents at approximately 1,254,858 as of January 1, 1999 and is the nation's sixth largest city. Because the city is the largest and oldest urban area, it has an overall growth rate less than the county. The city's 1980-1990 average growth of 2.4% per year, however, made it the fastest growing of the 20 largest cities in the United States. The most rapid population growth is occurring in the northern fringes of the city of San Diego and in both north and south communities, largely due to the availability of suitable residential land.

Transportation facilities within the county include an efficient and still expanding freeway system, various railroad lines, and a public transit system featuring a light rail trolley. To date, the trolley connects from just past Qualcomm Stadium (immediately north of Interstate 5) to downtown San Diego and then on to the San Ysidro border crossing into Mexico, providing service to the many communities along the route. Another line currently provides service between Santee, El Cajon and Lemon Grove. The Metropolitan Transit Development Board anticipates construction to begin on a six-mile extension between the stadium then heading east to Fletcher Parkway sometime late in the Year 2000. It is estimated it will take approximately 3.5 years to complete this section, ultimately providing a complete loop from Santee down to the Mexican border. Eventually, the line will be extended northward from Old Town up to University City then east through Mira Mesa and finally, connecting with the Interstate 15 corridor. In addition to these routes, there are plans to add a similar rail line onto the existing freight tracks between Oceanside and Escondido. The well-developed and relatively uncongested freeway system consists of five major north/south routes and three major east/west routes serving the local area and points beyond. Expansion and new construction are ongoing, enhancing the existing excellent road network in the area.

Transportation via water and air is provided by the deep water port of San Diego, Lindbergh Field International Airport, and eight smaller general aviation airports.

San Diego County has substantially broadened its employment and economic base from the early 1960s when aerospace and defense activities dominated the economy. Manufacturing has shifted toward electronics, computers, instrumentation, and other high technology items. Additional



CFD No. 2
Regional Location

C-23

C-24

David F. Davis, MAI

diversification has been the development of such sectors as services, research and development, domestic and international trade, and health services. Some of San Diego's emerging industries include bioscience, software, telecommunications, electronics and recreational goods. San Diego is now recognized as a world leader in bioscience with more than 250 bioscience companies and 23,000 people employed in this sector. The software industry in San Diego comprises more than 500 firms and includes internationally recognized companies such as: SAIC, Intuit and HNC Software. This industry has grown by 45% over the last five years with a total employment of more than 11,000 jobs in the region.

Due to the large number of communications companies, San Diego is becoming known as the "Wireless Communications Capital of the World." There has been an increase of 65% of people employed in telecommunications in the last several years, bringing the total to more than 19,000 jobs. Some of the companies located here include: Qualcomm, Hughes Network Systems, Nokia, Sony Wireless and Viasat. The electronics sector now employs a workforce of more than 51,000 people and provides continual innovation of new products and technologies. Some of the manufacturers include: Hewlett Packard, Unisys, Encad, Rockwell Semiconductor Systems, Sony, Sanyo, Samsung and Matsushita.

At the same time, local, state and federal government employment, including military personnel, has declined from 28% in 1970 to approximately 19% as of December 1998, but still contributes heavily to the size and overall vitality of the economy. Annually, the Defense industry provides \$9.6 billion to the region's economy and provides a home for one-half of the Navy's Pacific Fleet. Tourism continues to be a major contributor to the local economy, drawing visitors from throughout the world who spend approximately \$3.8 billion per year.

Overall, employment has grown with an increase of 141,500 jobs from January 1992 to January 1999. Employment has remained relatively stable, with increases every year except for 1995, which experienced a slight downward move. Manufacturing jobs, on the other hand, peaked at 138,000 jobs in September of 1990 dropped steadily through 1995 and have been slowly climbing back ever since and now total 126,000 jobs, an 8.7% decrease from the record high. According to the Employment Development Department of the State of California, total jobs and job growth since January 1992 are as follows:

Year	Jan 1 Total Jobs	Annual Growth	Jan 1 Manufacturing Jobs	Annual Growth
1992	1,201,000		124,100	
1993	1,226,300	2.1%	117,500	<5.3% >
1994	1,236,500	0.8%	114,100	<2.9% >
1995	1,233,900	<0.2% >	114,900	0.7%
1996	1,241,200	0.6%	117,500	2.5%
1997	1,285,000	3.5%	123,100	4.8%
1998	1,319,400	2.6%	127,300	3.4%
1999	1,342,500	1.7%	126,000	<1.0% >

At the beginning of 1996, the Economic Research Bureau of the Chamber of Commerce projected job growth for the remainder of the 1990s of 20,000 to 25,000 jobs per year. In 1997 there was an increase of 43,800 jobs, in 1998 an increase of 34,400 and in 1999 an increase of 15,600 jobs.

Previously, employment had been growing at 5% annually. The decline in Federal employment was accompanied by a substantial expansion of the local industrial base with emphasis on high technology and research and development activity. The growth of this diverse labor force is attributed to expanding employment opportunities and the relatively high quality of life, which attracts people to the area. The current San Diego unemployment rate is 3.4% (December 1999), 3.5% for the County, 4.5% for the nation and 5.3% for the state.

January 1996 was the first period since 1990 that the unemployment rate for San Diego County was below that for the state and the nation. Because of the region's reliance on defense related manufacturing which has been curtailed significantly, this sector of the civilian job force was hard hit in the recession. In addition, construction was down in the region in the first half of the 1990s due to the recession causing a substantial loss in jobs (construction).

The following table shows the trend in the Gross Regional Product (GRP) of San Diego County according to the Economic Research Bureau of the San Diego Chamber of Commerce for the years 1990 through 1999 and projections for 2000. GRP is an estimate of the value of all goods and services produced in the county. The San Diego region now ranks as the 38th largest economy in the world and is estimated to grow to 100.4 billion in 2000, an increase of 6.4% over 1999.

Year	Gross Regional Product (Billions)	Percent Change
1990	\$63.1	
1991	\$65.3	3.5%
1992	\$66.3	1.5%
1993	\$67.9	2.4%
1994	\$70.6	4.0%
1995	\$73.3	3.9%
1996	\$77.4	5.6%
1997	\$82.6	6.7%
1998	\$86.0	4.1%
1999(Estimated)	\$94.4	9.8%
2000(Projected)	\$100.4	6.4%

According to the Economic Research Bureau of the San Diego Chamber of Commerce, the real change in gross regional product after adjustment for inflation is much lower. The Bureau projects a "real" GRP growth for 2000 of 3.7%. The rate of change adjusted for inflation for 1991 through 2000 (Projection) is as follows:

Year	Percentage Change Gross Regional Product Adjusted for Inflation
1991	<0.3% >
1992	<1.1% >
1993	<0.5% >
1994	2.1%
1995	2.0%
1996	3.1%
1997	4.7%
1998	4.5%
1999(Estimate)	3.7%
2000 (Projection)	3.7%

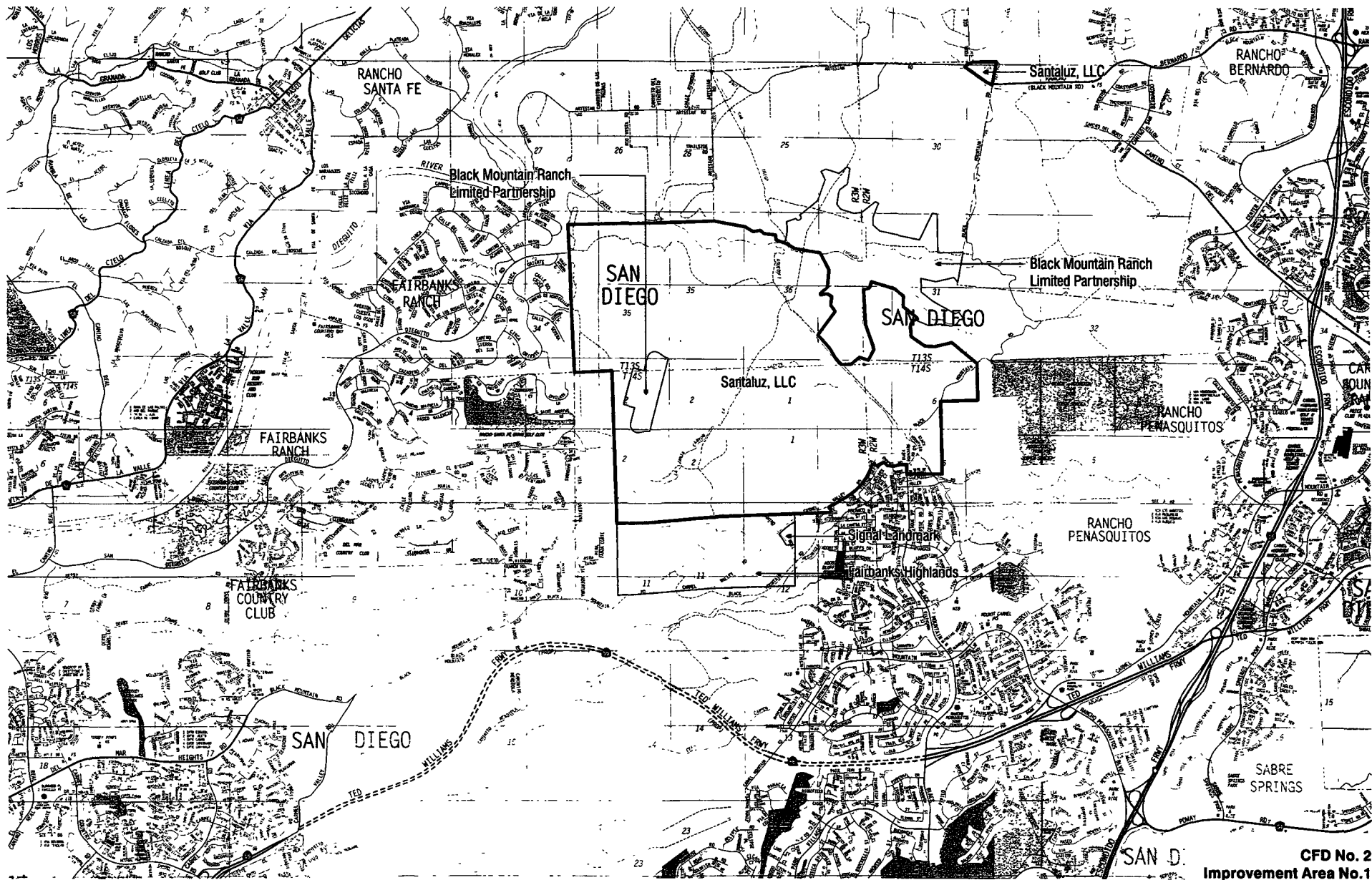
In other areas of the economy, the commercial/industrial construction industry had flourished in the 1980s, along with significant growth in the tourist/visitor and retail trade sectors. The residential construction industry slowed down in the early 1990s as shown by the employment/job loss figures above. The slowdown was a result of several factors, but primarily due to an overall economic slowdown which decreased housing demand. Some slowing in construction has been occurring due to a dwindling supply of developable land, local legislative actions enacted in cities throughout the county to limit either new construction or adding fees and taxes that inhibited construction. These additional fees and taxes made housing less affordable to the consumer, which further slowed sales. Commercial/industrial construction began to rebound from the recession in mid-1995.

Growth began again in 1994 in most sectors of the economy, and there are new opportunities ahead due to the attraction of domestic growth industries and proximity to the Pacific Basin and the U.S.-Mexican border.

The general outlook is for San Diego County to continue as a leader in the national trend toward service, high technology communications, biotechnology and information-oriented industries and away from traditional heavy industry. The North American Free Trade Agreement (NAFTA) passed by Congress in the early 1990s will benefit San Diego County in terms of growth of free trade, but will also likely further erode the remaining heavy industry creating a greater need for expansion of high technology or biotech industries. Although the long-term effects are still unknown, it is likely that more job growth will result from increased free trade than are lost to heavy industry moving across the border.

In summary, San Diego County is a dynamic community with an economy that is more diversified than ever before. The traditional reliance on the military and defense related industries have been reduced over the past 20 years, however, those portions of the local economy are still significant. Current market conditions are improving in a majority of the economy. The regional economic diversification and natural amenities, such as the weather and attractive coastal characteristics, will continue to attract people to the area. The city, county and state governments are demonstrating policies toward controlling leapfrog growth, preserving the area's agreeable lifestyle, attracting clean industries and have begun to address the region's water shortage.

For the foregoing reasons, it is believed that San Diego County is a good place to own property, that it will continue to grow and prosper over the long term, and as it does property owners will be rewarded with appreciation of both values and incomes.



CFD No. 2
Improvement Area No. 1

NEIGHBORHOOD/DISTRICT DESCRIPTION

The subject property is located within the North City Future Urbanizing Area of the City of San Diego.

The surrounding areas are generally raw or undeveloped with nursery operations, commercial agriculture, grazing operations, large-lot single family residences, and equestrian activities. There are also temporary encampments by migrant farm workers and day laborers. However, this is changing fast as developers rush to meet the needs of the marketplace for housing and supporting commercial uses.

North City Future Urbanizing Area

The Future Urbanizing Area of the City of San Diego consists of approximately 12,000 acres stretching from Interstate 5 on the west, to the Rancho Penasquitos community on the east, with the Los Penasquitos Canyon to the south and the Santa Fe Valley to the north.

The North City Future Urbanizing Area has been divided into five sub-areas, each planned according to land use patterns, and policies regarding the long-term use and development of each area. The subject property is located in Subarea I-A of the North City Future Urbanizing Area.

The Future Urbanizing Area was established by the City of San Diego as an urban reserve, an area intended for future planning and development. The Future Urbanizing Area was established in the City's 1979 Progress Guide and General Plan and has been refined in subsequent City policies. The City of San Diego's Progress Guide and General Plan classifies all land within the city as belonging in one of four tiers: Urbanized, Planned Urbanizing, Future Urbanizing, and Environmental. These tier designations are intended not only to regulate the type and timing of development in urban expansion areas, but also to strengthen the older and geographically central parts of the city to comprise the urbanized area. The Future Urbanizing designation is an interim designation designed to prevent premature urban development.

Within the Future Urbanizing Area there are four development alternatives: development pursuant to the A-1 zone regulations (one dwelling unit per 10 acres with the open space available for future development or one dwelling unit per four acres with the open space permanently dedicated per City of San Diego Council Policy 600-29) with the open space available for rezone after a phase shift; rural clustering at the same density; conditional uses which are non-urban in character; or clustered residential development at a density of one dwelling unit per four acres with the open space to be permanently dedicated.

Subsequent to the establishment of the Future Urbanizing Area in 1979, there have been two landmark ballot measures affecting development. Proposition A was adopted by City voters in 1985, mandating a public vote to change the area designated Future Urbanizing. The change from Future Urbanizing Area to Planned Urbanizing Area is commonly referred to as a "phase shift," and it is the necessary first step to permit other than primarily rural use and development within the Future Urbanizing Area. In June of 1994, another ballot measure was placed before the voters of the city of San Diego to decide whether or not to shift the entire Future Urbanizing Area to a Planned Urbanizing classification. That measure was rejected by voters.

The ballot measure in 1994 would have permitted land in the Future Urbanizing Area to be developed at significantly higher densities, and more rapidly, than would have been the case under the four options shown above. The vote in 1994, however, was rejected by the voters, which means that all of the land within the Future Urbanizing Area must be developed in accordance with a Framework Plan which was adopted October 26, 1993 with subsequent updates in February 22, 1994 and March 7, 1994. The Framework Plan provides the vision or blueprint/framework for development of the Future Urbanizing Area and identifies Subareas within the Future Urbanizing Area. The Subarea Plans describe in greater detail land use patterns and policies as well as locations of major circulation elements that guide the long-term use and development of the area.

Prior to completion of the Framework Plan, most development in the urban reserve had been prohibited since approximately 1985 by Proposition A, an initiative which requires a city-wide vote prior to any approvals for projects requesting densities greater than those allowed by the existing agricultural zoning. The adoption of the Framework Plan lifts the moratorium and allows processing on a development to continue within the context of both the Framework Plan and the Subarea Plans.

Subarea IV (Torrey Highlands)

The Fairbanks Highlands portion of the Community Facilities District No. 2 (Improvement Area 3) is located in Subarea IV and adjoins the subject property to the south. It is positioned at the northerly portion of this subarea which is immediately south of Subarea I and east of Subarea III. Subarea IV of the North City Future Urbanizing Area was renamed Torrey Highlands after adoption by the City Council. Initial development of single family residences began in the first quarter of 2000 at the northerly portion of this subarea.

4S Ranch SPA

The 4S Ranch Specific Plan Area is located within San Diego County (northwest of the subject property), adjacent to the west to the existing community of Rancho Bernardo and bisected north/south by Rancho Bernardo Road. The 4S Ranch property was originally being developed by the Ralph's family, founders of the Ralph's Food Stores chain. The Ralph's family has formed a partnership with a Canadian developer Kelwood Financial to develop the property under the name of Kelwood General partnership. The project will ultimately contain over 5,000 housing units, retail services, office/professional uses and numerous parks and recreational services. The first phase of the 3,600 acre 4S Ranch Master Planned Community included the development of the 235 acre business park. Housing and commercial/retail uses will follow in subsequent phases over approximately a 20-year buildout. Construction of the current phase began in 1999.

Rancho Cielo SPA

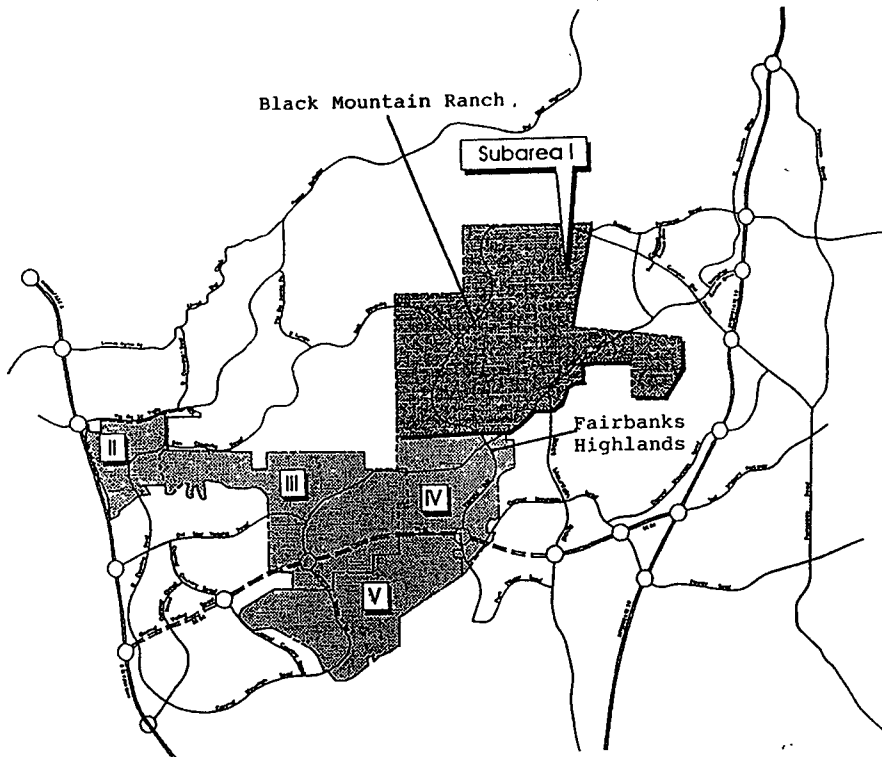
The Rancho Cielo SPA consists of 2,815 acres of land immediately north and west of the Del Dios Highway in the vicinity of Del Dios and Elfin Forest (north of the subject property). The specific plan was originally approved by the County of San Diego in 1983 with amendments approved in 1984. The project is planned for approximately 770 dwelling units, an equestrian center, a village center consisting of civic and commercial uses, neighborhood commercial center and an interconnecting system of local space corridors and greenbelts. Development planning commenced in August, 1979 when the Rancho Cielo Association, comprised of 16 individual ownerships, was

Planning Area

2
figure

D.F. DAVIS
REAL ESTATE
INC.

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)



Legend

-  North City Future Urbanizing Subarea
-  Subarea Designation

Black Mountain Ranch
Public Facilities Financing Plan

formed. The Association was formed to obtain approval from the County Board of Supervisors to prepare a specific plan.

The Rancho Cielo planning area includes a variety of physical features that are distinctive in character. The Escondido Creek traverses the property on the north and west and feeds into the San Elijo Lagoon. Rising above the creek are flat and rolling ridges and hilltops offering expansive use of the coastline as well as inland communities. Adjacent to these ridges are the steep, rocky cliffs above Del Dios Highway.

The Rancho Cielo Specific Plan proposes a mixture of residential land use densities but primarily estate type homes. Construction is underway with sales of four lots groups to developers closed or under contract.

Santa Fe Valley Specific Planning Areas

The Santa Fe Valley Specific Plan Area (SPA) is a 3,164 acre project approved in December, 1995 for a maximum of 1,200 dwelling units, 1,400 acres of permanent open space, a golf course, resort conference facility, and neighborhood commercial uses. The Santa Fe Valley SPA includes 85 owners who individually own between .29 and 217 acres each. The location is north of the subject property and south of Rancho Cielo.

The Santa Fe Valley SPA area is generally characterized by rugged terrain and diverse topography associated with the San Dieguito River Valley located in the north central portion of the planning area. The San Dieguito River flows approximately 55 miles west from its source in the Vulcan Mountain near Julian in the Cuyamaca Mountains in eastern San Diego County to the Pacific Ocean through the San Dieguito Lagoon in northern Del Mar south of Solana Beach.

The Santa Fe Valley SPA is divided into five smaller planning areas. Planning Area IV consists of 337.5 acres which are largely undeveloped except for some single-family residential homes and agricultural uses. A majority of future development will be clustered in the southern and southeastern portion of the planning area. Residential uses are allowed in densities ranging between .4 units acre to 1.43 units per acre.

Within the five planning areas there are four principal ownerships who received tentative map approval when the Specific Plan was approved in December of 1995. The Balcor Subdivision which is generally located within the northern and northwestern portion of the Specific Plan consists of approximately 646 acres planned for 246 residential units on 226 developable acres. In addition, the Balcor Subdivision will include the golf course and resort/conference area. The McCrink Ranch portion of the Santa Fe Valley Specific Plan is located in the west central portion of the project and consists of approximately 744 acres planned for 390 residential units on 369 developable acres. The Seaton Subdivision is a small 40-acre property planned for four lots on 27 developable acres. The Seaton Subdivision is surrounded on three sides by the Balcor Subdivision. It is located in close proximity to the golf course development.

The Bernardo Lakes property consists of approximately 226 acres planned for 139 residential units on approximately 129 developable acres all located within Planning Area IV of the Santa Fe Valley Specific Plan.



The portion of Santa Fe Valley fronting the south side of Del Dios Highway was recently renamed the Crosby Estate. The 722 acre property will offer upper end residential homes and custom lots and an 18-hole championship golf course (The Crosby National Golf Club) designed by Fred Couples.

Rancho Santa Fe

Rancho Santa Fe (postal zip code 92067) is located to the west of the subject property and is one of the most exclusive communities in Southern California with numerous million dollar homes sold every year. Rancho Santa Fe was formed by a protective covenant in 1927 providing for rigidly controlled residential home development with 200 miles of equestrian trails and an 18-hole private golf course in a rural residential setting. The lot development in the Ranch is guided by the most prevalent zone, R-R-1, allowing one residence per minimum lot area of one acre together with private restrictions of the covenant requiring parcel sizes of two acres or larger.

The subject property is located east of Rancho Santa Fe. Currently there is no improved roadway providing access through the region directly surrounding the subject property and Rancho Santa Fe community. Therefore, the subject property is currently more oriented toward and more closely identified with properties to the east and west where roadway improvements and access is provided. However, that will change as San Dieguito Road has its terminus currently at the easterly portion of Fairbanks Ranch and will be extended east to provide access to the Black Mountain Ranch Portion of the subject property. Thus, there will be a significantly stronger link between the westerly portions of the subject property and the Rancho Santa Fe Community.

Rancho Bernardo

Rancho Bernardo, located northeast of the subject property, which began to develop in the early 1960s, is a good example of a successful master-planned community. When completed, this community is planned to have +/-19,500 dwelling units, with 80% of the units being single-family homes. The community encompasses approximately 12 square miles and has a population of approximately 40,000 persons. The Rancho Bernardo High School was completed in 1989. The Bernardo Heights Middle School also opened in 1989. Children from Rancho Bernardo, Carmel Mountain Ranch, Poway and Rancho Penasquitos use the new facilities. Rancho Bernardo has an excellent supply of community shopping facilities, but does not have a regional shopping center.

The community of Rancho Bernardo is basically divided into four areas delineated by the four quadrants formed by the intersection of Interstate 15 and Rancho Bernardo Road. These four quadrants are each characterized with different development trends and patterns.

The northwestern quadrant of Rancho Bernardo is basically characterized by single-family and multiple-family residential development. This area features more multiple-family/condominium type development than the other areas, however, the area is still predominantly single-family oriented. The area includes few shopping facilities and only one neighborhood shopping center, Westwood Center. The area borders to the west on a portion of the County of San Diego and the 4S Ranch master-planned community. To the north, Lake Hodges separates Rancho Bernardo from Escondido.

Transportation

The subject property is oriented toward the Interstate 5 and 15 corridors via existing and planned transportation routes. Interstate 15, which extends from the San Diego metropolitan area north through San Diego County and beyond to Riverside County, is the primary north/south traffic artery in this area. Interstate 5 is the coastal route. Initially, primary access will be via Interstate 5.

Recently adopted State Route 56, which is located in Subarea III and IV of the North City Future Urbanizing Area, will eventually provide a much needed link between Interstate 5 and Interstate 15 across the Future Urbanizing Area from Carmel Valley to Rancho Penasquitos. Construction was completed in 1989 on a portion of this roadway between Interstate 15 and Rancho Penasquitos Boulevard to help relieve traffic congestion in Rancho Penasquitos. In the eastern portion of the route, a four-lane freeway is complete from Rancho Penasquitos Boulevard to Black Mountain Road. In the west, a similar freeway segment from Interstate 5 to one-half mile east of Carmel Country Road was completed in 1996. The remaining three-mile segment began construction in 1999 and is scheduled to be completed in the next several years.

Another major circulation element planned for the Future Urbanizing Area is the extension of Camino Ruiz. This roadway is generally planned as a six-lane roadway bisecting the subject property and a major portion of the Black Mountain Ranch property, from north to south. Camino Ruiz is planned to extend northerly from State Route 56 in the south to the extension of Rancho Bernardo Road and Camino del Norte. Camino Ruiz will not extend north of Camino del Norte into Santa Fe Valley. This is a major future planned transportation node within the Future Urbanizing Area and represents a critical link for the circulation system within the northeasterly portion of the Future Urbanizing Area.

MARKET CONDITIONS

Finished lots are at a premium in San Diego County. There are several reasons for this, some more obvious than others.

1. Most predictable is that subdivision processing ceased for a great many projects during the recession. The period of economic stagnation was so long that most of those projects which did continue toward lot development in the early 1990s are by now completed and sold out.
2. Both developers and house builders, forced by their lenders, learned to keep inventories low during the recession. As a result, few firms began this upswing armed with an abundance of lots or houses to sell.
3. The ranks of land developers in San Diego County thinned years ago. For several years, the only serious contenders for a large, unentitled land parcel were McMillin and Pardee. This situation has changed, but the shortage of land developers with expertise and financial connections probably contributed to the current shortage of lots.
4. There are relatively few locations left in suburban San Diego County in which to build. The single-largest resource, Otay Ranch, was paralyzed for a time during the Baldwin bankruptcy. Even now, its development is phased according to completion of infrastructure. The timing of much of this infrastructure is not in the control of the owners.
5. For many years, the large builders who were eager to buy finished lots and build houses on slim profit margins could not afford to be holders of raw land. This had to do with their status as publicly-held companies. Builders on the stock exchange stood to have their credit rating downgraded if they bought raw land. They could be classified as land speculators instead of house builders, and their stock value could slip. Recently this problem has been overcome by creating separate land development entities, but the lack of their involvement in processing entitlements during the recession is seen now in low lot inventories.

Even without a comprehensive survey of projects and their expected delivery of finished lots, there are two blatant signs that demand overtook supply in the past three years. The first is that builders have gone back to buying all the lots in a tract in one transaction. (Gone are "phased takeovers" in which the seller took the risk of a market turndown.) The second is the cost of finished lots which increased rapidly in 1997-1999.

During the recession, most builders scaled back on features, construction costs, and even profit in order to provide lower-cost product and keep their companies going. The current sentiment is that it is time to make up for the sacrifices of the recession. Hence home builders will likely attempt to return to the 10% to 12% profit target previously used rather than the 4% to 6% that had become commonplace during the recession.

Reeb Development Consulting Absorption Analysis

In conjunction with this appraisal, the client commissioned a market absorption analysis site specific to the subject property based upon the proposed product profiles submitted by representatives of Santaluz, LLC.

The absorption analysis is a companion document to this appraisal and, due to its large size, it is referenced herein. The report cover letter and Executive Summary are included in the Addendum.

The Reeb Absorption Analysis was premised upon all residential product types (custom lots and production builder homes) beginning absorption at the same time and continuing simultaneous construction and sales absorption thereafter. The absorption projections used in the valuation were consistent with Reeb's conclusions for the custom lots, but average lot pricing was adjusted slightly downward in the appraisal. For the production builder lots, absorption in the valuation is concluded within the first three years of the six year absorption period. At first glance, this appears inconsistent with the Reeb Absorption conclusions. However, when valuing the subject property, the production builder lots must be sold to individual builders so they may construct homes to be delivered to the market thereafter.

MarketPoint Realty Advisors

The following data is from Residential Trends (April, 2000), a publication of MarketPoint Realty Advisors, formerly Market Profiles:

General Market Trends

With the expectation that San Diego County would have another spectacular year as seen in 1999, the region posted the second highest sales volume ever. With over 2,754 total sales posted in the first quarter of 2000, the region witnessed more than a 56% increase from last quarter's 1,756 net sales. This marks more than a 31% increase in sales from the first quarter of 1999 when there were 2,103 sales recorded. The detached sector constituted the majority of sales with over 90% of the market. This housing segment also recorded the largest sales volume in San Diego history with over 2,502 sales. With 217 projects out in the market this quarter, the remainder of this year should continue to witness increased sales activity.

As long as the market continues to show a supply-demand imbalance, prices will rise until the market settles down. Over the past year, demand has grown to record proportions and this has led to huge increases in the equity value of one's home. Starting with the first quarter of 1998, new homebuyers were paying on average \$286,209 for a detached home. The weighted average price for a new detached home then increased by almost 12% to \$320,823 in the second quarter of 1998 prices then cooled off during the second half of 1998 when the average dipped below \$310,000. Average prices have since then increased on a consistent basis from \$324,253 the first quarter of 1999 finally ending out this first quarter to \$370,609. This new weighted average price, which increased over 14% from the first quarter of last year, is the highest ever reported by *Residential Trends*. These increases in the detached housing sector are a result of over 76% of sales coming from above \$250,000 this entire year and almost 31% alone coming from above \$400,000. Interestingly to note, the attached sector witnessed a 10% decline from the record \$273,926 reported last quarter to \$248,244 this quarter.

Inventory levels in the San Diego County marketplace have remained relatively stable in the first quarter of 2000, declining only 42 units from last quarter. Supply remaining to be developed, however, declined to 5,966 total units, almost an 8% drop from last quarter. Analyzing supply from a historical perspective reveals that 6,487 units of detached supply, which includes units remaining to be developed, should be exhausted in less than 10 months, while the 919 units of attached supply

will provide for less than 9.5 months given the increased levels of absorption seen over the past couple of quarters.

SAN DIEGO COUNTY SUMMARY OVERVIEW

	First Quarter 2000			Fourth Quarter 1999		
	Attached	Detached	Total	Attached	Detached	Total
Developments	17	200	217	19	186	205
Total Sold	260	2,530	2,790	307	1,463	1,770
Net Canceled	8	28	36	2	12	14
Net Sold	252	2,502	2,754	305	1,451	1,756
Average Price	\$248,244	\$370,609	\$359,206	\$273,926	\$364,019	\$348,393
Average Sq.Ft.	1,362	2,571	2,458	1,272	2,588	2,360
Average \$/Sq.Ft.	\$182.23	\$144.18	\$146.14	\$146.14	\$140.66	\$147.64
Offered & Unsold Inventory	332	1,128	1,460	102	1,380	1,482
Remaining for Development	607	5,359	5,966	732	5,760	6,492
Total Inventory	939	6,487	7,426	834	7,140	7,974

Northern San Diego County Market Trends

In the detached sector, San Diego's North County recorded a first quarter average of \$423,839. But the averages varied sharply by community and revealed that some leveling off may be taking place in "full valued" markets. For example, Poway and Escondido achieved record-high detached average prices of \$428,335 and \$363,005, respectively. On the other hand, "full valued" communities such as Carlsbad and San Marcos realized a leveling off or slight decline in their averages. The most expensive communities in the North County market region are Rancho Santa Fe, \$1,825,000; Olivehain, \$1,077,990; La Jolla, \$1,046,667; Encinitas, \$735,309 and Carmel Valley with an average of \$650,705.

Sales Trends

With all economic indicators pointing towards another strong year, the hopes that 2000 will match the sales performance of last year is not out of the question. The market has witnessed mortgage rates increase over the past half year, however, inflation and unemployment rates are at the lowest in years. More importantly, the rise in disposable income has had a profound effect on the consumer market's ability to buy new homes. Reflecting this rise in consumer confidence is the huge gain in sales noted this quarter. Total sales for the region have risen by more than 56% from 1,756 total sales last quarter to 2,754 total sales the first quarter. This marks the second highest total ever recorded for San Diego County.

The detached housing sector continues to dominate the market. The 2,502 detached sales posted the first quarter mark more than a 72% increase over last quarter's 1,451 net sales. When compared to the first quarter of last year, the region has witnessed a 34% increase. In fact, the detached units sold this quarter represent the largest sales volume ever for the region. It would have been the best selling

period recorded in history if it were not for the 17% decline noted in attached sales. This segment of the housing market reported on 252 net sales while last quarter there were 305 net sales reported.

Due to the fact that sales volumes in the detached housing sector were up markedly the first quarter and that there were 89 projects selling higher than 1.00 sales per week, the average per development absorption rate increased to 1.3 sales per week per project.

Pricing Trends

Although mortgage rates continue to rise, the consumer market is still demanding new homes in record proportion. This has resulted in severe supply imbalance, when helped pull the weighted average price to a new record this quarter. According to the first quarter audit, the average price for a new detached home increased almost 2% from \$364,019 last quarter to \$370,609 the first quarter. This not only represents a 14% increase from the first quarter of last year, but a \$84,400 increase in the equity of one's home since the first quarter of 1998. The shift in pricing is a direct result of increased supply coming from above \$350,000. This pricing sector captured more than 40% of the market this quarter. Note also that the average value ratio increased 2.5% from \$140.66 per square foot last quarter to \$144.18 per square foot this first quarter. Overall, the San Diego County marketplace should continue to witness more pricing hikes as long as demand stays strong. If it does, San Diego County could generate a detached average price over \$400,000 by the end of this year.

The pricing increases are defined further when presented with the detached average prices of the individual submarkets. The real increases are shown in the following chart, which reveals that the San Diego Central submarket realized the largest increase in its average price followed by the Interstate 15 Corridor.

Average Price for Detached	1st Qtr 2000	4th Qtr 1999	\$ Change	% Change
Eastern San Diego County	\$317,309	\$286,165	\$31,144	10.88%
Interstate 15 Corridor	\$428,623	\$367,240	\$61,383	16.71%
North County Coastal	\$500,190	\$491,931	\$8,259	1.68%
Oceanside	\$246,401	\$262,212	<\$15,811>	-6.03%
San Diego Central	\$448,997	\$341,813	\$107,184	31.36%
South County	\$254,456	\$255,306	<\$850>	-0.33%
Vista/Escondido	\$319,793	\$302,617	\$17,176	5.68%
Single-Family Detached Total	\$370,609	\$364,019	\$6,590	1.81%

Sales by Price Range

The detached housing sector allocated 1,904 out of its 2,502 net sales above \$250,000 during the first quarter. This 76% capture rate is up just over 8% from the amount totaled last year. When compared to the start of 1999, the capture rate was around 60% for this upper end price discretionary market. The distribution of new homes sales for the detached housing sector occurred as follows: the \$250-300,000 price range captured 25% of the market; the \$300-350,000 range recorded 10%; the \$350-400,000 range produced 10% and sales above \$400,000 reported 31% of the market. On the lower end affordability market, there were 598 net sales recorded with 489 sales alone coming from between \$200-250,000. This segment of the market captured the majority of sales last year. In the \$150-200,000 price range. There were 109 net sales to report with zero sales reported under \$150,000.

Tabulated Market Analysis

With 2000 being no different from last year, the San Diego County marketplace continues to witness the majority of sales occurring in two submarkets. With a combined market share of 63%, the two regions of North County Coastal and South Bay have distinguished themselves as having the highest concentration of sales activity. According to the first quarter audit, these two submarkets have recorded a total of 862 and 692 detached sales each, respectively. Coming in not too far behind are the Vista/Escondido and Interstate 15 Corridor submarkets. They reported 387 and 249 detached sales each, respectively, capturing more than 25% of the market. Eastern San Diego and Oceanside have increased their market share over the last quarter with 157 and 152 net sales each, respectively. The San Diego Central submarket captured only three net sales this quarter for the detached market stipulating that limited land and supply constraints are having an impact on consumer choice for a home in this submarket.

In analyzing which submarkets reported the highest and lowest weighted average prices for the region, Residential Trends noticed that the North County Coastal submarket reported the most price discretionary average with a \$500,901 price tag, while in the Oceanside submarket, the average was only \$246,401.

Inventory Trends

Although San Diego remains in a critical state concerning immediate supply, the marketplace has witnessed inventory levels remain relatively stable over the past year. With 1,440 total unsold units recorded this quarter, the region's inventory stock declined just under 3% from last quarter's 1,482 units. When compared to the first quarter of last year, however, supply levels are up almost 27%. Supply levels should increase for 2000 because of the additional 100+ new projects that entered the marketplace over the past four quarters. Overall, the County has posted a total of 7,406 units, the second highest amount since the third quarter of 1997.

After last quarter's substantial gain in supply remaining to be developed, the first quarter of this year took in a disappointing decline. The detached market declined 7% from 5,760 units last quarter to 5,359 units the first quarter. When compared to the first quarter of last year, the detached market has witnessed a 7.4% increase in units remaining to be developed. This much needed supply, however, is still low and because of this, the market in general is considered under supplied.

This shortage of supply becomes clear when comparing it to the total sales volume witnessed over the past year. Measuring current levels of total overall inventory, which includes supply remaining to be developed, against sales volume for the past four quarters, MarketPoint observes that the 6,487 units of detached supply in the market region will be exhausted in less than 10 months, while the 919 units of attached supply will provide for less than 9.5 months given the increased levels of absorption seen over the past couple of quarters.

Making this shortage of supply even more clear, MarketPoint sees that for total unsold inventory, there is roughly only two to three months left of detached and attached supply, respectively.

Pricing of supply has been on the upward trend for over two years now. According to the first quarter audit, almost 80% of the market's detached inventory has come from above \$250,000. In fact, more than 35% has come from above \$400,000 alone. This sector of the market posted 404 out of the 1,128 total units recorded. Note that the \$250-300,000 price did not come in too far behind with 238 units or 21% of the market's supply. The remaining units of supply that were allocated in the upper end price discretionary market for the first quarter occurred as follows: there were 180 units posted between \$300-350,000 and 88 units recorded between \$350-400,000. On the affordability side, there is also a considerable amount of units to be found between \$200-250,000 with 198 units recorded. However, when looking for true affordable housing, the first quarter reported only 20 units below \$200,000 with all units coming between \$150-200,000.

As to where supply was allocated in San Diego County this first quarter, MarketPoint observes that a majority of inventory was coming from the North County Coastal. This submarket represented 33% of the detached and 1% of the attached supply. Trailing not too far behind were the Vista/Escondido and South County submarkets. Each tabulated submarket represented 26 and 21% of the region's detached supply, respectively.

Future Proposed Supply

San Diego County has an estimated future proposed supply of 71,192 new residential units spread amongst 711 developments. These units range in status from those with no approvals to those that have received final map and are actually grading. As usual, detached product represented the largest percentage of potential units with 75% of future supply in 602 projects.

The market region with the most planned activity is still in the South County submarket, where an estimated 22,120 units are planned, almost half of which are in the various villages of the Otay Ranch Masterplan Community. There are 1,724 proposed units within the South County submarket in 18 developments that have reached the final map stage of the entitlement process. The largest amount of final map units is located in the North County Coastal submarket with 3,949 units in 49 projects.

The least amount of proposed units is situated in the Interstate 15 Corridor submarket where there are only 3,675 total units in 42 developments, none of which are in the final approval stage. San Diego Central has the least amount of proposed projects with 31 for the potential of 3,729 units.

During the first quarter of 2000, there were 217 developments offering 10 or more new "for sale" housing units to the San Diego County residential market.

What's New

There were 28 new detached projects and three new attached projects introduced to the San Diego new home market during the fourth quarter of 1999. Both the new detached and attached developments added a total of 2,090 units to the market.

The 28 new developments combined for the most part have met with relatively good market acceptance, selling on average per development 3.77 units per week for the detached and 2.33 units per week for the attached since the projects opened. These new projects accounted for 12% of the countywide total sales.

Peter F. Korpacz & Associates - Real Estate Investor Survey

The Real Estate Investor Survey, prepared by Peter F. Korpacz and Associates, Inc. for the second quarter of 2000, was reviewed. The survey's primary focus is on institutional-grade income properties, but it also contains data on land development trends which are informative in gaining a national perspective. The National Land market discussion, as published by Korpacz, is prepared in conjunction with PriceWaterhouseCoopers, LLP. The following is a summary of pertinent portions of the Korpacz Survey.

National Development Land Market

Rising rental rates, increasing property values and continuous demand for all types of real estate are encouraging developers to continue to develop properties throughout most of the country. Even though rental rate growth and property value appreciation are increasing at a slower pace in comparison to prior years, they are still sufficient in many markets to justify new development. For many developers, justifying new development is not the greatest concern: it is rather justifying the purchase of raw land at such high prices. "Over the past six months, we've seen some land prices double or triple from where they were five years ago," remarks a participant. Nevertheless, developers are finding ways to overcome rising land prices for now and to purchase land for future speculative and build-to-suit projects.

Since demand continues to outpace supply in most markets throughout the country, overbuilding does not pose an immediate concern for the majority of developers. Still, recent increases in interest rates have hindered funding for some developers. Even though some areas and property types within certain cities warrant caution, the real estate industry as a whole remains healthy.

Absorption Period

The absorption period required to sell an entire project varies significantly depending on such factors as location, size and property type. This quarter, participants report absorption periods ranging from 12 to 240 months. The median absorption period is 42.33 months or 3.5 years. Absorption periods at the low end of the range typically are for smaller projects located in high-growth areas. Longer absorption periods are associated with larger projects located in average-growth areas.

Based on both the size of the projects that participants have under development (0.25 to 1,000 acres) and their preferred absorption periods (1 to 20 years), participants expect absorption per year to range between 22.34 and 31.84 acres. The median absorption per year is 29.21 acres.

Forecast Assumptions

Discount Rates

The majority of participants, 70.59%, use a discounted cash flow (DCF) analysis as their primary method of valuation. Including those who use DCF analysis as a secondary method, the percentage that use DCF analysis increases to 75.00%. The remaining participants rely on a sales comparison approach.

In preparing their DCF analysis, 44.44% of participants do the analysis free and clear of financing, 44.44% subject to financing and 11.11% both ways.

While some developers (33.3%) include developer profit in their discount rate, most (55.6%) represent it as a separate line item that is based on a percentage of gross revenue or project costs.

The discount rates assume that entitlements are in place. Discount rates for projects that lack entitlements are typically increased between 350 and 1,000 basis points; the average is 625 basis points.

	Current Quarter Including Developer Profit	Current Quarter Excluding Developer Profit
Free & Clear		
Range	11.00%-15.00%	8.00%-20.00%
Average	12.63%	12.57%
Subject to Financing		
Range	12.00%-25.00%	8.00%-25.00%
Average	18.40%	14.29%
Developer Profit as % of Gross Revenue		
Range		8.50%-30.00%
Average		19.79%
Developer Profit as % of Cost		
Range		1.00%-6.00%
Average		3.50%

Lot Price Growth Rates

Growth Rates used for lot pricing in DCF analyses vary due to local market conditions. The range indicated by the participants is from 0.00% to 14.00% with a median of 4.18%. This is well above fourth quarter 1999's average of 2.25% and may result from developers' expectations of increases in land values, land scarcity and/or overall strong market conditions.

60.00% of participants forecast lot prices to increase more than inflation; the remaining 40.00% project increases below it. Inflation growth rate assumptions range from 3.00% to 10.00%. The average is 4.29%.

Expense Growth Rates

While the ranges for expense growth rates remain the same this quarter, most averages changed.

**Average Annual Growth Rates for Development Expenses
Second Quarter 2000**

<u>Expenses</u>	<u>Annual Average Growth Rates</u>
Infrastructure	
Range	3.00%-5.00%
Average	4.06%
Amenities	
Range	2.00%-4.00%
Average	3.19%
Advertising	
Range	1.00%-4.00%
Average	2.88%
Administrative	
Range	2.00%-4.00%
Average	3.00%
Contingency	
Range	1.00%-4.00%
Average	3.00%
Other	
Range	3.00%-4.00%
Average	3.60%

Outlook

Although participants forecast land values to soar as much as 25.0% over the next 12 months, many intend to continue acquiring land before land prices grow even higher. The average expected increase in land prices over the next 12 months is 6.31%.

Most developers expect the economy to remain strong for 2000, prompting additional development. Even so, future acquisitions are likely to be smaller and fewer in quantity, especially those requiring financing. Even though demand continues to outpace supply in most markets, overbuilding remains a potential threat to some markets where job growth is not expected to be as robust as it has been in recent years. Nevertheless, developers are optimistic that an overbuilding will be short-lived and much less troublesome than that experienced in the 1980s.

Investment Trends Conclusions

Economic conditions remain strong for virtually every segment of San Diego's real estate market. However, there are signs that the economy is slowing as evidenced by reaction to recent downturns in the stock market, recent increases in interest rates and gasoline prices. Also, the Consumer Price Index is up significantly from a year ago as follows:

	<u>All Urban Consumers</u>	
	<u>May 1998-99</u>	<u>May 1999-00</u>
U.S. City Average	2.1%	3.1%
Los Angeles-Riverside-Orange Co.	2.4%	2.9%
	<u>Urban Wage Earners and Clerical Workers</u>	
	<u>May 1998-99</u>	<u>May 1999-00</u>
U.S. City Average	2.1%	3.3%
Los Angeles-Riverside-Orange Co.	2.2%	2.9%

San Diego County continues to be one of the least affordable areas for homebuyers in the nation. Supply and demand imbalance continues to drive prices upward and demand has been fueled by increased job growth in high technology segments of the employment base and stock market profits. Forecasts are for job growth to increase at a much slower pace than in the past three years. Also, current pricing has far exceeded peak pricing of the late 1980s prior to the recession. The upcoming presidential election is an event that will likely be a focal point for potential economic changes in market conditions. Both political parties have a vested interest in maintaining hyperbole in an attempt to convince voters that, "things will stay just the way they are" if either candidate is elected, when, they likely will not.

Market conditions began to recover in the first quarter of 1995. On the commercial side, specialized real estate investment trusts began their influx in the market in 1996. On the residential side, phased takedown lot acquisitions began to disappear as lenders began to provide financing for larger acquisitions of builder production lot groups. The first six builder production lot groups being purchased at the subject property call for phased takedowns over two or three years. This is due to the timing of construction of infrastructure for delivery and not the result of changing market conditions. It is unlikely that a return to phased takedown lot acquisitions will occur throughout San Diego County unless there is a significant change in market conditions. However, despite market conditions being strong in the short term, more conservatism is warranted when appraising a planned development project on a bulk sale basis at this time.



Northwesterly view of the subject property from the southeast corner of Improvement Area 1 from the east side of Black Mountain Road north of its extension onsite and south of Carmel Valley Road.



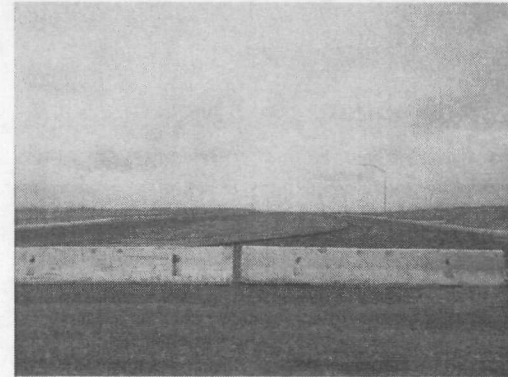
Northerly view of Improvement Area 1 from the north side of Carmel Valley Road.



Westerly view of the north side of Carmel Valley Road. Improvement Area 1 is on the right.



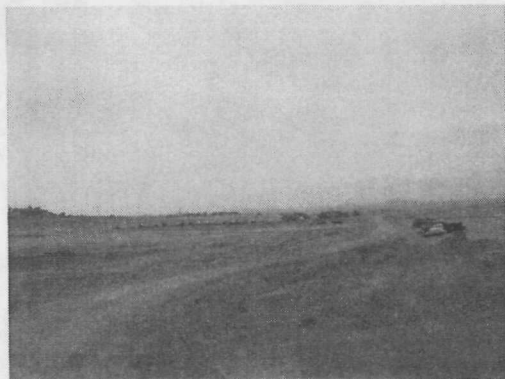
Northerly view of the extension of Camino Ruiz north of Carmel Valley Road.



Southwesterly view from Improvement Area 1.



Northeasterly view of Improvement Area 1.



Westerly view of Improvement Area 1 and Improvement Area 3.



Northerly view of the improvement area north of the town center area.



Northeasterly view of Improvement Area 1 from just east of the town center area.

C-48



Northerly view of the northerly tip of Improvement Area 1.

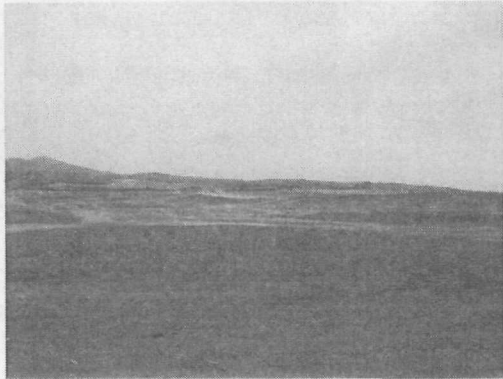


Northeasterly view of Improvement Area 2.

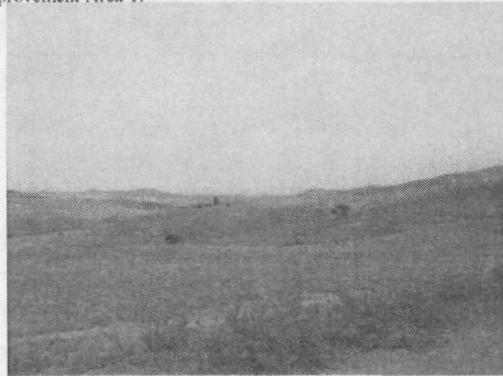


Southeasterly view of Improvement Area 1 from near the line of Improvement Areas 1 and 2 at the northwesterly corner of Improvement Area 1.

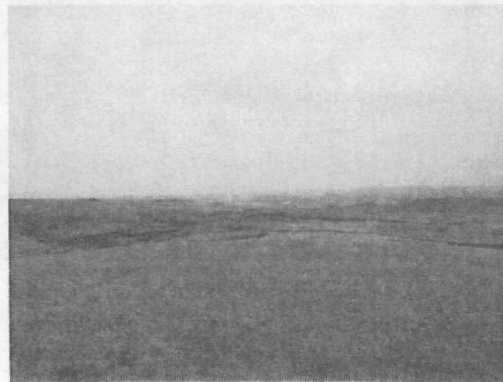
C-49



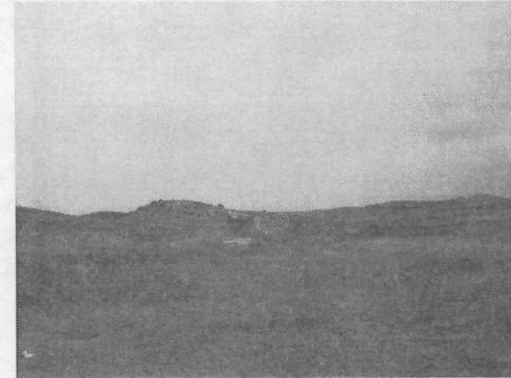
Easterly view of Improvement Area 2 from the northeasterly portion of Improvement Area 1.



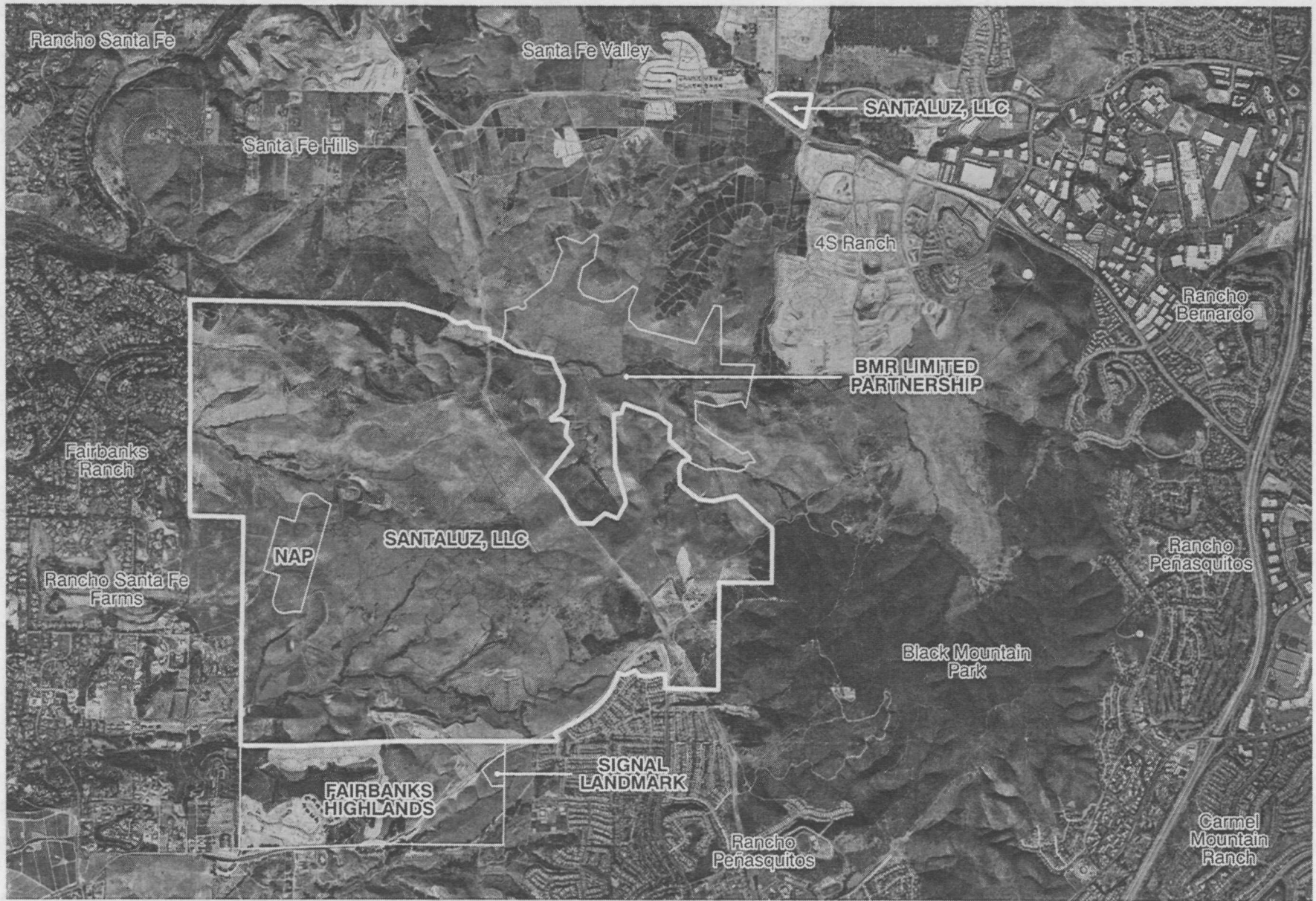
Southwesterly view of the golf course and future clubhouse location on Improvement Area 1.



Northwesterly view of Improvement Area 1.



Easterly view of the westerly portion of Improvement Area 1 from the easterly terminus of San Dieguito Road just off the property line.

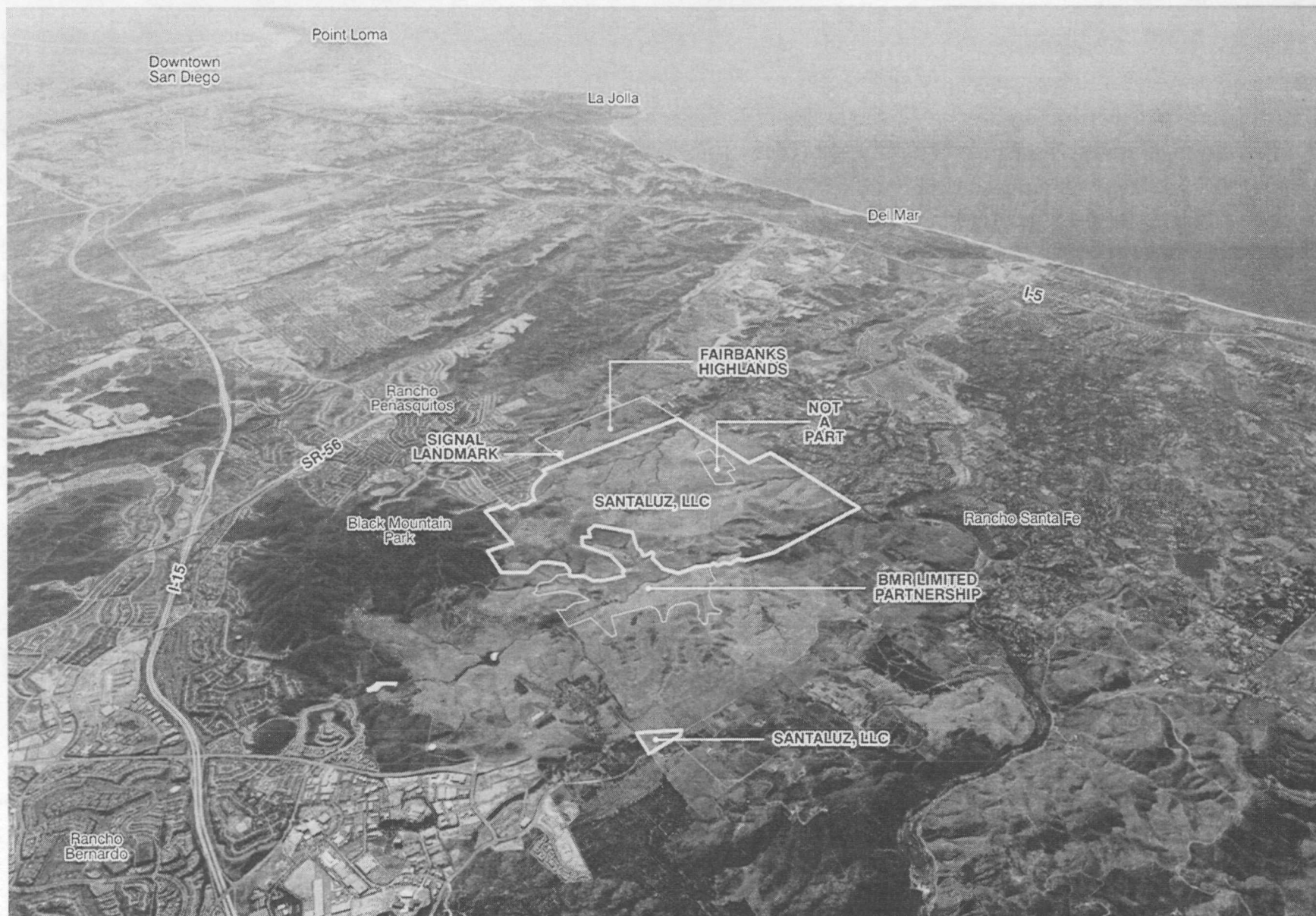


C-52



No Scale

Aerial View
CFD No. 2
Improvement Area No.1



C-53

No Scale

Aerial Oblique View
CFD No. 2
Improvement Area No. 1



Legend

- Sentnels
- Casitas
- Ranch Cottages
- Spanish Bungalows
- Garden Homes
- Haciendas Sur
- Court Homes
- Country Homes
- Villas
- Estancias
- Ranch Homes
- Custom Homes—Golf (Village Green, Haciendas Norte, Estancias)
- Custom Villas
- Custom Homes—Northern Lights

Santaluz
 San Diego, California
Home Type Location Plan

Prepared for: Santaluz, LLC
 Prepared by: The DSK Group

SITE DESCRIPTION

Typically, the Assessor's Map(s) would be presented prior to this section. For the subject, the maps are included in the Addendum. As shown on the Lot Acreage Summary in the Addendum, Unit 11 Lots 1 and 2 (Ranch Homes) will be reclassified as yet to be named lot numbers in Units 30 and 37. Also, the current mapping does not reflect the consolidation of the 56 Haciendas Norte lots into 28 Custom Estate lots. The Assessor's Parcel Numbers for the subject property currently are:

269-120-07, 269-121-04, 269-121-05, 269-130-06, 269-131-03, 269-131-04, 269-070-25, 303-070-26, 303-070-28, 303-070-29, 303-070-30, 312-010-36, 312-141-06, 312-142-05 and 678-230-07.

As shown on the Community Facilities District No. 2 map on Page 7, prepared by Rick Engineering Company, the subject property is 2,546.1 acres. The land secured with Mello-Roos special taxes is 820.28 acres. The subject property as shown on the Assessor's Parcel Maps in the Addendum adds up to 2,541.35 acres. The engineer's calculations were assumed as, ostensibly, they are from a more recent survey.

Physical Characteristics

Overview:

The subject property consists of portions of a property originally entitled as Black Mountain Ranch. Much of the information in this section was excerpted from the Black Mountain Ranch Environmental Impact Report which was prepared prior to the sale and renaming of the portion comprising the subject property.

The subject property is located in the northwest portion of the City of San Diego, approximately 20 miles north of the downtown area. The irregularly shaped project site lies between the I-5 and I-15 corridors and covers an area between Fairbanks Ranch to the west and Rancho Penasquitos to the southeast. Nearby landmarks include Black Mountain at the southeastern edge of the site and the San Dieguito River about 1.2 miles north of the site. The area is undeveloped with much of the site having been previously used for seasonal agriculture.

The project site is characterized by a variety of landforms ranging from nearly flat-lying mesas and gently rolling hills to rugged, steeply sloping hillside terrain. The La Jolla Valley, located in the north-central portion of the property, constitutes the most prominent topographical feature on-site. Running in an east-west direction, La Jolla Valley is bisected by Lusardi Creek, which drains the northern half of the project area. The broad valley floor is bounded by gentle to moderately steep slopes in its eastern portion. Nearing the western part of the site, the valley becomes rugged and narrow with steep walls and numerous rock outcrops.

The area north of the valley consists of moderately sloping uplands and mesa dissected by four small southerly trending canyons which are tributaries to Lusardi Creek. South of the valley, the land rises to a northwest/southeast-trending ridge which divides the site hydrologically into its two major drainage units, Lusardi Creek and La Zanja Canyon.

The southern portion of the project site contains large expanses of rolling topography, sloping generally to the southwest. The eastern panhandle area encompasses rolling hilly terrain along the northerly and westerly base of Black Mountain.

On-site elevations range from 125 feet above mean sea level (MSL) within Lusardi Canyon as it crosses the northwesterly portion of the project portion of the project site to over 1,100 feet above MSL.

The open space system has been designed to provide corridors for wildlife of a minimum one-eighth mile in width. Three road crossings of the open space will be bridges of 100-foot minimum span to facilitate wildlife movement. A system of horseback riding trails and bicycle and pedestrian paths are proposed within the SDRP open space area.

The trails essentially follow existing roads and would be constructed to the requirements of the City Department of Parks and Recreation. The trails would provide public recreational access along the property's western and northern boundaries; along Lusardi Creek and La Zanja Canyon connecting to Black Mountain Park; and a north/south connection across La Jolla Valley. Class 1 and 2 paved asphalt/concrete bike paths would also be provided along major roads and within the open space area of La Jolla Valley.

The Santaluz project site is undergoing grading and site development. The historical use of the property was agricultural, with pole tomatoes as the primary recent agricultural commodity. Crop farming of the of the project site was suspended in 1988. A 200-foot-wide San Diego Gas & Electric (SDG&E) transmission line easement traverses the property in a northeast-southeast direction about midway through the project site and a second, 100-foot wide easement runs along the western boundary. The San Diego County Water Authority's Second Aqueduct also traverses the project, just west of the center SDG&E easement. The property is criss-crossed with unimproved farm and access roads.

The subject property is bounded on the northwest, north and northeast by unincorporated areas of San Diego County. The 4S Ranch and Santa Fe Valley Specific Planning Areas form a portion of this county land. On the east, southeast and south, the project site is bounded by the Rancho Penasquitos community planning area and the proposed Fairbanks Highlands Planned Residential Development and tentative map. Adjacent developed communities include Fairbanks Ranch on the west and Rancho Penasquitos at the end of the eastern panhandle and to the southeast. Black Mountain Park abuts the southern edge of the panhandle. The proposed San Dieguito River Valley Regional Open Space Park, La Jolla Valley landscape unit extends onto the southwestern corner of the project site within La Zanja Canyon and across the north-central portion of the project site within La Jolla Valley.

Circulation Element Roads:

At present, there is no east/west paved roadway between I-5 and I-15 from Mira Mesa Boulevard north to the Del Dios highway. The project would provide rights-of-way for and construct segments of three Circulation Element roads within the property, which would provide enhanced regional access between I-5, I-15 and the future State Route 56 (SR-56) as recommended in the City and County general plans. These alignments are consistent with the General Plan Circulation Element, which was amended as part of the prior approval of the Framework Plan. Camino Ruiz, trending north/south, would ultimately provide access between Camino del Norte and SR-56 and connect with east/west

trending San Dieguito Road, Carmel Valley Road would connect Black Mountain Road and westerly segment of SR-56.

One modified four-lane major street, Camino Ruiz, would traverse the project from north to south. Carmel Valley Road would follow the southern property boundary. Both of these roads are presently classified as six-lane prime arterials in the City General Plan. Both would have 122-foot rights-of-way, with center medians and 78-foot roadway widths; reservations would be made for alternative transportation modes as required by the Framework Plan. San Dieguito Road, classified as a two-lane collector, would connect to Camino Ruiz in the western end of the project and would require 60-foot rights-of-way and 40-foot roadway widths.

The proposed development would not generate sufficient traffic volumes to justify full-width buildout of these roads. This need would be evaluated as other developments in the project area are proposed. The major on and off-site traffic improvements would be phased as development occurs. Minor streets would be provided as needed within each development area.

Off-site improvements associated with this project are shown as Exhibit B-2 to the Second Amended and Restated Development Agreement for Black Mountain Ranch included in the Addendum.

Reclaimed Water Reservoir:

Golf courses are large users of irrigation waters and are targeted as reclaimed water users. The project proposed to provide a reclaimed water reservoir and a lengthy discussion regarding the issue is included in the Environmental Impact Report. However, as of the date of value, the potential reclaimed water facilities is still being planned.

Potable Water Reservoir:

The project would require approximately 5 mgd of potable water storage. The City proposed to site a larger regional facility with 25 mgd of storage within the project area as the preferred of four alternative location along the west side of Black Mountain. The reservoir location has been set with regard to proximity to the County Water Authority aqueduct and Rancho Bernardo pipeline which cross the property and the elevation of the surrounding terrain to provide water pressure to users. The reservoir would be partially below ground to reduce its apparent mass and bulk and would be built under a shared participation agreement with the City. This reservoir is under construction and is being developed with a participation agreement with the City of San Diego calling for the City to reimburse the developer on a prorata basis up to \$16,400,000 of the costs.

Off-site Improvements:

Off-site road improvements to Carmel Valley Road westerly to Evergreen Nursery consist of grading and construction of two lanes of an ultimate four lane facility. Electricity, telephone, cable, water and sewer are available to serve the project. A new electrical substation may be built on-site along the northern boundary adjacent to the high-voltage transmission line easement for distribution to the region. Development of this would be the responsibility of San Diego Gas & Electric. A microwave receiver may be needed for cable television. This would be the responsibility of the servicing cable company. New water, sewer and gas lines would be extended for the south within the Black Mountain Road and Carmel Valley Road right-of-way. A sewer would be extended south of Carmel Valley road

to connect to the existing McGonigle Canyon trunk sewer. Telephone service may require a new switching relay in Rancho Penasquitos and would be the responsibility of the phone company.

Phasing:

Project phasing would be based upon both market forces and infrastructural requirements. It is anticipated that it will take at least six years for the residential development to be absorbed by housing demand. The timing of the provision of improvement to major roads, parks, schools, open space, trails and other facilities and services are contained in a development agreement with the City of San Diego.

A phasing schedule for development has been estimated by the developers, based on market forecasts and the timing of infrastructure construction. According to this schedule, it is predicted that the first residential units in Santaluz would be completed to coincide with the opening of the golf course.

Similarly, the affordable housing units proposed by the project would be developed according to a phased schedule. This schedule is based on the rate of residential lots sold within the project area and the anticipated development of employment centers, commercial services and transit in the surrounding area. It is anticipated that the first 60 affordable housing units (in the southern village area, Unit 23, Lots 8 and 9) would be developed before 450 market rate homes are built. The remaining affordable housing units (Unit 49, Lot 5) would be developed in two increments, with the next increment of 60 units being constructed before 650 homes or lots are sold and the remaining 59 units before 795 homes or lots have been sold.

Since the sale of homes and lots is anticipated to span at least six years, buildout of accessory uses and infrastructural support would be phased. Likewise would sites designated for public services to support the residential lots. These include schools, community centers and fire stations which would be developed as necessary to meet the needs of the project, subject to City Council Policy 600-10. The phasing and implementation of the services are insured by the applicant entering into a development agreement with the City.

Traffic Circulation:

The traffic study provided in the final EIR for Black Mountain Ranch was prepared by Urban Systems Associates in 1992. That study evaluated the development and also evaluated special event traffic related to the PGA Tour events. The assumed buildout traffic generation was 18,619 average daily trips (ADTs).

New road segments associated with initial development of the subject property included improvements to Carmel Valley Road (two lanes, with six-lane right-of-way) between Black Mountain Road and Evergreen Nursery, construction of Camino Ruiz (two lanes, with six-lane right-of-way) between Carmel Valley Road and San Dieguito Road, and extension of San Dieguito Road to Camino Ruiz (two lanes). Off-site improvements to intersections at Via de la Valle/El Camino Real, San Dieguito Road/El Camino Real, and Black Mountain Road/Carmel Mountain Road to maintain acceptable levels of service were also included.

Widening of Camino Ruiz north of Carmel Valley Road to four lanes is also required. In addition, a number of off-site intersection improvements are required at Del Mar Heights Road at Carmel Country, Camino Santa Fe, and Rancho Santa Fe Farms Road.

The prior traffic study also included a cumulative traffic impacts analysis which evaluated future development within Black Mountain Ranch and other portions of the Future Urbanizing area consistent with Framework Plan assumptions.

A supplemental Traffic Study was prepared for the revised Project by Katz, Okitsu and Associates (1995). The study assessed the traffic generation for the revised project to the localized surrounding streets and intersections that would be most affected by project traffic and to key off-site street segments and intersections identified by the City of San Diego Traffic Engineering Division.

Existing Conditions:

Interstate 5 is located approximately five miles from the western project boundary and I-15 is located about three miles from the eastern border of the site. The Del Dios Highway is located approximately 1.3 miles north of the site. Access to the project would be provided via extensions of existing San Dieguito Road, Black Mountain Road and Carmel Valley Road and by new construction of Camino Ruiz. San Dieguito Road originates at El Camino Real south of Via de la Valle and terminates just west of the project boundary. On the south, Black Mountain Road, which is mostly improved, runs northward from Miramar Road and connects Mira Mesa to the Rancho Penasquitos community at La Harina Court in the Black Mountain Ranches and Black Mountain Glen developments. The north-south segment of improved Black Mountain Road in Rancho Penasquitos terminates at the southern project boundary. An unimproved portion of Black Mountain Road extends across the site. Carmel Valley Road originates west of I-5 and extends in a northeast direction toward the project. A segment of Carmel Valley Road has been constructed adjacent to the southern portion of the project.

Interstate 15 east of the project area carries 158,000 average daily trips (ADT). Del Dios Highway has a current ADT of 18,000. Rancho Bernardo Road west of I-15 has 9,000 ADT, and the improved segment of Black Mountain Road just south of the project, presently has 4,000 ADT. The eastern terminus of San Dieguito Road has 5,000 ADT. The unimproved portions of Black Mountain Road that cross the subarea have about 2,400 ADT, based on city traffic counts. All of the roadways identified above currently operate at acceptable levels of service.

Three prime arterials are designated in the City and County General Plan Circulation Element to traverse the project in the future: Camino Ruiz; Carmel Valley Road and Black Mountain Road. Carmel Valley Road is presently classified as four-lane major arterial in the City's General Plan. San Dieguito Road is classified as a four-lane major arterial east from the city and county boundary at Fairbanks Ranch to El Camino Real.

Biological:

Two major drainages dissect the property from east to west. Lusardi Creek traverses the upper-central portion of the property and has several major tributaries entering the drainage from the north and south. This creek flows into the San Dieguito River and valley off-site to the west. La Zanja Canyon occupied the lower southwestern portion of the property and is isolated from the San Dieguito Valley by residential and commercial development.

Soils on the property consists largely of sandy, silty or clay loams derived from metavolcanic rock, granitic alluvium and marine sedimentary deposits. These soils have been mapped by the U.S. Department of Agriculture (USDA 1973) and typically belong to the following soil series: Altamont, Auld, Diabla, Escondido, Friant, Gaviota, Huerhuero, Las Flores, Linne, Olivenhain, Placentia, Salinas and San Miguel. Many of these soil types include a clay subsoil.

Several natural vegetation communities occur on the property, although agricultural practices and cattle grazing have resulted in conversion of native habitat types to disturbed grasslands over most of the site. Riparian corridors and well-developed coastal sage scrub habitat are integral components of the property. Riparian areas along Lusardi Creek and La Zanja Canyon have been impacted in many areas.

Topography:

Topographically, Black Mountain Road is characterized by a variety of landforms ranging from nearly flat-lying mass in the north to Lusardi Creek/La Jolla Valley in the center flanked by rugged, steeply sloping hillside terrain dissected by smaller drainage and rolling hills. The more rugged terrain is found in the northwestern portion of the Black Mountain Ranch in the vicinity of Lusardi Creek and in the southeastern portion of the site in the vicinity of Black Mountain. The broad La Jolla Valley area which crosses the central portion of Black Mountain Ranch presents a gentler topography. Elevations range from a high of approximately 1,100 feet MSL (mean sea level) within the southeastern portion of the site adjacent to Black Mountain Park to 125 feet MSL in the area where the northwesterly boundary crossed the bottom of Lusardi Canyon.

Approximately 700 acre, or 15% of Black Mountain Ranch consists of slopes with a 25% percent or more gradient and 1,122 acres, or 24%, are within the City of San Diego Hillside Review (HR) Overlay Zone.

Soils Conditions:

A geotechnical investigation was performed by GEOCON Environmental Consultants on the Black Mountain Ranch project site in October, 1989 and was updated in May, 1991. The results of the investigation are summarized below.

Nine geologic formation were observed on-site and include five Eocene sedimentary units (Delmar Formation, Torrey Sandstone, Frairs Formation, Stadium Conglomerate, and Mission Valley Formation). The four remaining formations are the Quaternary Lindavista Formation, Cretaceous Lusardi Formation, Cretaceous igneous rocks of the southern California batholith and the Jurassic-aged Santiago Peak Volcanics.

During a site reconnaissance by GEOCON Environmental Consultants in 1988, an apparent equipment and vehicle maintenance yard was observed in the same area as discolored soils and storage tanks. The structures included two equipment storage sheds, a covered maintenance building and another covered building. These structures were reportedly used for fertilizer storage and served as a crop processing area. The equipment, structures and storage tanks were removed between April, 1988 and July, 1990. Research indicates that a release of diesel fuel occurred from the above-ground diesel fuel storage tanks previously located on the site. Further review with the current site manager indicate that the quantity and date of release is unknown.

The site reconnaissance research identified circular areas of discolored surface soils, approximately five feet in diameter. A 500-gallon diesel fuel storage tank was reportedly former situated at his location. Two other approximately circular areas of discolored soils, each approximately five feet in diameter, were observed approximately 500 feet east of the other discolored soil areas. A 500-gallon above-ground diesel storage tank was located in proximity to one of the two discolored soil areas, and an aboveground diesel fuel storage tank was reportedly formerly situated at the other discolored soil area. Another above-ground diesel fuel storage tank was located approximately 400 feet north of these two areas.

Historic uses of the property, particularly agricultural uses, have been researched by GEOCON Environmental Consultants focusing on an area of previously studies in the southwestern portion of the site. This research included reviewing historical photographs, obtaining information on past pesticide and herbicide storage and application of the site, and conducting a site reconnaissance. Review of the photographs revealed a north/south-trending unpaved road traversing the central portion of te site area. Over time in the photographs the primary change is the widening of this road and removal of some vegetation in the area. None of the photographs suggest agricultural cultivation, such as row crops, in the site area.

Utilities and Services:

Four sewer pump stations and one water pump station are proposed on the Black Mountain Ranch project site. The water pump station is located in Unit 33 (the reservoir lot). The four sewer pump stations are located in the following areas: (1) Unit 50 near a future development area; (2) Unit 49, about 100-feet west of the affordable housing area; (3) Unit 3 Lot 20; (4) Unit 44 near Lot 25; and (5) unit 48 Lot 4.

The nearest branch library to the project site is the Rancho Penasquitos Library located at 13355 Salmon River Road. Another branch library is located within Rancho Bernardo at 16840 Bernardo Center Drive, approximately three miles east of the Black Mountain Road/Camino del Norte intersection.

Police protection for the project area is provided by the San Diego Police Department, Beat 213 of the Northeastern Division, located at 13396 Salmon River Road.

The project is within the service area of the City of San Diego Fire Department. There are two fire stations planned on the Black Mountain Ranch portion of the subject property.

The project is on the boundaries of three telephone service areas: Penasquitos, Rancho Santa Fe and Rancho Bernardo. Pacific Bell has new switching relay station in Rancho Penasquitos. The closest cable television transmitter (Southwestern) is on Black Mountain.

San Diego Gas & Electric currently maintains two electric transmission easement corridors across the project site. A 200-foot wide corridor runs approximately north-south across the middle of the property and contains one 230-kV circuit mounted on steel poles and/or towers and one 138-kV circuit with an underbuilt of 12-kV line constructed on double wood poles. Additional service lines are found along San Dieguito Road, St. Andrews Road and Artesian Road. Ultimate buildout of a 200-foot corridor could accommodate three parallel major tower lines each with 230 kV and two wood pole lines each with 69 kV. The second easement corridor is 100 feet wide and also runs north/south along

the western boundary of the site. This easement currently contains one 230-kV circuit and one 138-kV line could be reconstructed to proved additional capacity. Distribution voltage conductors exist only in the 200-foot easement. Adjacent development around San Dieguito Road and St Andrews Road along the west side of the site, and along Artesian Road near the northwest corner, also have distribution facilities.

A 25-million gallon storage reservoir to be located on-site is under construction by the developer. According to City staff, this reservoir should be on line in time to provide the needed water storage for the subject property.

The San Diego County Water Authority takes delivery of water from the Metropolitan Water District of Southern California through the San Diego Aqueduct. The bulk of the project would receive domestic water service through a combination of the 36-inch Rancho Bernardo pipeline and the City's connection to the San Diego County Water Authority's Second Aqueduct. These facilities provide a hydraulic head of 795-810 feet. The southern portion of the project would be served by the City of San Diego's 30-inch Del Mar Heights pipeline, which runs near the southern project boundary and provides a hydraulic grade of 610 feet. These pipelines can service areas with elevations of 525-650 feet. Those portions of the project site above an elevation of 650 feet would require servicing from a pump station supplying a hydraulic grade of about 950 feet. Those portions of the development below 525 feet could be served off the 810-foot system through the use of pressure reducing stations.

Elementary, Junior High and High Schools:

Prior to construction of new schools, students would potentially attend Deer Canyon and Adobe Bluffs Elementary Schools, Black Mountain Middle School and Mt. Carmel High School.

Given that schools are at present over capacity in that area, the addition of new students can only be accommodated through expansion of facilities and development of new schools. The project is not of sufficient size to warrant additional schools at start up. Therefore, Black Mountain Ranch has entered into an agreement with the Poway Unified School District to provide additional funding so the district can accommodate the increase in students. This agreement also provides for new school sites within the development and its fair-share participation in the future development of new schools. Additionally, the developers agrees to fund its share of the cost of leasing or purchasing state approved portable facilities for students generated by the Black Mountain Ranch development, on sites designated by the District. If existing sites are unable to house those additional students, the developers shall provide an interim site for those facilities, pursuant to the criteria established by the District until the development of permanent facilities can be accomplished.

Santaluz will provide one elementary school site and a portion of one middle school site. The remaining portion of the middle school site is located on the Fairbanks Highlands property adjacent to the south. These facilities are considered necessary given future development of the project, plus cumulative impact to schools from surrounding projects. A high school would be built in neighboring 4S Ranch, with a potential additional high school needed if the region builds out to the densities anticipated in the Framework Plan. Additional elementary schools and middle schools would be located, as necessary, within the area immediately to the west of Rancho Penasquitos, 4S Ranch and Santa Fe Valley to satisfy the cumulative generation of students from these planned projects.

**Santaluz - Improvement Area 1
Summary of 1999 - 00 Fiscal Year Real Property Taxes**

Assessor's Parcel No.	Assessed Value	Tax Rate Area	Tax Rate Per \$100	Base Taxes	Special Assessments					Total Special Assessments	Total Taxes And Special Assessments
					Mosquito /Rat Control	MWD Water Standby	CWA Water Availability	Penasqu. East Maint.	Special		
269 - 120 - 07	\$4,644,496	8187	1.0175	\$47,257.74	\$3.00	\$3,683.20	\$3,200.00	\$0.00	\$6,886.20	\$84,143.94	
269 - 121 - 04	\$662,044	8187	1.0175	\$6,736.28	\$3.00	\$115.10	\$100.00	\$0.00	\$218.10	\$6,954.38	
269 - 121 - 05	\$11,916,801	8187	1.0175	\$121,253.44	\$3.00	\$3,463.92	\$3,009.50	\$0.00	\$6,476.42	\$127,729.86	
269 - 130 - 06	\$509,265	8050	1.0175	\$5,181.78	\$3.00	\$2,024.72	\$1,759.10	\$0.00	\$3,788.82	\$8,968.58	
269 - 131 - 03	\$6,931,096	8050	1.0175	\$70,523.90	\$3.00	\$2,809.70	\$2,441.10	\$0.00	\$5,258.80	\$75,777.70	
269 - 131 - 04	\$5,092	8050	1.0175	\$51.80	\$3.00	\$22.78	\$19.80	\$0.00	\$45.58	\$97.38	
269 - 070 - 25	\$2,444,472	8187	1.0175	\$24,672.50	\$3.00	\$440.02	\$382.30	\$0.00	\$825.32	\$25,697.82	
303 - 070 - 26	\$1,222,236	8187	1.0175	\$12,436.24	\$3.00	\$212.36	\$184.50	\$0.00	\$399.86	\$12,836.10	
303 - 070 - 28	\$1,018,530	8187	1.0175	\$10,363.54	\$3.00	\$196.36	\$170.60	\$0.00	\$369.96	\$10,733.50	
303 - 070 - 29	\$20,625,232	8187	1.0175	\$209,861.72	\$3.00	\$6,710.88	\$7,568.10	\$1.36	\$16,289.34	\$226,145.06	
303 - 070 - 30	\$3,463,002	8189	1.0175	\$35,236.04	\$3.00	\$2,785.54	\$2,420.10	\$0.00	\$5,208.64	\$40,444.68	
312 - 010 - 36	\$814,824	8154	1.0175	\$8,290.82	\$3.00	\$3,148.90	\$2,735.80	\$2.64	\$5,890.34	\$14,181.16	
312 - 141 - 06	\$50,926	8050	1.0175	\$518.16	\$3.00	\$217.08	\$188.60	\$2.64	\$411.32	\$929.48	
312 - 142 - 05	\$305,559	8050	1.0175	\$3,109.06	\$3.00	\$1,287.38	\$1,118.50	\$0.00	\$2,408.88	\$5,517.94	
678 - 230 - 07	\$2,424,101	8050	1.0175	\$24,665.22	\$3.00	\$1,322.82	\$1,115.40	\$0.00	\$2,512.22	\$24,916.44	
Total	\$57,087,676		1.01750	\$580,858.22	\$45.00	\$29,250.76	\$25,413.40	\$6.64	\$54,715.80	\$635,074.02	

C-64

David F Davis, MAI

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

D.F. DAVIS
REAL ESTATE
INC.

Parks and Recreation:

The subject has four neighborhood and community park sites. The subject has private open space park areas and recreation facilities as shown in the Development Plan Project Data Exhibit (C-2-1 through 7) of the Black Mountain Ranch Development Agreement. The project proposes to offer for public open space dedication of 1,194 acres, which would expand the San Dieguito River Park and connect with Black Mountain Park. Funding would come from park fees collected from building permits.

Legal Characteristics

Tax data:

The subject property is located in four different tax rate areas all having the same tax rate. In addition, there are special assessments typical of all properties in San Diego County (Mosquito/Rat Control; MWD Water Standby; CWA Water Availability) and very minor assessments affecting three parcels for Penasquitos East Maintenance. The following is a summary of the current tax assessments for the subject property based on actual 1999-2000 fiscal year tax bills submitted for review:

The following is a summary of the special assessments:

According to the County Department of Health Services, the County Mosquito/Rat Control Special Assessment is an annual surcharge that provides funding for the Vector Control Department of the County Health Services which involves the control and eradication of disease carrying rats, mosquitos, etc. (vectors). This program was accepted by the City of San Diego as well as the County of San Diego the summer of 1989. Originally the program was proposed and accepted by the County Board of Supervisors with participating cities throughout the county individually approving participation. The program is expected to continue for several years as it provides a full and needed health service.

The MWD Water Standby Charge refers to the Metropolitan Water District Water Standby Charge which was added to the tax rolls for tax year 1992-93. The Metropolitan Water District is the ultimate supplier of a majority of water to San Diego County via the County Water Authority and then to specific water districts. The charge is utilized to fund additional capital improvements for the water district and is charged to all recipients of the district's water. The fund is to be reviewed annually with public hearings. This special assessment was expected to last through the 1995-96 tax year but has been extended.

The CWA Water Availability Special Assessment, according to representatives of the San Diego County Water Authority, is an eight year financing program for water facilities and capital improvements. This special assessment financing program was approved in 1989 and instituted into the County tax rolls.

The Penasquitos East Maintenance District assessment pays for landscape maintenance for improvements in the public right-of-ways based upon an annual assessment from budgets prepared.

In addition to the basic property taxes and special assessments above, homes in Santaluz are expected to have a Poway Unified School District CFD tax assessment of 0.1267%, a landscape and lighting maintenance district obligation of \$600 per year, and the Community Facilities District No. 2 special tax from \$2,332 to \$9,062 per year, depending on home size. Total effective tax rates will vary by product, ranging from 1.68% to 1.94%, averaging 1.76% of home value based upon the developer's projections.

Flood Zone:

According to the flood insurance maps prepared by the National Flood Insurance Program, the majority of the subject property is located in Zone C, which is not a flood hazard zone. However, two rivers flow through the property creating portions that are located in Flood Hazard Zone A (potential areas of 100-year flood). The subject property is located on Community Panel Numbers:

Map No.	Effective Date
06073C1069	June 19, 1997
06073C1331F	June 19, 1997
06073C1332F	June 19, 1997

Hazardous Materials:

A toxic hazard site assessment report for the property was not submitted for review. Therefore, it is assumed that there are no toxic hazards on site that inhibit development of the property to its highest and best use or have any impact on the development cost, use, marketability or value of the property.

Easements:

A preliminary title report drafted by First American Title Insurance Company dated as of February 24, 2000 was submitted for review as part of the documentation on production builder purchase contracts.

The easements referred to in the preliminary title report and other exceptions to coverage were not plotted on corresponding plat maps or submitted for review. Some of the easements noted in the portions of this section excerpted from the Environmental Impact Report are shown on the parcel maps and vesting tentative maps. The proposed development takes these easements into consideration and plots residential and commercial improvements away from them accordingly. Therefore, the appraisal assumes that there are no covenants, conditions, restrictions, liens or easements that will have any impact on the development cost, use, marketability, or value of the property.

Zoning:

Prior to entitlement, the subject property was zoned A1-10 in the City of San Diego, and the property is within the North City Future Urbanizing Area (NCFUA) of San Diego.

Within the Future Urbanizing Area there are four development alternatives: development pursuant to the A-1 zone regulations (one dwelling unit per 10 acres); rural clustering at the same density; conditional uses which are non-urban in character; or clustered residential development at a density of one dwelling unit per four acres.

Development of the subject property will be in conformance with the NCFUA Framework Plan, the adopted Black Mountain Ranch (Subarea I) Plan and the Development Agreement, Planned Residential Development (PRD) Permit and Vesting Tentative Map No. 95-0173 and Resource Protection Ordinance (RPO) No. 95-0173. The environmental effects of development permitted pursuant to the agreement were addressed in Final Environmental Impact Report No. 95-0173, which has been certified by the City.

Pursuant to the terms of the Development Agreement, substantial public improvement and benefit will be provided to the City, including participation in the public facilities plan for the NCFUA Framework Plan. In consideration of the public improvements and benefits to be provided pursuant to the Development Agreement, the City has given assurance that development of the subject property can proceed for the term of the Development Agreement.

The subject is not within the California Coastal Zone.

The majority of the project area was zoned A1-10, prior to approval of the PRD, which allows for limited development or improvement, with structure allowed only for residences, churches, utility, substations or structures associated with pursuits, such as stables or stands for the sale of agricultural

crops produced on the premises. One dwelling unit per ten acres is allowed in the zone, with a ten-acre minimum lot size, except under PRD clustering.

Surrounding Land Uses:

To the north and west of the greater Black Mountain Ranch site (of which the subject is a part) is the County of San Diego. This area is included in the San Dieguito Community Plan. The land use designation shown as Estate allows one dwelling unit per two of four acres. Fairbanks Ranch Specific Plan, located along the souther one-half of the western project boundary, and the area adjacent to the northwest corner of the project, site, known as Section 26, are developed Estate Residential areas. Surrounding these developed areas along the western and northern project boundaries are County Specific Planning Areas. The Specific Planning Area designation is used where a specific plan has been adopted or must be adopted prior to development. The maximum density permitted in a Specific Planning Area is designated in the community plan. To the north and west around the Estate land use area is the Sane Fe Valley Specific Planning Area, which allows a maximum of 0.4 dwelling units per acre. A specific plan is presently being developed for the Santa Fe Valley.

To the east along the northern portion of Black Mountain Ranch is a Specific Planning Area known as 4S Ranch, which is in the county Future Urban Development Area. This portion of 4S Ranch was within a Williamson Act Agricultural Preserve Contract which expired at the end of 1992. 4S Ranch is presently proposing a SPA amendment that would include additional residential land uses. To the east of this is another area of 4S Ranch, which is within the County's Current Urban Development Area. This portion of 4S Ranch is currently being developed at an overall density of 1.3 dwelling units per acre. Land uses being developed in this area include multiple-family residential, office professional, commercial and industrial. Several industrial facilities have been developed as part of a one-million-square-foot industrial development in 4S Ranch. To the east of 4S Ranch in the City of San Diego are the developing communities of Rancho Bernardo and Carmel Mountain Ranch.

The City of San Diego community of Rancho Penasquitos is located to the east and southeast of the panhandle area of Black Mountain Ranch North. This portion of Rancho Penasquitos is governed by the Rancho Penasquitos Community Plan with an overall average residential density of seven du/acre. This area has experienced rapid growth which has typically outpaced the construction of public facilities, such as roads and schools. The land use plan for the Rancho Penasquitos Community Plan shows low density residential use and open space in those areas adjacent to the project site. The majority of the Rancho Penasquitos community is built out.

The proposed Montana Mirador project is located south of Black Mountain Park south and east of Black Mountain Ranch, within the Rancho Penasquitos Community Plan. If approved, it would consist of 575 residential dwelling units (397 detached units and 178 attached), provision of a park and school site, and 446 acres of open space. Currently, the 635-acre site is vacant.

The area directly to the south of Black Mountain Ranch is designated as Future Urbanizing and is primarily vacant, with some areas having been in seasonal agricultural cultivation. The Black Mountain Ranch EIR makes reference to an EIR currently being processed for this development which was not submitted for review. The recently developed Rancho Glen Estates lies just west and south of this area. This is located within the boundaries of the City of San Diego and was developed at a density of one dwelling unit per four acres, clustered on average one-acre lots. The southeastern project boundary is directly adjacent to Black Mountain Park, a City-owned and maintained park.

The park currently consists of 240 acres of relatively undisturbed mountainous terrain characterized by banks of steep ridges and canyons across the majority of the site. The City intends to expand the park by acquiring an additional 240 acres of land and by acquiring land for an open space corridor running from Black Mountain Park to the coast via McGonigle Canyon and Carmel Valley. This expansion will provide continuity with the adjacent open space areas. As described in the draft Black Mountain Park Master Plan (City of San Diego, November, 1987), the park may ultimately develop a variety of passive recreational facilities, trail systems to include pedestrian, equestrian and bike trails, scenic viewpoint areas, an amphitheater and an interpretive center.

San Dieguito River Valley Regional Open Space Park

In June, 1989, the San Dieguito River Valley Regional Open Space Park Joint Powers Authority was established for the primary purpose of planning and acquiring a greenbelt and park system within the San Dieguito River Valley. The area within this proposed open space system is referred to as the "Focused Planning Area," which extends for 55 miles from the river's source on Volcan Mountain near Julian to the ocean at Del Mar. This river system forms a natural corridor, connecting a wide variety of native environments and vegetation types. The approximately 60,000-acre Focused Planning Area contains both private and publicly owned lands and roughly corresponds to the viewshed into the San Dieguito River Valley and its major tributary canyons.

In February, 1994, the JPA approved the concept plan and EIR for the regional park with goals and objectives for the park. The purpose of the Concept Plan is to set forth the vision, goals and objectives of the park and to establish the overall planning framework for future park development within the FPA. The vision of the Concept Plan is to create an open space park within the 55-mile long San Dieguito River Valley that will protect the valley's unique resources while providing compatible recreational opportunities for the San Diego region.

Gated Communities

The entitlement for the subject property contains language that Black Mountain Ranch may make use of any future City policies authorizing gated communities in the NCFUA and designates appropriate potential access control points within the development area. The access control points would only affect internal circulation and would not affect through-traffic and would be subject to approval by Development Services in accordance with adopted policies and regulations. The project is planned for gated access via two manned gates.

Entitlement Documents

There are numerous entitlement documents relating to the subject property and greater Black Mountain Ranch project (of which the subject is a part) which were submitted for review. They are summarized as follows:

Second Amended and Restated Development Agreement - recorded in June, 1997, this is the controlling entitlement document for development of the subject property (Santaluz). When originally entitled, the subject property was part of the Black Mountain Ranch. This document, in its entirety, is included in the Addendum.

Ordinance No. 0-18387 - adopted on March 17, 1997, this was an ordinance of the City approving the Second Amended and Restated Development Agreement.

Resolution No. R-286501 - adopted and recorded October 31, 1995, this document certified that the Environmental Impact Report (No. 95-0173) was completed in compliance with the California Environmental Quality Act of 1970.

Resolution No. R-286502 - adopted on October 31, 1995, adopting findings with respect to Tentative Map No. 95-0173.

Resolution No. R-286503 - planned residential development resource protection ordinance permit.

Resolution No. R-286504 - adopted on October 31, 1995, required that a noticed public hearing be conducted before the City Council prior to the vacation of a city street. Provides for a summary vacation of streets and public service easements by City Council resolution.

Environmental Impact Report - dated September 20, 1995 with an amendment dated January 23, 1997.

Black Mountain Ranch Sub-Area Plan - draft April 27, 1998 and supplement dated May 11, 1998, setting forth design standards for the project.

Final Maps

The revised final maps are on schedule to record as follows (per Taylor Woodrow Homes):

Lot Group	Projected Recording Date
Lazanja Lots	9/14/00
Town Center	9/26/00
Phase 1 Core	9/29/00
Phase 2 Core	9/29/00
Phase 3 Core	1/19/01
Phase 4 Core	1/8/01
Phase 5 Core	12/19/00
Northern Lights	11/15/00

HIGHEST AND BEST USE

Highest and best use is defined in the Appraisal of Real Estate, (11th Edition, 1996) as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

The majority of the subject property is located in the North City Future Urbanizing Area. The Santaluz portion of the greater Black Mountain Ranch property is large enough to accommodate a variety of uses allowed under the existing zoning regulations. As is typical with planned communities, the highest and best use, in a general sense, is based upon the ultimate entitlement when mapping and development agreements are completed. Such is the case for the subject which has an extensive list of entitlement documents and an approved development agreement.

A mixture of residential and commercial uses is physical possible and legally permissible as set forth in the approvals provided. The subject property is well located in the North San Diego area that is now ripe for development given the pent up demand during the recession of the early 1990s, the surge in real estate values recently and the planned future completion of Ted Williams Parkway (State Route 56).

The subject is also located in an area within the acclaimed Poway Unified School District (perennially among school districts with the highest test scores) which has traditionally attracted families. The location is, therefore, favorable and future residential development will attract a variety of buyers, including families and professionals.

Currently, for-sale residential projects in the immediate area are only in their initial phases of construction (4S Ranch and the first projects in Subarea IV). The adjacent 93 lot Fairbanks Highlands project to the south has been extremely well received by the market at relatively high prices. Typically, two to five production builder projects with complementary products offering new residential homes for sale is sufficient to create interest and activity benefitting all of the products at the project. The subject is large enough to do so on its own and will not have to depend upon surrounding development. However, relative to the typical suburban planned community, pricing will be high and competition is strong.

Larger planned communities require commercial support services which are proposed at Black Mountain Ranch. The project will also bear significant infrastructure costs that will benefit other projects to be constructed elsewhere in the Future Urbanizing Area, especially in Sub-Area IV. The construction schedule for the subject property makes it the first major project scheduled for development in the area. There is a reimbursement mechanism favorable to the developers of the subject, but the timing of actual payments is somewhat uncertain.

Again, in a general sense, the highest and best use of the subject property is as proposed based upon the fact that the developers have achieved the necessary entitlements after a long planning and approval process. However, a discussion of the highest and best use of the individual sites is appropriate as follows:

Residential:

The developers obtained a substantial conformance review for a revised residential lot plan in October, 1999. The following is a summary of the product profiles for the revised residential lots:

The Sentinels (under contract to Baywood Development) consist of development areas of eight detached homes in clusters with common landscaped areas as well as individual private lots. The Sentinels overlook the golf course with distant views beyond. The Sentinels are anticipated to average 2,525 square feet each, with an average sales price, including lot premiums, of \$575,000 (per developer).

The Casitas (under contract to Taylor Woodrow Homes) overlook either the golf course of the Village Green, a large open space park area. The Casitas will be one-story homes, many with courtyards, anticipated to average 2,250 square feet each, with an average sales price, including lot premiums, of \$570,000 (per developer).

The Spanish Bungalows (under contract to Christopher Homes) will be located in the Lazanja area, west of Camino Ruiz and south of the proposed town center. The minimum lot size will be approximately 5,900 square feet with product anticipated to average 3,000 square feet each, with an average sales price, including lot premiums, of \$585,000 (per developer).

The Garden Homes (under contract to Reilly Homes) will also be located in the Lazanja area. The minimum lot size will be approximately 7,400 square feet with product anticipated to average 3,400 square feet each, with an average sales price, including lot premiums, of \$622,500 (per developer).

The Ranch Homes (under contract to Taylor Woodrow Homes) are spread throughout the central core area of the project. Ranch Home lots are large circular pads with a minimum pad size of 22,000 square feet. The lot sizes, including slopes, range from .7 acres to 2.3 acres. The product is anticipated to average 5,000 square feet each, with an average sales price, including lot premiums, of \$1,295,000 (per developer).

The Ranch Cottages (builder to be determined) will be spread throughout Santaluz in groups of two to four dwelling clusters of detached homes. Many of the lots overlook the golf course, while others have views of adjacent open space. Lots range from 7,800 to 9,300 square feet with homes anticipated to average 2,600 square feet each, with an average sales price, including lot premiums, of \$635,000 (per developer).

The Haciendas Sur (builder to be determined) homes will be located with some lots facing the golf course and others located overlooking open space or in a small valley. They will be built in clusters of two detached homes each with a minimum building pad size of 10,000 square feet per home. A typical lot ranges from 14,800 to 59,000 square feet with homes anticipated to average 3,150 square feet each, with an average sales price, including lot premiums, of \$775,000 (per developer).

The Court Homes (builder to be determined) will also be located in the Lazanja area, west of Camino Ruiz and south of the proposed town center. The minimum building pad is approximately 8,000 square feet. Homes are anticipated to average 3,750 square feet each, with an average sales price, including lot premiums, of \$690,000 (per developer).

The Country Homes (builder to be determined) will be the largest of the four homes types in the Lazanja area with building pads that are a minimum of 9,500 square feet. The product will average 4,000 square feet each, with an average sales price, including lot premiums, of \$730,000 (per developer).

The Villas (builder to be determined) will be built in clusters of four detached homes each. Many will overlook the golf course; all home sites will have views of either the golf course, the Village Green or open space. Homes are anticipated to average 3,400 square feet each, with an average sales price, including lot premiums, of \$885,000 (per developer).

The Estancias (builder to be determined) are scattered throughout Santaluz and are typically located on a one-acre site, many with golf course views, while others face public or private open space. The building pad is a minimum of 15,000 square feet while the lots range in size from 19,000 to 89,000 square feet. The homes are anticipated to average 4,300 square feet each, with an average sales price, including lot premiums, of \$1,070,000 (per developer).

The developer intends to develop and market 224 custom lots. 96 of the lots (Northern Lights) are situated in the northwest portion of the development near the future town center area. The remaining 128 lots will be located in the central core area of the development, overlooking the golf course and surrounding areas. 20 of the custom lots are called the Village Green product with 36 of the Estancias lots and 44 of the Villas lots being earmarked for custom lot sales even though they are interspersed with the production builder lots in the central core area. All of the Haciendas Norte production builder product (formerly a two-lot cluster product) are being combined into single custom lots. The lots will range in size from .5 acres to over two acres with building pad sizes ranging from 8,500 to 30,000 square feet. The lots will be graded to final elevations with all utilities and street improvements installed to the edge of the lots. The custom lots will range in average price from \$429,000 to \$770,000, depending on the location, size of lot and view premiums (per developer).

The four production builder lot groups located in the Lazanja portion of the project (Court Homes, Country Homes, Garden Homes, Spanish Bungalows) will be delivered by the master developer in "blue top" condition requiring the production builders to finish grade and install all infrastructure for street improvements. The remaining lots in the core area will be delivered in "finished lot" condition.

The Santaluz project is the only planned community known to the appraiser and other knowledgeable market participants to conduct such a large scale project featuring different product types interspersed throughout the central core area. The Northern Lights and Lazanja areas are segregated outside the core area with major street, Camino Ruiz, forming a line of demarcation.

The competitive Meadows project in Carmel Valley features custom lot, two production builder lot groups, a golf course and hotel. Notable is that of the 42 production builder lots, 21 were purchased by Davidson Communities and developed in a somewhat "checkerboard" manner to be complemented by the other guest builder units. Theoretically, both product types would be carefully scrutinized by the developer and approved by each guest builder. The second group of 21 lots was originally contemplated for purchase by the Douglas Allred Company but that sale did not go forward. The Davidson Community portion achieved extremely strong market acceptance but the other 21 lots have yet to sell.

While reluctant to describe the Santaluz mixed-interspersed product type concept as "pioneering", it is untested in the San Diego area on this large a scale. However, a significant advantage is the gated entries and access to and from each area (core, Lazanja, town center, Northern Lights) via a road system behind gated entries without having to use Camino Ruiz, the major street. The golf course amenity, planned environment and gated access will likely overcome many of the objections some custom lot buyers will no doubt have in being situated in close proximity to homes worth 50% less.

The Reeb Development Consulting Absorption analysis, commissioned in conjunction with this appraisal, concludes that the subject residential lots will like have slower absorption as compared to competing projects assuming all 11 production builder product lines start home sales at the same time as projected by the developer. This is unlikely to be the case as the market perceives the project as having too much directly competitive product within the profiles (price and size range) targeted by the developer. Only five of the 11 production builder lot groups are under contract with a sixth close to being under contract. Also, those transactions call for phased takedowns to coincide with delivery of infrastructure. Thus, the remaining unsold production builder lot groups were staggered one year behind the five lot groups presently under contract and the sixth almost under contract. The staggered lot groups were also programmed into the discounted cash flow analysis on a two transaction phased takedown sale basis.

For the custom lots, the developer's proposed pricing was considered slightly above market. This presents an inconsistency relative to the Reeb Development Consulting Absorption conclusions which were based on a proposed pricing provided by the developer. After considering market data, the appraiser does not concur with the custom lot absorption conclusions set forth based upon the mix between price and absorption rate in the Reeb analysis. The Reeb Absorption projections were accepted but the average lot prices per segment were reduced slightly based upon appraiser's analysis and judgement.

Some affordable units are required under the Development Agreement to obtain a higher density of other production units elsewhere in the project. Although the market for these types of units is strong, they require adherence to strict rules about rent levels that are set forth by the appropriate agency based upon renters earning no more than 65% of the median family income. Discussions with knowledgeable developers of this type of product and the appraiser's knowledge of construction costs and fees indicates a lack of feasibility for this type of product. In fact, the developers of these projects typically cannot afford to buy land unless they receive development subsidy which results in a residual value after all of the costs, including entrepreneurial incentive to complete construction are deducted. Although these funds are available, they are often prioritized to locations perceived as having a greater need for this type of housing than the affluent environment that will be created at the subject property and is existing and proposed in the surrounding areas. Thus, it is unknown whether or not sufficient grants and low interest loans will be available to develop the 179 units at the subject property to a degree that would result in a residual land value.

Various development thresholds must be met and cannot be exceeded prior to completing the affordable housing. The Development Agreement specifies that the developers may choose to construct up to 30 companion units which are restricted to those persons who are income eligible and paying rents that do not exceed those required by the Affordable Housing Agreement except:

Any companion unit occupied by adult members of the immediate family related by blood or marriage to the property owner;

Any companion unit occupied by a person who is employed on the premises by the occupants of the primary units such as cleaning, gardening, child care or elderly care.

There are other development criteria when choosing the companion unit option as outlined in the Development Agreement. The units most likely to present viable options for companion units are the custom-estate lots and the higher end builder production homes and examples of these types of units exist at The Ranch project in Carlsbad and the Old Coach Collection project in Poway. Potentially, the land value premium for the ability to construct 30 companion units could be derived by taking approximately one-third of the price paid by buyers for this feature. This would result in a premium of between \$5,000 and \$10,000 per companion unit lot (\$15,000 to \$30,000 retail premium). However, reducing the number of affordable units from 179 down to 149 would further negatively affect feasibility potentially resulting in an offset subsidy to be provided by the master developers when transferring this property to the affordable housing developers.

Since the affordable units are designated in the Development Agreement, they must ultimately be constructed. However, the feasibility of such a project resulting in a land value to the master developers is questionable. Therefore, no value was projected for affordable housing units. The master developer will likely end up transferring the affordable housing sites to a specialized developer at no value. This should not effect the entitlements for the subject property as, the requirement is to construct the 179 units in increments as set forth in the Development Agreement. It does not require that this land be sold.

Non-Residential:

Various non-residential uses are projected at Santaluz.

The proposed golf course was also a feasible use based on the conclusions in the Reeb Development Absorption Study. The land was projected to be sold in Year 1 of the analysis along with approximately 17% of the residential lots once infrastructure is projected to be completed to a point to allow these sales to go forward.

There are two church sites designated in the Development Agreement and they were projected to be sold in Year 4 of the absorption period. Church sites typically sell for values that approximate secondary commercial site value ranges and the fourth year of the analysis was chosen as this is plenty of time for the residential neighborhoods to be completing their absorption and for the patterns of church goers to emerge resulting in demand for specific acquisitions by specific denominations. The Reeb Development Absorption Study projects that 97% of the market rate units will be absorbed by the end of the fifth year.

The day care center site is a viable commercial property that can ultimately be sold. There are several entities that conduct proto-typical development of these types of facilities on a national basis. Day care center sites also are located in secondary commercial locations or near retail centers but are not in a value range that is similar to high exposure sites such as shopping centers or pads or corners. The day care center site was projected to sell in Year 3 of the analysis.

The final non-residential revenue item shown in the valuation is the village elementary school site which has a pre-agreed upon price of \$744,000 cash to be paid when acquired by the Poway School

District. This is not really a site that requires a valuation of its highest and best use. Instead, it is mentioned here as it is the last non-residential site that has value.

This leaves several non-residential sites that were not projected to have value at this time. They are:

Police Station/Security Office
Post Office/Mail Center
Recreation Center
Property Owner's Association Offices
Senior Center
Meeting Hall/Community Center

These non-residential uses must be provided pursuant to the Development Agreement. Their infrastructure must be provided but it is difficult to justify assigning any value to the sites when completed as they will likely serve the project and be maintained via Home Owner's Association Fees. Of the above uses considered non-revenue producing, the only two with some potential are the Post Office/Mail Center and the Recreation Center. There have been some examples where the U.S. Postal Service has leased space in retail centers to operate a small substation or a post office box/mail drop off location. However, it is unknown whether or not there will be demand from the Post Office for such a use at this particular location at this time. Regarding the recreation center, projects such as Carmel Mountain Ranch have ultimately developed a community recreation center and pool but are supported by a significantly larger population (13,000 to 15,000) in the immediate community. Some commercial operation could ultimately be developed; however, it is too speculative to project a value for this portion of the property at this time.

VALUATION METHODOLOGY

The applicable components of the subject property will first be valued on a finished lot basis through the use of the Sales Comparison Approach. Subsequent to the finished lot valuation, the Development Method will be utilized as the primary valuation approach for the entire property.

In the Sales Comparison Approach, recent comparable sales are analyzed on a comparative unit basis. Typically, residential properties are analyzed on the basis of price per lot or unit basis and non-residential properties on the basis of price per square foot or acre. After consideration of the individual comparable sale unit price indications, concluded unit prices are applied to the subject property components for indications of value.

The Development Method is, typically, an approach for estimating the value of vacant land improved with public improvements such as water, sewers, sidewalks, etc. The usual application is to raw, un-subdivided land by deducting from the estimated gross selling price, the direct expense of development such as cost of streets, utilities, sales, advertising, and overhead (taxes, carrying charges, inspection). Profit and "time lag" (interest on the money invested for the time needed to complete the project) are also deducted, after which the land value is indicated. In this case, the Development Method Analysis will be facilitated by the use of computer assisted discounted cash flow projections.

The Sales Comparison Approach is also potentially applicable to the valuation of the subject property "in bulk" in one sale to one buyer. A survey of sales of large acreage parcels for planned community development was made. The survey did not reveal any similar properties considered adequate to perform the approach due to differences in size, number of lots, entitlement status and construction status.

DEVELOPMENT METHOD - DISCOUNTED CASH FLOW ANALYSIS

Sales Comparison Approach

The Sales Comparison Approach to value involves the comparison of the subject property with recent sales of comparable properties and then isolating pertinent units of comparison which can be applied to the subject. The sale price per acre, lot or per square foot are typically the indicators utilized. When the number of lots is known for the residential portions of the subject and the comparables, the sale price per lot is the best indicator. For the commercial properties, the sale price per square foot is the best indicator.

Residential

As previously noted, the client jointly commissioned an absorption study in market analysis by Reeb Development Consulting. A copy of the Executive Summary and Letter of Transmittal from Reeb's Absorption Analysis is included in the Addendum. Strong reliance was placed on the data, comparables, price ranges and unit measures set forth and concluded in the Reeb analysis during preparation of this appraisal. However, they were adjusted somewhat based on appraiser's research.

Production Builder "For Sale" Housing Lots

As previously noted, five of the production builder lot groups are under contract and one is being negotiated. Limited information about these transactions is provided herein at the request of the developer pursuant to a confidentiality agreement. This data was given significant emphasis in valuing the subject production builder lots. The sales shown on the following pages are targeted to production builder (for sale) housing of various quality levels with some applicability to custom-estate lots. They are not applicable to the 179 affordable units. The custom-estate lots will be valued following the "for sale" housing lots.

The following is a summary of the data:

No.	Buyer/Seller/Project	Easement-Sale Date	Sales Price/Cash Equivalent	Acreage Gross	Net of Lots	No. of Lots	Density Units Per Acre	Price Per Lot	On & Offsite Costs & Fees	Finished Lot Cost	Mills-Rates Assessment Avg. Per Lot (Annual)	Developer's Price Range/ (Average) Sq. Ft. Range
1A	Taylor Woodrow/Santaluz, LLC/Santaluz-Ceasiza	9/00-9/00-5/01 4/01-11/01	Confid.	5,227 sq. ft. minimum lots		80		Confid.	\$0 Confid.	\$3,528		\$570,000 3,150-4,070
1B	Reilly Homes/Santaluz, LLC/Santaluz-Garden Homes	9/00-5/01 4/01-11/01	Confid.	7,405 sq. ft. minimum lots		69		Confid.	\$47,000 Confid.	\$5,676		\$622,500 3,425-3,265
1C	Ceasiza Homes/Santaluz, LLC/Santaluz-Hedandas Sur	5/00 9/00-5/01 4/01-11/01	Confid.	14,810 sq. ft. minimum lots		50		Confid.	\$0 Confid.	\$5,232		\$775,000 2,600-3,410
1D	Taylor Woodrow/Santaluz, LLC/Santaluz-Ranch Homes	9/00-5/01 10/01-10/01 5/02-11/02	Confid.	30,422 sq. ft. minimum lots		66		Confid.	\$0 Confid.	\$7,392		\$1,295,000 4,250-5,775
1E	Baywood Development/Santaluz, LLC/Santaluz-Serentina	3/00 9/00-5/01 7/01-11/01	Confid.	5,227 sq. ft. minimum lots		80		Confid.	\$0 Confid.	\$3,624		\$575,000 1,700-2,585
1F	Christopher Homes/Santaluz, LLC/Santaluz-Spanish Bungalows	9/00-5/01 4/01-11/01	Confid.	6,008 sq. ft. minimum lots		64		Confid.	\$42,375 Confid.	\$5,016		\$595,000 2,700-3,650

SUMMARY OF COMPARABLE RESIDENTIAL LAND SALES

C-78

Comparables 1A through 1F are the pending production builder contracts for sale at the subject property. The specific price information was held confidential at the request of the developer pursuant to a confidentiality agreement.

Comparables 2 and 3 are located immediately south of the Fairbanks Highlands project (south of the subject) across Carmel Valley Road. They are part of a larger acquisition of 380 lots by DR Horton who is marketing two products, Collins Ranch and Villamontes. Comparables 2 and 3 are guest builder lot groups. These properties are located in Subarea IV.

Comparable 4 is a portion of the Seabreeze Farms project west of the subject on Carmel Valley Road closer to the Carmel Valley neighborhood. It is a joint purchase by Barrett American and Centex Homes who will construct three product types. This property was previously under contract in the summer of 1998 at \$26,100,000 (\$178,767 per lot) with a finished lot cost projected at \$265,000.

Comparables 5 and 6 are two production builder lot groups in the 4S Ranch planned community east of the subject property. Only some details of these transactions were revealed due to knowledgeable parties adhering to a confidentiality agreement.

Comparables 7 through 10 are recent escrows or current negotiations for a three lot group and a portion of Lot Group A and Lot Groups C and B in the Rancho Cielo project. All are being purchased for development by merchant builders who will probably not conduct individual lot sales. Comparable 8 is one of the premiere locations in the project in the terms of high elevation and view. Comparable 10 is the sale of the first luxury production pod at the Rancho Cielo community.

Rancho Cielo has a Rancho Santa Fe zip code address but is not located in the covenant area. Rancho Santa Fe was formed by protective covenant in 1927 for rigidly controlled residential home development with 200 miles of equestrian trails and a 18-hole private golf course in a rural residential setting. There are excellent views from most of the lots.

Adjustments

Various adjustments were made in a qualitative manner as follows:

Conditions of Sale:

There were no unusual conditions of sale affecting any of the comparables requiring an adjustment.

Time:

As previously noted, prices have been rapidly increasing over the past year as indicated by numerous publicity announcements in local newspapers, information from Market Profiles and the Reeb Development Consulting Absorption Analysis. Depending upon when properties were placed "under contract" an appropriate adjustment could range between 1% and 2% per month with the time frame between the fourth quarter of 1997 and the first and second quarters of 1998 being the period of the most rapid change. All comparables were adjusted upward.

SUMMARY OF COMPARABLE RESIDENTIAL LAND SALES

No.	Buyer/Seller/Product	Escrow - Sale Date	Sale Price/ Cash Escrow	Average Gross	Net of Lots	No. of Lots	Density Units Per Acre	Price Per Lot	On & Offsite Costs & Fees	Finished Lot Cost	Hard-Flats Per Lot (Annual)	Developer's Per Lot (Average) Soft Flats
2	Burnet American/DR Horton/Torrey Dal Mar South side of Carmel Valley Road between Camino Ruiz and Black Mountain Road San Diego (Subarea IV)	12/90	\$30,029,000	194.00 (portion)	73.62	140	N/A	\$205,570	\$22,430	\$28,000	None	N/A
3	Companentia Communities/DR Horton/Torrey Dal Mar South side of Carmel Valley Road between Camino Ruiz and Black Mountain Road San Diego (Subarea IV)	12/90	\$14,160,805	194.00 (portion)	73.62	60	N/A	\$202,545	\$30,201	\$241,000	None	N/A
4	West side of Carmel Valley Road south of Black Mountain Road San Diego (Carmel Valley)	9/99	\$29,000,000	73.04 (portion)	73.04	146	2.00	\$198,630	\$93,370	\$295,000	None	N/A
5	Fairbanks/4S Ranch - Kalamond/Unit 3, Lot 18 4S Ranch Parkway San Diego (4S Ranch)	12/90	\$18,317,350	N/A	N/A	103	N/A	\$178,421	\$23,804	\$202,225	None	\$400,000 - \$453,000
6	Ryan/4S Ranch - Kalamond/Unit 1, Lot 27 4S Ranch Parkway San Diego (4S Ranch)	12/90	\$13,998,925	N/A	N/A	75	N/A	\$186,652	\$21,409	\$208,001	None	\$565,000 - \$915,000
7	Cal Coast Homes/Rancho Cielo Estates/Rancho Cielo East side of Camino Del Sur and La Milla and north of Calle Ambiente Rancho Cielo	under contract 3/99	\$1,350,000	5.30 18,000 sq. ft. minimum lots	5.30	3	0.57	\$450,000	\$22,500	\$472,500	None	N/A
8	EPAC/Rancho Cielo Estates/Rancho Cielo Group C south side of Via Ambiente Rancho Cielo	in escrow 3/99 closed 11/99	\$6,100,000	41.65 18,000 sq. ft. average pods	23.09	16	0.38	\$3810,000	\$35,000	\$545,000	None	N/A
9	Innovative Comm./Rancho Cielo Estates/Rancho Cielo Group B East side of La Cerrea, La Hipocas and Via Luna cul-de-sacs and Rancho Cielo	in escrow 3/99 closed 9/99	\$9,245,000	56.61 1.0 acre minimum lots (15,763 sq. ft. average pods)	29.30	23	0.41	\$401,500	\$31,657	\$448,657	None	N/A
10	Davidson Comm./Rancho Cielo Company/Rita, Cielo Group A Northwest corner of Calle Ambiente and El Esccondido Del Dices Highway Rancho Cielo	in escrow 7/98 closed 3/99	\$27,500,000	139.00 1.0 acre minimum lots (17,268 sq. ft. average pods)	138.00	81	0.59	\$339,505	\$25,484	\$365,000	None	\$800,000 - \$1,300,000

General Location:

The subject property has a good location and will likely emerge as a premier planned community in San Diego County. The general location is comparable to Comparables 2 and 3; slightly inferior to Comparable 4; superior to Comparables 5 and 6 and comparable to slightly superior to Comparables 7 through 10. The subject property will likely create its own environment and access is good. Not being considered in this adjustment are the amenities created onsite but the general location. It is difficult to quantify an adjustment to Rancho Cielo as access to that property is inferior but it is located in the Rancho Santa Fe postal zip code with the properties sold or under contract being located in a portion of the project within the Rancho Santa Fe School District. The project also has excellent view amenities. Although located closer to the new high school to be constructed to also serve the subject property, Comparables 5 and 6 are considered inferior relative to general location.

School District:

The subject property is located in the Poway Unified School District as are Comparables 2, 3, 5 and 6. Comparable 4 is located in the San Dieguito School District in which Torrey Pines High School is one of the best public high schools in San Diego County if not the State of California.

Comparables 7 through 10 are located in the prestigious Rancho Santa Fe School District. Test scores and the number of students attending four year universities is much higher in school districts such as Rancho Santa Fe, San Dieguito and Poway than other San Diego County School Districts.

Upward and downward adjustments were indicated based upon the difference between the Poway and San Dieguito-Rancho Santa Fe school districts.

Project Size:

Project size adjustments are made based on the time estimated for entitling, building and selling the comparable project as compared to the subject. This adjustment takes into consideration the timing of development, indicating a shorter time period for a purchase of finished lots than raw land to be graded. The period between sale of the land and the first house closing escrow is estimated at 10 months for finished lots and 12 months for sheet-graded sites. The adjustment also reflects the increased or decreased carrying costs on a larger or smaller project.

Average lot size:

Typically, lot size differentials are adjusted based upon price per square foot of differential between minimum lot size; average lot size; or average pad size. In many cases, all three of these figures are not provided and ranges are often given for one category only. Thus, subjective adjustments were made based upon appraiser's experience. Typically, adjustments for lot size range between \$7.00 per square foot at the low end to \$30.00 per square foot at the high end depending upon the amount of differential. The larger the differential, the lower the indicator which is also highly influenced by the value range of the lots being adjusted.

Site/View:

The subject property has a good location with average to good views and positioning to amenities. The overall rating is good. The comparables were rated and adjustments were made accordingly.

Mello-Roos District:

Differentials between the Mello-Roos liens projected at the subject property and comparables were taken into consideration. In addition, there will be a Poway Unified School District CFD payment which is typical for new subdivisions.

Development Impact Fees (DIF's):

It is often the case that municipalities have Development Impact Fees (DIF's). There are reimbursement provisions that are being considered in this appraisal from fees that are due up front when building permits are pulled. However, the subject is exempt from these fees as a tradeoff for facilities being installed.

Differentials in DIF fees were considered in the adjustment process with upward adjustments being made to those properties that have DIF fees versus the subject property (which does not) which is, essentially, the case for all comparables to different degrees.

"Finished" vs. "Blue Top" Lots:

As previously noted, the Lanza (Court Homes, Country Homes, Garden Homes, Spanish Bungalows) lots are being delivered in "blue top" condition requiring the production builders to complete the infrastructure to create finished lots. The costs range from \$42,375 to \$47,668 and average approximately \$44,000 per lot. Since these lots will be delivered in "blue top" condition, they were appraised in that manner. Therefore, there is a significant reduction in the appraised value as compared to other finished lot projects of similar size. For the remaining production builder lot groups, the intent is to deliver them in "finished lot" condition and the finishing costs were included in the master direct construction cost provided by the developer.

Adjustment Grids

The following are adjustment grids for the residential portions of the subject property excluding the custom-estate lots and the affordable housing.

LAND SALE ADJUSTMENT CHART
SANTALUZ-CARITAS

Value Conclusion: \$178,000 Per "Finished" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,169,805	\$29,000,000	\$18,377,350	\$19,998,925
No. of Units:	149	99	149	103	75
Price Per Unit:	\$205,570	\$205,345	\$196,630	\$178,421	\$196,652
Costs & Fees:	\$32,430	\$36,291	\$65,370	\$23,804	\$21,409
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$202,225	\$208,051
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl Superior -	Sl Inferior +	Sl Inferior +
School District:	Poway Equal =	Equal =	Sl Superior -	Equal =	Equal =
Project Size:	80 149 +	99 -	149 +	103 +	75 =
Lot Size:	8,000 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	80 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-RANCH COTTAGES

Value Conclusion: \$185,000 Per "Finished" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,169,805	\$29,000,000	\$18,377,350	\$19,998,925
No. of Units:	149	99	149	103	75
Price Per Unit:	\$205,570	\$205,345	\$196,630	\$178,421	\$196,652
Costs & Fees:	\$32,430	\$36,291	\$65,370	\$23,804	\$21,409
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$202,225	\$208,051
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl Superior -	Sl Inferior +	Sl Inferior +
School District:	Poway Equal =	Equal =	Sl Superior -	Equal =	Equal =
Project Size:	80 149 +	99 -	149 +	103 +	75 =
Lot Size:	7,800 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	80 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-SENTINELS

Value Conclusion: \$178,000 Per "Finished" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,169,805	\$29,000,000	\$18,377,350	\$19,998,925
No. of Units:	149	99	149	103	75
Price Per Unit:	\$205,570	\$205,345	\$196,630	\$178,421	\$196,652
Costs & Fees:	\$32,430	\$36,291	\$65,370	\$23,804	\$21,409
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$202,225	\$208,051
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl Superior -	Sl Inferior +	Sl Inferior +
School District:	Poway Equal =	Equal =	Sl Superior -	Equal =	Equal =
Project Size:	80 149 +	99 -	149 +	103 +	75 =
Lot Size:	7,000 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	80 Superior -	Sl Superior -	Sl Superior -	Superior -	Sl Superior -
Development Fees:	80 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-COURT HOMES

Value Conclusion: \$178,000 Per "Blue Top" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,169,805	\$29,000,000	\$18,377,350	\$19,998,925
No. of Units:	149	99	149	103	75
Price Per Unit:	\$205,570	\$205,345	\$196,630	\$178,421	\$196,652
Costs & Fees:	\$32,430	\$36,291	\$65,370	\$23,804	\$21,409
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$202,225	\$208,051
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl Superior -	Sl Inferior +	Sl Inferior +
School District:	Poway Equal =	Equal =	Sl Superior -	Equal =	Equal =
Project Size:	80 149 +	99 -	149 +	103 +	75 =
Lot Size:	6,000 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	80 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-COUNTRY HOMES

Value Conclusion: \$230,000 Per "Blue Top" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,169,805	\$29,000,000	\$18,377,350	\$19,998,925
No. of Units:	149	99	149	103	75
Price Per Unit:	\$205,570	\$205,345	\$196,630	\$178,421	\$196,652
Costs & Fees:	\$32,430	\$36,291	\$65,370	\$23,804	\$21,409
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$202,225	\$208,051
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl Superior -	Sl Inferior +	Sl Inferior +
School District:	Poway Equal =	Equal =	Sl Superior -	Equal =	Equal =
Project Size:	65 149 +	99 -	149 +	103 +	75 =
Lot Size:	9,500 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +	Sl Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	80 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-GARDEN HOMES

Value Conclusion: \$108,000 Per "Blue Top" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,168,806	\$29,000,000	\$1,599,000	\$3,962,000
No. of Units:	149	69	148	103	75
Price Per Unit:	\$206,570	\$205,345	\$196,630	Confidential	Confidential
Costs & Fees:	\$32,430	\$36,281	\$86,370	Confidential	Confidential
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$205,000	\$200,000
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl. Superior -	Sl. Inferior +	Sl. Inferior +
School District:	Poway Equal =	Equal =	Sl. Superior -	Equal =	Equal =
Project Size:	63 149 +	69 -	148 +	103 +	75 =
Lot Size:	7,400 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	\$0 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-SPANISH BUNGALOWS

Value Conclusion: \$172,000 Per "Blue Top" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,168,806	\$29,000,000	\$1,599,000	\$3,962,000
No. of Units:	149	69	148	103	75
Price Per Unit:	\$206,570	\$205,345	\$196,630	Confidential	Confidential
Costs & Fees:	\$32,430	\$36,281	\$86,370	Confidential	Confidential
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$205,000	\$200,000
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl. Superior -	Sl. Inferior +	Sl. Inferior +
School District:	Poway Equal =	Equal =	Sl. Superior -	Equal =	Equal =
Project Size:	64 149 +	69 -	148 +	103 +	75 =
Lot Size:	5,900 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	\$0 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-HACIENDAS BAR

Value Conclusion: \$276,000 Per "Finished" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,168,806	\$29,000,000	\$1,599,000	\$3,962,000
No. of Units:	149	69	148	103	75
Price Per Unit:	\$206,570	\$205,345	\$196,630	Confidential	Confidential
Costs & Fees:	\$32,430	\$36,281	\$86,370	Confidential	Confidential
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$205,000	\$200,000
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl. Superior -	Sl. Inferior +	Sl. Inferior +
School District:	Poway Equal =	Equal =	Sl. Superior -	Equal =	Equal =
Project Size:	60 149 ++	69 +	148 ++	103 +	75 +
Lot Size:	22,000 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	\$0 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ-VILLAS

Value Conclusion: \$266,000 Per "Finished" Lot

Comparable No.:	2	3	4	5	6
Date:	12/99	12/99	9/99	12/99	12/99
Cash Equivalent Price:	\$30,629,930	\$14,168,806	\$29,000,000	\$1,599,000	\$3,962,000
No. of Units:	149	69	148	103	75
Price Per Unit:	\$206,570	\$205,345	\$196,630	Confidential	Confidential
Costs & Fees:	\$32,430	\$36,281	\$86,370	Confidential	Confidential
Finished Lot Costs & Fees:	\$238,000	\$241,606	\$265,000	\$205,000	\$200,000
Adjustments:	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.	Desc. Adj.
Cond. of Sale:	Market Equal =	Equal =	Equal =	Equal =	Equal =
Time:	6/00 12/99 +	12/99 +	9/99 +	12/99 +	12/99 +
General Location:	Good Equal =	Equal =	Sl. Superior -	Sl. Inferior +	Sl. Inferior +
School District:	Poway Equal =	Equal =	Sl. Superior -	Equal =	Equal =
Project Size:	62 149 ++	69 +	148 ++	103 ++	75 +
Lot Size:	9,500 5,000 +	5,000 +	5,308 +	5,040 +	6,000 +
Site/View/Amenities:	Good Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +	Sl. Inferior +
Mello Roos Distr.:	Yes None -	None -	None -	None -	None -
Development Fees:	\$0 Inferior +	Inferior +	Inferior +	Inferior +	Inferior +

LAND SALE ADJUSTMENT CHART
SANTALUZ - ESTANCIAS

Value Conclusion: \$350,000 Per "Finished" Lot

Comparable No.:	2		3		4		7		8		9		10		
Date:	12/99		12/99		9/99		3/99		3/99		3/99		7/98		
Cash Equivalent Price:	\$30,629,930		\$14,188,805		\$29,000,000		\$1,350,000		\$8,160,000		\$8,545,000		\$27,500,000		
No. of Units:	149		69		146		3		16		23		81		
Price Per Unit:	\$205,570		\$205,945		\$198,630		\$450,000		\$510,000		\$415,000		\$339,509		
Costs & Fees:	\$32,430		\$36,291		\$86,370		\$22,500		\$35,000		\$31,857		\$25,494		
Finished Lot Costs & Fees:	\$238,000		\$241,806		\$295,000		\$472,500		\$545,000		\$446,857		\$365,000		
Adjustments:															
	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	
Cond. of Sale:	Market	Equal	=	Equal	=	Equal	=	Equal	=	Equal	=	Equal	=	Equal	
Time:	6/00	12/99	+	12/99	+	9/99	+	3/99	++	3/99	++	3/99	++	7/98	+++
General Location:	Good	Equal	=	Equal	=	Sl. Superior	-	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+
School District:	Poway	Equal	=	Equal	=	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-
Project Size:	39	149	++	69	+	146	++	3	--	16	-	23	-	81	+
Lot Size:	10,800	5,000	+	5,000	+	5,308	+	43,560	-	43,560	-	43,560	-	43,560	-
Site/View/Amenities:	Good	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+
Mello Roos Distr.:	Yes	None	-	None	-	None	-	None	-	None	-	None	-	None	-
Development Fees:	\$0	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+

DAVID F. DAVIS, MAI

LAND SALE ADJUSTMENT CHART
SANTALUZ - RANCH HOMES

Value Conclusion: \$470,000 Per "Finished" Lot

Comparable No.:	2		3		4		7		8		9		10		
Date:	12/99		12/99		9/99		3/99		3/99		3/99		7/98		
Cash Equivalent Price:	\$30,629,930		\$14,188,805		\$29,000,000		\$1,350,000		\$8,160,000		\$8,545,000		\$27,500,000		
No. of Units:	149		69		146		3		16		23		81		
Price Per Unit:	\$205,570		\$205,945		\$198,630		\$450,000		\$510,000		\$415,000		\$339,509		
Costs & Fees:	\$32,430		\$36,291		\$86,370		\$22,500		\$35,000		\$31,857		\$25,494		
Finished Lot Costs & Fees:	\$238,000		\$241,806		\$295,000		\$472,500		\$545,000		\$446,857		\$365,000		
Adjustments:															
	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	
Cond. of Sale:	Market	Equal	=	Equal	=	Equal	=	Equal	=	Equal	=	Equal	=	Equal	
Time:	6/00	12/99	+	12/99	+	9/99	+	3/99	++	3/99	++	3/99	++	7/98	+++
General Location:	Good	Equal	=	Equal	=	Sl. Superior	-	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+
School District:	Poway	Equal	=	Equal	=	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-	Sl. Superior	-
Project Size:	66	149	++	69	=	146	++	3	--	16	-	23	-	81	+
Lot Size:	22,000	5,000	+	5,000	+	5,308	+	43,560	-	43,560	-	43,560	-	43,560	-
Site/View/Amenities:	Good	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+	Sl. Inferior	+
Mello Roos Distr.:	Yes	None	-	None	-	None	-	None	-	None	-	None	-	None	-
Development Fees:	\$0	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+	Inferior	+

DAVID F. DAVIS, MAI

The five current production builder contracts (and one negotiation, Centex) call for two phased takedowns with the exception of the Ranch Homes (Taylor Woodrow) which calls for a three phased takedown. This is due to the timing of delivery of infrastructure by the master developer. This program was taken into consideration and carried forward to the remaining production builder lot groups not presently under contract. Additional details about the current contracts and one near contract for sale of production builder lot groups at the subject property were confidential. They were given significant consideration in the valuation as they represent market data recently negotiated at the subject property. Pricing for the phased takedown arrangements on these transactions was taken into consideration in the valuation and was also considered in the valuation of the subject property production builder lot groups not under contract or nearly under contract.

Use of a qualitative adjustment grid analysis producing plus and minus adjustments that, when viewed in the aggregate, do not always reflect the true direction of the overall comparability of the comparable to the subject property. The most significant of the downward adjustments was for Mello-Roos District Special Taxes and their impact on value.

The following is a summary of the production home lot valuations:

Portion of Project	No. of Lots	Estimated Value per Lot
Casitas	80	\$178,000
Court Homes (Lazanja)*	71	\$210,000
Country Homes (Lazanja)*	65	\$230,000
Estancias	39	\$350,000
Garden Homes (Lazanja)*	63	\$193,000
Haciendas Sur	50	\$275,000
Ranch Cottages	80	\$185,000
Ranch Homes	66	\$470,000
Sentinels	80	\$176,000
Spanish Bungalows (Lazanja)*	64	\$172,000
Villas	32	\$295,000

*All are finished lot valuations except the Lazanja locations which will be delivered in "blue top" condition.

Custom-Estate Lots

Well documented in the Reeb Development Consulting Absorption Analysis is information on custom-estate lot projects nearby and competitive with the subject property that was confirmed by the appraiser. They include: The Bridges; the Meadows Del Mar; Rancho Pacifica; Heritage Golf Estates; Old Winery Estates; Rancho Farms Estates; Rancho Glens Estates; Fairbanks Ranch; Rancho Santa Fe Farms; and individual lots in the Rancho Santa Fe covenant area. The best comparables are those projects in closest proximity to the subject. This market is "hot" as is the production home market, but sales rates are strong and, based upon upward pressure on lot values from the luxury production builders, average lot values are high.

The following is a brief discussion of the most comparable projects:

The Bridges - A 205-lot project situated in northerly Rancho Santa Fe being developed around an 18-hole golf course. The project has a manned gated entry, 35,000 square foot clubhouse and a 7,000 square foot fitness center. Sales opened in March, 1999 and, approximately 33 lots are sold. The mix of sales is approximately one-third custom home builders with two-thirds end-users. The homeowner's association fees are \$182 per month and there is a CFD for schools at \$2.00 per square foot per year. Lot sizes range from .5 to 2.0 acres with pad sizes from 14,000 to 25,000 square feet. Prices range from \$600,000 to \$1,250,000 with an average of approximately \$841,000. Almost all have golf course view or orientation. The location is in the Rancho Santa Fe School District.

The Meadows Del Mar - Opened in September, 1999, the project consists of custom lots, high end production home lots and, potentially a 300-room hotel. In 1999, Davidson Communities purchased 42 high end production builder lots at the northwesterly portion of the site. The plan included a mixture of the two, 21 lots groups to provide variation in the architectural scheme in somewhat of a "checkerboard" fashion. Only Davidson has completed development with the remaining 21 production builder lots still being vacant. The project has a manned gated entry and the golf course is open to the public (12,000 square foot clubhouse). Homeowner's association dues are \$285 per month and there is a \$1,706 annual CFD special tax. The 100 sales to date include the 21-lots to Davidson Communities, 41 to six builders for speculative custom homes, 17 closed custom lot sales to individual owners and 21 escrows with individual owners. Lot sizes range from .25 to .75 acre with pads from 11,000 to 28,000 square feet. Custom lot prices range from \$420,000 to \$900,000 and average approximately \$600,000. This project has a good location and is located in the San Dieguito School District, considered slightly superior to the Poway Unified School District. The site has convenient access to Ted Williams Parkway (State Route 56).

Rancho Pacifica - Although not a golf-oriented community (does not have golf course within gate guarded environment), many of the lots in this project have views of the Fairbanks Ranch Golf Course. Virtually every lot also has a view of the surrounding area with many having ocean views. Access is via a manned, gated entry. The 148 lot project was in the planning stages for many years. The first group of lots offered for sale sold very quickly in the first quarter of 2000 in a price range between \$475,000 and \$1,515,000 with an average of \$716,000. Lot sizes range from .33 to 1.0 acres with pads ranging from 14,900 to 49,300 square feet. There is a homeowner's association fee of \$249 per month and a CFD special tax of \$1,800 per year. It is difficult to compare this project to Santaluz as it is located farther west and has more of a coastal orientation. Also, access is close to Fairbanks Ranch and southwesterly Rancho Santa Fe considered a superior location in a superior school district.

Heritage Golf Estates - Located in North Poway east of Interstate 15, this 72 lot project opened in March, 1999 and has 50 of the 61 lots offered sold. There are 72 lots in the project in which prices range from \$750,000 to \$980,000 for available lots (average \$886,000) and range from \$479,000 to \$775,000 for lots sold (\$600,000 average). Lot sizes range from one acre to 1.3 acres with pads averaging approximately 28,000 square feet. The project is located to the east of the Maderas 18-hole golf course which is currently open to the public but has plans to convert to a private club in the future. There is a \$237 per month homeowner's association fee and no CFD special tax. The location is good in the heart of the well established North Poway area in close proximity to highly ranked schools in the Poway Unified School District. The Santaluz project is a slightly superior location which will ultimately have new schools in the same school district.

Adjustments considered were: changes in market conditions, lot size, pad size, location, view, fees and Mello Roos costs.

As previously noted, the developer's custom lot pricing ranging from \$429,000 to \$770,000 was considered slightly above market and was reduced accordingly based upon appraiser's analysis and judgement. Also, the Reeb Development Consulting Absorption Analysis utilized the developer's pricing schedule which was not altered for use in the appraisal. There is a balance between optimum price and absorption and, the Reeb absorption projection was not altered even when the developer's proposed lot pricing was reduced. The custom lot market is extremely discretionary and sensitive to economic changes. When economic conditions are positive, many lots are purchased by individual owners and speculative builders. When economic conditions change, demand from speculative builders is reduced significantly. The following is a summary of the valuation:

Portion of Project	No. of Lots	Estimated Value per Lot
Northern Lights	96	\$625,000
Village Green	20	\$750,000
Haciendas Norte	28	\$725,000
Estancias	36	\$725,000
Villas	44	\$400,000

Affordable Housing

For affordable housing, the restricted rent levels require a concession of the return to the land. The reason is that rents low enough to qualify as low income are well below market. Considering that market-rent apartments typically cannot generate as much return to the land as for-sale housing, it is even more difficult for rent-restricted units to create a competitive return. This is typically true even with the available government subsidies for low income project.

The affordable units were required under the Development Agreement to obtain a higher density of other production units elsewhere in the project. Although the market for these types of units is strong, they require adherence to strict rules about rent levels that are set forth by the appropriate agency based upon renters earning no more than 65% of the median family income. Discussions with knowledgeable developers of this type of product and the appraiser's knowledge of construction costs and fees indicates a lack of feasibility for this type of product. In fact, the developers of these projects typically cannot afford to buy land unless they receive development subsidy which results in a residual value after all of the costs, including entrepreneurial incentive to complete construction are deducted. Although these funds are available, they are often prioritized to locations perceived as having a greater need for this type of housing than the affluent environment that will be created at the subject property and is existing and proposed in the surrounding areas. Thus, it is unknown whether or not sufficient grants and low interest loans will be available to develop the 179 units at the subject property.

Various development thresholds must be met and cannot be exceeded prior to completing the affordable housing. The Development Agreement specifies that the developers may choose to

construct up to 30 companion units which are restricted to those persons who are income eligible and paying rents that do not exceed those required by the Affordable Housing Agreement except:

Any companion unit occupied by adult members of the immediate family related by blood or marriage to the property owner;

Any companion unit occupied by a person who is employed on the premises by the occupants of the primary units such as cleaning, gardening, child care or elderly care.

There are other development criteria when choosing the companion unit option as outlined in the Development Agreement. The units most likely to present viable options for companion units are the custom-estate lots and the higher end builder production homes and examples of these types of units exist at The Ranch project in Carlsbad and the Old Coach Collection project in Poway. Potentially, the land value premium for the ability to construct 30 companion units could be derived by taking approximately one-third of the price paid by buyers for this feature. This would result in a premium of between \$5,000 and \$10,000 per companion unit lot. However, reducing the number of affordable units from 179 down to 149 would further negatively affect feasibility potentially resulting in an offset subsidy to be provided by the master developers when transferring this property to the affordable housing developers.

Since the affordable units are designated in the Development Agreement, they must ultimately be constructed. However, the feasibility of such a project resulting in a land value to the master developers is questionable. Therefore, no value was projected for affordable housing units.

Non-Residential Lots

In addition to development of 1,093 residential lots, the subject property Development Agreement specifies various non-residential properties being valued as follows:

- Golf Course Land
- Day Care Center Site
- Village Elementary School Site

Golf Course Land

There is one golf course planned for the subject property. Details of the entitlement and a brief description is contained in the Development Agreement (see Addendum). Planned community developers often include golf courses in their projects to add quality and prestige which results in higher sales velocity. Golf courses in planned communities are often constructed by the developers and either operated by the developers or a professional golf company prior to the course being purchased by that company, or another, or sold on a membership basis. Start-up losses can be significant until the project is "seeded".

The developer's plan is to construct the golf course and clubhouse, an 18-hole championship length course designed by Rees Jones. Construction is scheduled to commence in the summer of 2000 for an opening for play in the fall of 2001. A 35,000 square foot clubhouse will be constructed commencing in the summer of 2001 for completion in the summer of 2002. The plan is for an equity membership form of ownership.

In this appraisal, the golf course operation and construction is not being evaluated from a feasibility standpoint. Instead, the land for the golf course is being valued on the basis of comparison to other property sales and the imputed value from ground leases payments, the latter becoming a more common form of land acquisition for such projects.

It is rare that sites for golf courses in planned communities sell to third parties prior to construction. A survey of the San Diego marketplace revealed only one such transaction and three leases.

In Poway, on the north side of Espola Road at Old Coach Road, Greystone Homes is developing the Old Coach Collection project. After a long entitlement process that began in the late 1980s, the project was approved for residential lots and an 18-hole golf course. The golf course portion was sold for \$1,000,000 to a group headed by Sunroad Enterprises, former participants in the development of the Del Mar Country Club in the late 1980s, early 1990s. The 182.7-acre property (120 acres irrigated) will feature a 20,000 square foot clubhouse. It is targeted to high end daily fee operation (\$95 +/- including cart) to ultimately be turned into a private club. The architect is Robert Muir Graves who worked in conjunction with PGA professional Johnny Miller to add a "signature" to this double loaded links style course (Maderas) completed in 1999.

The Helix Water District leased 400 acres (260 irrigated) to El Monte Canyon, LLC adjacent to Lake Jennings in Lakeside beginning January 31, 2000 for a 47-year term. The 36-hole property will have green fees of +/- \$65 (including cart). The design will be single and double loaded with 70,000 rounds per year estimated. The lease basis is 3% of gross income beginning in Year 3 which was extrapolated into a land value of \$1,937,000 based on calculating the present value of minimum rent including escalation over a ten year term.

A 40-year ground lease was signed in September, 1998 (to begin in 2000) between the Otay Water District and Auld Golf Course, LLC for a 239.65 acre property (113 acres irrigated) on Proctor Valley Road in Chula Vista. An 18-hole golf course is planned to average 60,000 rounds per year at an average fee of \$65.00 (including cart) in a double loaded design. The rent is estimated to begin at \$55,000 with an increase to approximately \$120,000 per year by Year 4 with minimum rent including escalations versus 3% of gross sales. The location is one mile north of the Eastlake Golf Course and consists of excess water district land. The project will include a practice range and a clubhouse. The extrapolated land value is \$2,267,000.

The ground lease extrapolations are difficult to relate to the subject property and they were based on information provided by third parties as the numbers and calculations were not specifically reviewed by the appraiser. Therefore, most emphasis was based on the \$1,000,000 acquisition price of the Maderas Golf Course land in north Poway.

The following is a summary of the value:

Portion of Project	Acreage	Estimated Value Per Acre	Estimated Value
Golf Course Land	282.31	\$4,305	\$1,000,000

Church Sites

There are two church sites. One of 1.92 acres (Unit 23, Lot 7) and one of 5.65 acres (Unit 46, Lot 37). The following is a summary of comparable church site sales and, generally, church sites are also valued as secondary commercial site when there is a lack of church site data available:

SUMMARY OF COMPARABLE CHURCH LAND SALES

NO.	BUYER - PROJECT/LOCATION/APN	DATE	CASH EQUIVALENT SALE PRICE	NET ACRES (SQ. FT.)	SALE PRICE PSF	ZONING
1	Redeemer By The Sea Lutheran Church West side of Black Hill Road west of West Ambrosia Lane Carlsbad 215-080-22	3/00 In escrow 10/99	\$2,200,000	10.110 (440,392)	\$5.00	PC Carlsbad
2	Taiwanese Lutheran Church South side of Azusa west of Caminito Clara San Diego (Rancho Penasquitos) 315-570-05	1/00 In escrow 1/99	\$930,000	3.780 (164,657)	\$5.65	CA-CP San Diego
3	Roman Catholic Church Southeast corner of Cannon Road and Melrose Drive Oceanside 189-011-46	7/98 In escrow 5/98	\$1,315,000	9.870 (429,937)	\$3.06	C-G-PBD Oceanside
4	Roman Catholic Church Future Intersection of Camino Ruiz and Ted Williams Parkway (State 56); current terminus of Carmel Mountain Road San Diego (Subarea IV) 306-050-18, 19, 28	1/99 In escrow 8/98	\$2,750,000	8.320 (362,419)	\$7.59	Subarea IV Plan (comm. ltd.) San Diego

Comparable 1 is located in Carlsbad. The property was purchased for construction of Lutheran Church with a 4% down payment and a first trust deed from the Lutheran Church Extension Fund at a variable interest rate beginning at 7.625%. The property consists of raw land with one farm building requiring site development costs that are significant but were not disclosed.

Comparable 2 was purchased for a Lutheran Church after a long escrow/contract period. The sale was all cash with the seller being San Diego Gas & Electric Company.

Comparable 3 was purchased for a Catholic Church in Oceanside. It was an all cash purchase of raw land with some loss from gross to net due to a natural habitat issue involving coastal sage scrub. The finished lot cost was not reported; however, the buyer will share the cost of a road with a neighboring property owner.

Comparable 4 is located in the Future Urbanizing Area (Sub-Area IV) and consists of a raw land parcel sold to the Catholic Church. The finishing costs are at least \$3.00 per square foot, if not higher as this property is raw land with rolling terrain. The existing zoning is very specific allowing churches, veterinarians, growing nurseries, storage space and trade schools. The location will be at a future major intersection when State Route 56 and Camino Ruiz are completed. The general location is comparable to the subject but the specific location is slightly superior due to superior access and visibility.

Adjustments

Financing:

All comparables were purchased all cash or on cash equivalent terms except Comparable 2 for which the seller financing terms appear to be at a market interest rate but the loan to value ratio was extremely high. Thus, a downward adjustment was made.

Site Condition:

The subject properties are being appraised as finished lots. Upward adjustments are required to all comparables.

Conditions of Sale:

There were no unusual conditions of sale affecting any of the comparables requiring an adjustment.

Time:

Commercial and industrial land sales have also increased rapidly since the market recovered in mid-1996, especially between mid-1997 and mid-1998. Upward adjustments were indicated for all comparables.

Size:

The two church sites are 1.92 acres and 5.65 acres, respectively. Generally, larger sites sell for a lower unit cost per square foot and the size range of the subject properties is well within the size range

**LAND SALE ADJUSTMENT CHART
SANTALUZ-CHURCH SITES**

Value Conclusion: **\$10.00**

Comparable No.:		1		2		3		4	
Date:		10/99 escrow		1/99 escrow		5/98 escrow		8/98 escrow	
Price Per Square Foot:		\$5.00		\$5.65		\$3.06		\$7.59	
Adjustments:		<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>	<u>Desc.</u>	<u>Adj.</u>
Financing: Cash Equiv.		Equal	=	Equal	=	Equal	=	Equal	=
Site Condition: Finished		Inferior	++	Inferior	++	Inferior	+++	Inferior	+
Cond. of Sale: Market		Equal	=	Equal	=	Equal	=	Equal	=
Time: 6/00		10/99 escrow	+	1/99 escrow	++	5/98 escrow	+++	8/98 escrow	+++
Size: 7.00		10.11	=	3.78	=	9.87	=	8.32	+
Zoning: A-1-10		Equal	=	Equal	=	Equal	=	Equal	=
Specific Location: Good		Sl. Inferior	+	Sl. Inferior	+	Equal	=	Sl. Superior	-
General Location: Good		Equal	=	Sl. Inferior	+	Inferior	++	Sl. Superior	-
Mello Roos Distr.: Yes		Yes	=	None	-	None	-	None	-
Dev. Impact Fees: \$0.00		Inferior	+	Inferior	+	Inferior	+	Inferior	+

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of the comparables. No adjustments for size were evident among the comparables, so no size adjustments were made.

Zoning:

All of the comparables have compatible zoning or readily processable entitlements for church use. Therefore, no adjustments were made.

Specific Location:

Comparables 1 and 2 are not corner locations requiring slight upward adjustments. Comparable 3 is a corner location considered equal to the subject. Comparable 4 is a corner site but will be located at a future intersection of a limited access expressway (State Route 56) and a major thoroughfare (Camino Ruiz). It was considered slightly superior.

General Location:

Comparable 1 is located north of the Aviana planned community is a good location considered equal to the subject. Comparable 2 is located near Rancho Penasquitos Boulevard, Carmel Mountain Road and Ted Williams Parkway (State Route 56) also considered a good location but slightly inferior to the subject. Comparable 3 is located in the easterly portion of Oceanside very near the Shadowridge Community of Vista and portion of unincorporated county area. It is a developing location considered inferior to the subject. Comparable 4 is located southwest of the subject property considered equal to slightly superior to the subject and general location.

Mello-Roos District:

Comparable 1 has an assessment district obligation of \$2.00 per square foot. This amount was taken into consideration during the adjustment process.

Development Impact Fees (DIF's):

Similar to the analyses previously shown, adjustments were made based on differentials in fees.

Adjustment Grid

The following is a summary of the adjustments made on a qualitative basis in a similar manner to those presented earlier for the production builder residential lots:

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SUMMARY OF COMPARABLE RETAIL LAND DATA

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No.	Project/Lot/Location/App.	Date	Sale Price	Net Acres (Sq. Ft.)	Price PSF	Zoning
1	FENTON MARKETPLACE Southwest corner of Friars Road and Northside Drive San Diego (Mission Valley)	10/99	\$29,800,000	52.000 (2,265,120)	\$13.16	MVMSF San Diego
2	FENTON MARKETPLACE—IKEA Southwest corner of Friars Road and Northside Drive San Diego (Mission Valley)	10/99	\$9,255,629	13.277 (578,346)	\$16.00	MVMSF San Diego
3	FENTON MARKETPLACE—LOWE'S Southwest corner of Friars Road and Northside Drive San Diego (Mission Valley)	10/99	\$8,600,486	12.343 (537,661)	\$16.00	MVMSF San Diego
4	FENTON MARKETPLACE—COSTCO Southwest corner of Friars Road and Northside Drive San Diego (Mission Valley)	10/99	\$9,415,930	13.511 (588,539)	\$16.00	MVMSF San Diego
5	THE VINEYARD 1505-1535 East Valley Parkway Escondido 230-240-50, 81, 84, 85	6/99	\$5,000,000 \$300,000 (demolition) \$5,300,000	10.680 (465,221)	\$10.75 \$11.39	CG Escondido
6	SAV-ON DRUG STORE 5411-5439 College Boulevard Oceanside 162-240-45, 46	1/99	\$1,800,000	2.430 (105,851)	\$17.01	CP Oceanside
7	ALBERTSON'S SUPERMARKET Northeast corner of Peppertree Lane and Mission Avenue Fallbrook 104-350-21, 30	10/98	\$2,425,000 \$223,898 (site work) \$2,648,898	5.140 (223,898)	\$10.83 \$11.83	C36 San Diego County
8	ISLAND @ CARLSBAD Southwest corner of College Boulevard and Faraday Avenue (SEC Van Allen Way) Carlsbad 212-120-04	7/98 2/98 (double escrow)	\$3,024,699 \$2,056,795	5.555 (241,976)	\$12.50 \$6.50	CM-2 Carlsbad

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After reviewing the comparable data, both church sites at the subject property were valued at \$10.00 per square foot as finished lots summarized as follows:

Portion of Project	Acres	Estimated Value Per Sq.Ft.	Estimated Value
Church Site (Unit 23, Lot 7)	1.92	\$10.00	\$836,352
Rounded to			\$836,000
Church Site (Unit 46, Lot 37)	5.65	\$10.00	\$2,461,140
Rounded to			\$2,460,000

Day Care Center

In the village portion of the subject, there is a 1.07 acre site for a day care center (Unit 23, Lot 5). These sites often sell and/or space is leased and there are national companies that operate preschool and day care centers in a very efficient manner (Kinder Kare, La Petite Academy, Children's World, etc.). There are also local operators with good track records, some with multiple locations.

Past experience appraising these sites indicates that they sell for value ranges classified as secondary commercial sites which are generally lower than convenient and strip retail center sites and equal to or slightly above church sites. The two church sites were appraised at \$10.00 per square foot. The following is a summary of commercial-retail land data to assist in bracketing the upper value range for the day care center site:

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Comparables 1 through 4 are the summary of the acquisition of the Fenton Marketplace Shopping Center in Mission Valley and the subsequent sales to major tenants Ikea, Lowe's and Costco. They demonstrate the extreme upper range of value and are not good comparable for the subject property as they are much larger "power center" properties.

Comparable 5 is a redevelopment property that sold improved with The Vineyard Specialty Shopping Center and required significant demolition.

Comparable 6 is located at the major intersection of College Boulevard and Oceanside Boulevard in Oceanside. It is a relatively small retail site purchased for construction of a drugstore and 8,000 square feet of retail shop space.

Comparable 7 is a site in Fallbrook purchased by Albertsons for construction of a 55,000 square foot supermarket. The property was part of a bulk sale to Stater Brothers of other Albertsons locations.

Comparable 8 is the sale of the Island at Carlsbad convenience retail center site. Union Pacific Railroad, the original owner, requested that the Koll Company (development partner) sell the property and believed that \$12.50 per square foot was a below market price at that time. However, Union Pacific Railroad was interested in completing the transaction. Subsequently, a portion of the property was sold for hotel use at a much higher price (\$20.00+ per square foot).

Comparables 5 through 8 were given the most emphasis in establishing the upper end of the range in conjunction with the previous analysis used for the church site. After considering the data, a value of \$12.00 per square foot was considered reasonable for the subject property day care center site.

Portion of Project	Acreage	Estimated Value Per Sq.Ft.	Estimated Value
Day Care Center Site (Unit 23, Lot 5)	1.20	\$12.00	\$627,264
Rounded to			\$627,000

Village Elementary School

There is an agreement with the Poway Unified School District for the district to purchase improved land of not less than 10 net usable acres (Unit 23, Lot 2) for \$744,000 with a close of escrow not later than dwelling unit threshold 305. The transfer agreement and escrow instructions dated December 1, 1997 call for total consideration of \$1,789,341 comprised of \$1,045,341 of mitigation agreement in-kind payment credit plus \$744,000 of cash plus a 4% index until the close of escrow. The \$744,000 payment is to be made to the extent available from CFD No. 4 (Black Mountain Ranch) with the balance, if any, from the next available tax revenues. This payment is projected to be made in project fiscal year June, 2002 through May, 2003.

Other Schools

The above Village Elementary School is the only school site set forth in the Development Agreement that requires a payment to the developers. The other schools are designated on the Vesting Tentative Map, shown on the Development Plan project data (Exhibit to the Development Agreement) and do not require any payments by the School District to the developer. Therefore, no revenue is shown for these sites. The developer receives a credit for the donation of these sites in lieu of paying school fees or merchant builders paying school fees when permits are pulled.

Discounted Cash Flow Analysis

The analysis begins with the individual neighborhood/site values developed in the previous sections of this report. An estimate of when these sites will sell is made in order to project the income stream from the sales that would be generated from such a program. All items of expense must then be deducted from these sale proceeds to arrive at a net income stream. Deductions include site development costs, property taxes, sales commissions, selling expenses, taxes, overhead and administration, and an allowance for profit (included in the discount rate) since no one would undertake such a task without an anticipated rate of return for entrepreneurial efforts. The net income flows from these sales after expenses must then be discounted for time back to a current value indication which forms the current market value estimate.

Market data for the trending utilized in this analysis was derived through numerous conversations with developers and financial joint venture partners regarding land development, finished lot sales projects and building construction. Much of the information provided was considered confidential and is summarized in terms of a consensus of opinion rather than naming each entity and their specific requirements in a project of this type.

Page 1: Revenue Summary**Absorption:**

Market conditions are strong and absorption of all production builder residential lots, with the exception of the affordable housing and custom-estate lot components, could be completed by the end of the third year of the analysis. This would coincide with completion of major infrastructure improvements. The absorption for the custom-estate lots was based upon the projection from the Reeb Development Consulting Market Study. Some small groups of estate lots could be absorbed in merchant-builder transactions. However, in the latter years of the projection period, this will likely not be the case and absorption will take place in a more traditional pattern to individual owners or single home builders. The absorption projection for all other market rate residential lots is primarily based upon the conclusions set forth in the Reeb Development Consulting absorption analysis (see Addendum).

The Reeb Absorption Analysis was premised upon all residential product types (custom lots and production builder homes) beginning absorption at the same time and continuing simultaneous construction and sales absorption thereafter. The absorption projections used in the valuation were consistent with Reeb's conclusions for the custom lots, but average lot pricing was adjusted slightly downward in the appraisal. For the production builder lots, absorption in the valuation is concluded within the first three years of the six year absorption period. At first glance, this appears inconsistent with the Reeb Absorption conclusions. However, when valuing the subject property, the production builder lots must be sold to individual builders so they may construct homes to be delivered to the market thereafter.

The production builder lot groups under contract were split into two closings in the first two fiscal years with one exception, the Ranch Homes, which were divided into three closings. All production builder lot groups not presently under contract were shifted into a two phase closing pattern beginning in the second fiscal year so as not to glut the market with too much like product. The affordable units were projected to be absorbed in Years 2 and 3 in a pattern to coincide with the threshold requirements for the timing of this housing to be completed.

For the non-residential properties, the golf course land is projected to be absorbed in Year 1 as it is essential to the marketing effort for the project. The church sites are absorbed in Year 4 when sufficient residential development has accrued to create demand. The day care center site is projected to be absorbed in Year 3. The village elementary school threshold for sales should be reached in the third fiscal year.

Revenue:

The first page of the discounted cash flow analysis consists of the revenue summary which is based on the absorption projection. This summary projects revenue based upon the future timing of sales of each neighborhood/site based on market conditions and completion of on and offsites (included in line items below).

As previously noted, timing of the construction of infrastructure results in the current production builder contracts and near contract being made on a phased takedown basis over two to three years. The estimates of market value for each production builder lot group were made in consideration of the timing of infrastructure and the right mix of timing of production builder lot groups that would straddle the same price points. The best indicators of value for the five production builder lot groups under contract and the one production builder lot group nearly under contract were those negotiated prices which are confidential. The conclusions of value previously set forth for these lot groups considered the impact of the phased takedown arrangement. In this section, an inflation factor will be applied in subsequent years of the analysis period. So as not to overinflate the value estimates of the six production builder lot groups in question, the average lot price estimates were reduced by 4% for each subsequent year in which sales are projected. Thus, the total revenue estimate remains flat for these lot groups in subsequent years.

For the production builder lots groups that do not have contracts of sale, the beginning average lot value estimate took into consideration the inflation factor being subsequently applied in this analysis.

Inflation:

Because the values estimated for each neighborhood/site were based on current values (as of the date of value), an inflation factor is also included based upon expectations of future increases of land value.

Annual compounded inflation at 4% was projected which is lower than actual inflation that has occurred over the past several years in recognition of the recent slower economic growth and increased interest rates. These factors will no doubt have an adverse effect on inflation in real estate values in the future. Subsequently, inflation was continued only through the third fiscal year.

Page 2: Project Construction Costs and Valuation

Master Direct Construction:

These costs total \$106,138,000 as shown on the developer's business plan dated June 12, 2000. The timing of these costs was also taken from the developer's projection.

Included in this category is a contingency of approximately 15% on the uncommitted (not yet contracted for) portion. Also included are the intract costs to create finished lots for all lots except those to the southwest of Camino Ruiz in the Lanza area of the project (Spanish Bungalows, Garden Homes, Court Homes and Country Homes). These lots will be delivered in "blue top" condition requiring additional finishing costs ranging from \$42,375 to \$47,668 per lot and averaging approximately \$44,000 per lot which were considered in the valuation.

Master Indirect Construction:

These costs, totaling \$14,285,000, consist of plan check/permit/fees; design/engineering/ supervision; legal and insurance costs pursuant to the developer's business plan dated June 12, 2000.

Public Improvements Costs:

From the developer's business plan, \$42,486,000 of public improvement costs for which there is potential reimbursement are projected based upon the developer's construction schedule.

Development Agreement 6.11 payment to City:

The entire budget of \$500,000 pursuant to the Development Agreement remains to be paid and was projected in Fiscal Years 2 and 3 accordingly with absorption projections.

Cost Inflation:

Consistent with inflation in revenue, annual cost inflation of 4% was projected through the third fiscal year of the analysis.

Total Revenues:

The totals are carried forward from the first page after the inflation factor is applied.

Direct and Indirect Construction Costs:

The totals are carried forward from the second page after the inflation factor is applied.

Indirect Project Costs: The following items represent indirect costs of the project.

Real Estate Taxes: Initial taxes are calculated on the Final Estimate of Value multiplied by the tax rate. Taxes are then reduced in proportion to the property sold. No calculation of taxes on site development work is made. The fixed amount of special assessments is also reduced as inventory declines.

Mello-Roos Assessment: In addition to the underlying basic property taxes above, the master developer will have to pay the Mello-Roos special taxes for the improvements that are assumed to be in place as of the date of valuation. As inventory is sold, the amount of these special taxes decreases. Also, when special taxes are shifted to improved properties, the amount for which the developer is liable on unimproved property decreases. The calculations were completed by David Tausig & Associates, Inc. and are assumed at the request of the client.

Homeowner Association Fees:

A projection of \$375.00 per estate lot per month was made beginning in Year 3 as facilities are expected to be on-line at that time. The amounts payable are reduced as inventory is sold over the four years. The homeowner's association fee includes approximately \$50.00 per residential lot for a landscape maintenance district. The City of San Diego requires that such districts are accepted and "booked" early on in the development process. Therefore, there will be some facilities to maintain initially after construction commences. For the first two years, a projection of \$50.00 per unit per year on unsold residential inventory was projected not including the affordable housing limits.

Overhead and Administration:

These are estimated to be 3% of direct and indirect costs spread throughout the sales period on a declining scale annually at 35%, 25%, 22.5%, 10%, 5% and 2.5%.

Sales Marketing, Closing Costs:

An estimate of 8% of revenues from custom lot sales and an additional 1% from all other revenue was utilized as an adequate fee based on the size and number of transactions. It is often the case that a developer of a master-planned community will market some of the sites without outside representation. This has been the case in all six production builder transactions to date. The production builder sales also include reimbursements for marketing costs to the master developer, so the 1% allowance is a net cost.

Contingency:

A nominal forecast of .5% of indirect costs was utilized as a nominal contingency factor.

**CFD No. 2 - Santaluz
Summary of Public Improvement Reimbursements**

Source	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
USF&G	\$1,000,000	\$1,343,000	\$221,000	\$532,000	\$532,000	\$532,000	\$310,000
Subarea I @ 50%	\$0	\$0	\$0	\$220,000	\$528,000	\$528,000	\$308,000
Subarea IV @ 50%	\$0	\$0	\$1,267,500	\$633,000			
Utility Refund - Gas	\$159,000	\$0	\$0	\$0			
Utility Refund - Electric	\$267,000	\$0	\$0	\$0			
Utility Refund - Telephone	\$0	\$250,000	\$0	\$0			
Pardee Costs	\$1,633,000	\$0	\$0	\$0			
Total	\$3,079,000	\$1,593,000	\$1,488,500	\$1,385,000	\$1,060,000	\$1,060,000	\$618,000

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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

**Mello-Roos Acquisition
Proceeds:**

Based on the appraised value to follow, the total construction funds for bond financed facilities is \$46,265,999 requiring a total bond sale of \$60,166,507. A 4 to 1 value to lien ratio is required and the initial property value is insufficient to support release of all the funds to the developer as of the date of valuation. Therefore, the remaining proceeds must remain in escrow until sufficient property value is available to make additional releases. The calculations for the releases were prepared by David Taussig & Associates, Inc. and are assumed at the request of the client.

Reimbursements:

Reservoir - There is a participation agreement for the design and construction of a potable water reservoir, pipeline and pressure reducing facility at the subject property between the City of San Diego and the developers. The agreement requires the City to compensate the developer in an amount not to exceed \$16,400,000 for costs associated with the reservoir project. The developer's projection indicates a remaining reimbursement of \$12,443,000 in Fiscal Year 2001.

Other Master - Developer's proforma indicates reimbursements of \$1,163,000 for utility refunds in fiscal year 2002. These reimbursements are common in such projects and paid as individual hookups are made.

Public Improvement - The developer also projects reimbursements from adjacent property owners, Pardee, Fairbanks Highlands and USF&G. There are also reimbursements for facilities installed by the subject property developer that benefit owners in Subarea I and Subarea IV who will reimburse as building permits are pulled. A nominal amount of utility reimbursements for installation of utilities in the major streets that are part of the CFD construction are also shown under this category.

Reimbursements from the Fairbanks Highlands property to the south (comprising Improvement Area 3 of CFD No. 2) shown on the developer's proforma were removed from the analysis at the request of the client. There is some uncertainty as to the timing and the amounts of reimbursements from Subareas I and IV developers. Therefore, a conservative approach was warranted in which a 50% discount was applied to the amounts shown on the developer's projection for these items. No discount was applied to the reimbursements from other sources such as utility companies, Pardee (non-CFD proceeds) and USF&G. No additional reimbursements were credited from Subareas I and IV scheduled to occur in the future outside the projected discounted cash flow analysis period for absorption at the subject property, no additional reimbursements were credited. This adds warranted conservatism to this revenue category which is difficult to quantify.

The following is a summary of the public improvement reimbursements projected in the discounted cash flow analysis:

REVENUE	No. of Lots	Beginning Value	Jan-00	Jan-01	Jan-02	Jan-03	Jan-04	Jan-05	Totals
			Thru May-01	Thru May-02	Thru May-03	Thru May-04	Thru May-05		
Non-Residential (ump sums)									
Golf Course Land (252.91 acres)		1,000,000	1,000,000	0	0	0	0	0	1,000,000
Church Site 1 (1.62 acres)		896,000	0	0	0	896,000	0	0	896,000
Church Site 2 (3.63 acres)		2,460,000	0	0	0	2,460,000	0	0	2,460,000
Day Care Center (1.20 acres)		627,000	0	0	627,000	0	0	0	627,000
Village Elementary School Site (10.00 acres)		744,000	0	0	744,000	0	0	0	744,000
Subtotal Non-Residential Lots		5,667,000	1,000,000	0	1,371,000	3,296,000	0	0	5,667,000
Residential (per lot/unit)									
Custom-Northern Lights (yearly absorption)	96	625,000	0	23,750,000	11,875,000	10,625,000	10,625,000	3,125,000	60,000,000
Custom-Village Green (yearly absorption)	20	750,000	0	3,000,000	3,000,000	3,000,000	3,000,000	8,000,000	16,000,000
Custom-Melindas Norte (yearly absorption)	28	725,000	0	12,325,000	7,975,000	0	0	0	20,300,000
Custom-Estancia (yearly absorption)	36	725,000	0	5,900,000	5,900,000	5,900,000	5,900,000	2,900,000	25,100,000
Custom-Villas (yearly absorption)	44	400,000	0	3,600,000	3,600,000	3,600,000	3,600,000	3,200,000	17,600,000
Production-Casitas (yearly absorption) (under contract-Taylor Woodrow)	80	178,000	7,120,000	6,846,154	0	0	0	0	13,966,154
Production-Court Homes (Lazanja) (yearly absorption)	71	210,000	0	7,350,000	7,580,000	0	0	0	14,930,000
Production-Country Homes (Lazanja) (yearly absorption)	65	230,000	0	6,050,000	6,900,000	0	0	0	14,950,000
Production-Estancia (yearly absorption)	36	350,000	0	6,650,000	7,000,000	0	0	0	13,650,000
Production-Garden Homes (Lazanja) (yearly absorption) (under contract-Ready Homes)	63	193,000	5,790,000	6,124,038	0	0	0	0	11,914,038
Production-Melindas Sur (yearly absorption) (under contract-Cerise Homes)	52	275,000	9,900,000	3,701,253	0	0	0	0	13,601,253
Production-Ranch Cottages (yearly absorption)	80	165,000	0	7,400,000	7,400,000	0	0	0	14,800,000
Production-Ranch Homes (yearly absorption) (under contract-Taylor Woodrow)	68	470,000	9,570,000	13,557,882	6,518,121	0	0	0	29,645,614
Production-Sentinals (yearly absorption) (under contract-Baywood Development)	60	178,000	4,224,000	9,478,623	0	0	0	0	13,702,623
Production-Spanish Bungalows (Lazanja) (yearly absorption) (under contract-Christopher Homes)	64	172,000	5,504,000	5,292,308	0	0	0	0	10,796,308
Production-Villas (yearly absorption)	32	235,000	0	4,720,000	4,720,000	0	0	0	9,440,000
Affordable Units	179	0	0	0	119	0	0	0	179
Subtotal Residential Lots	1,063		42,408,000	127,644,038	72,348,121	23,025,000	23,025,000	12,225,000	300,675,100
Total Sales Revenue			43,408,000	127,644,038	73,719,121	26,321,000	23,025,000	12,225,000	306,342,100
Annual Inflation Rate			0.0%	4.0%	4.0%	0.0%	0.0%	0.0%	
Multiplier			1.00	1.040	1.082	1.082	1.082	1.082	
Total Revenues			43,408,000	139,748,080	79,734,902	28,468,784	24,905,540	13,222,560	322,487,566

David F. Davis, MAI

D.F. DAVIS
REAL ESTATE
INC.

C-110

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Discount Rate

The discounted cash flow analysis is presented with a no line-item profit valuation scenario utilizing a discount rate of 22.5%.

On a large land development project which includes the risks of construction, political approvals and/or economic changes, the appropriate discount rate would be built-up similar to a loan rate except that a larger buffer would be added for increased risk to the equity position which would be subordinate to the loan.

The current market is as healthy as that of the late 1980s. While prices are rising, the project is not without economic risk. Some observers think the current house price recovery will soon outstrip gains in income. Furthermore, the cost estimates are expected to be finalized in the coming months so there is still construction risk.

In analyzing the discount rate, the 22.5% rate was considered appropriate as only two of the three principal elements of risk are present, the three being: political risk (entitlements), construction risk (grading and offsites), and economic risk (marketing and sales). However, the construction risk is significantly reduced as grading operations are well under way and major offsites are either completed or are bonded and under construction. Thus, the majority of the risk emanates from potential changes in economic conditions during the sales and marketing period. Included in this risk analysis is developer's profit. In building up this rate, the appropriate thresholds for each element of risk were subjectively estimated as follows:

Range	Conclusion
0-5%	0.0%
0-10%	2.5%
15-20%	20.0%
15-35%	22.5%

The discount rates summarized in the National Development Land Market section of the Peter F. Korpacz & Associates - Real Estate Investors Survey are lower than the conclusions above. Although informative, Korpacz focuses on institutional-grade real estate primarily targeting retail, office, industrial and apartment properties. Although informative, large planned community projects such as the subject property are not the primary focus of the Korpacz survey. Therefore, appraiser's judgement was used in estimating the above discount rate based upon experience with other properties and discussions with knowledgeable market participants.

The discounted cash flow analysis follows.

C-109

David F. Davis, MAI

FINAL ESTIMATE OF VALUE

On the previous page, the market value of the fee simple interest of the subject property, in one bulk sale to one buyer, as of June 1, 2000, subject to the aforementioned assumptions and limiting conditions, was estimated as follows:

ONE HUNDRED-ONE MILLION NINE HUNDRED THOUSAND DOLLARS

\$101,900,000

Community Facilities District No. 2 (Santaluz) Development Method Discounted Cash Flow Analysis—Impr. Area 1		VALUE AS IF CFD IMPRVMTS. COMPLETED							Page 2
CONSTRUCTION COSTS	Beginning Cost	Jun-00 Thru May-01 1	Jun-01 Thru May-02 2	Jun-02 Thru May-03 3	Jun-03 Thru May-04 4	Jun-04 Thru May-05 5	Jun-05 Thru May-06 6	Totals	
Master Direct Construction Costs	106,186,000	60,333,000	33,187,000	10,223,000	1,393,000	645,000	355,000	106,186,000	
Master Indirect Construction Costs	14,285,000	8,754,000	3,337,000	1,748,000	445,000	0	0	14,285,000	
Public Improvement Costs	43,883,691	33,281,000	8,773,846	1,328,846	0	0	0	43,883,691	
Development Agreement 6.11 Payment to City	500,000	0	125,000	373,000	0	0	0	500,000	
Total Direct and Indirect Construction	164,864,691	102,368,000	45,422,846	13,677,846	1,838,000	645,000	355,000	164,864,691	
Annual Inflation Rate		0.0%	4.0%	4.0%	0.0%	0.0%	0.0%		
Multiplier		1.000	1.040	1.082	1.082	1.082	1.082		
Total Direct and Indirect Construction		102,368,000	47,230,739	14,703,958	1,987,861	697,632	383,688	167,471,298	

VALUATION	Beginning Value	Jun-00 Thru May-01 1	Jun-01 Thru May-02 2	Jun-02 Thru May-03 3	Jun-03 Thru May-04 4	Jun-04 Thru May-05 5	Jun-05 Thru May-06 6	Totals
Total Revenues		43,408,000	132,748,800	79,734,802	28,468,794	24,903,840	13,222,560	322,487,896
Direct and Indirect Construction Costs		102,368,000	47,230,739	14,703,958	1,987,861	697,632	383,688	167,471,298
Indirect Project Costs		1,093,911	971,466	545,021	282,318	187,626	101,732	3,181,467
Real Estate Taxes		0	0	2,235,210	1,038,460	184,514	0	3,458,214
Mello-Roos Assessments		36,550	15,250	1,372,500	436,500	295,500	94,500	2,220,800
Homeowner Association Fees		1,758,449	1,256,035	1,130,431	502,414	251,207	125,603	5,024,139
Overhead & Administration		434,090	4,836,463	3,230,061	2,027,959	1,992,309	1,067,808	13,607,696
Sales, Marketing, Closing Costs		16,812	35,489	42,911	21,438	14,469	6,559	137,482
Contingency—5% of Indirect Costs								
Total Indirect Project Costs		3,336,002	7,134,732	8,564,835	4,309,119	2,696,563	1,388,540	27,829,610
Less Mello-Roos Acquisition Proceeds	(45,910,000)	(16,792,093)	(22,002,463)	(7,115,424)	0	0	0	(45,910,000)
Less Reimbursements—Reservoir	12,443,000	(12,443,000)	0	0	0	0	0	(12,443,000)
—Other Master	1,163,000	0	(1,163,000)	0	0	0	0	(1,163,000)
—Public Improvement	9,955,500	(3,079,000)	(1,593,000)	(1,488,500)	(1,385,000)	(1,080,000)	(1,060,000)	(9,665,500)
Total Direct & Indirect Costs (less credits & reimbursements)		73,302,900	29,616,029	14,754,688	4,912,100	2,533,165	710,508	125,918,908
Net Cash Flow		(29,984,900)	103,133,771	64,979,733	23,556,693	22,370,645	12,512,052	196,567,967
Discount Rate	22.50%	0.816327	0.666389	0.543991	0.444074	0.362510	0.295626	
Present Value Of Cash Flows		(24,477,477)	68,727,211	35,348,392	10,480,922	8,106,575	3,702,645	101,871,268
Cumulative Present Value Of Cash Flows		(24,477,477)	44,249,735	79,598,126	90,079,049	98,185,623	101,871,268	
Rounded To								\$101,900,000

APPRAISAL REPORT

VOLUME II OF II

PROPOSED MELLO-ROOS COMMUNITY FACILITIES DISTRICT NO. 2

(SANTALUZ - IMPROVEMENT AREA 1)

East and south of Artesian Road; west of the westerly terminus of Rancho Bernardo Road; east of the easterly terminus of San Dieguito Road; both sides of Black Mountain Road and Carmel Valley Road, north of the future extension of Ted Williams Parkway (State Route 56); San Diego, California, 92127 and 92129

APPRAISED FOR

City of San Diego
Mail Station MS7B
202 C Street
San Diego, CA 92101

DATE OF VALUATION

June 1, 2000

APPRAISED BY

D.F. Davis Real Estate, Inc.
David F. Davis, MAI
16835 West Bernardo Drive, Suite 213
San Diego, California 92127-1613
File No. 00-02B

C-113

David F. Davis, MAI

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- B. Second Amended and Restated Development Agreement between the City of San Diego and Black Mountain Ranch Limited Partnership
- C. Reeb Development Consulting Market Absorption Analysis Cover Letter and Executive Summary
- D. Assessor's Maps
- E. Substantial Conformance Review Map
- F. Tentative Maps
- G. Comparable Sales - Location Maps
- H. Comparable Sales - Data Sheets and Plat Maps
- I. Certification
- J. Qualifications of David F. Davis, MAI

C-114

David F. Davis, MAI

May-10-00 11:59A

P.01

STATE ≈ OF ≈ SANTALUZby Taylor Woodrow Homes
May 2000

≈

Many significant milestones have been successfully planned, carried out, and executed by the Santaluz construction team since breaking ground on November 1998. Commencing with the building of a east/west connector arterial highway in northern San Diego City - 2.8 mile Carmel Valley Road, followed a year later with a 18 million cubic yard grading contract with the Ebensteiner Co., and commencement of a 25 million gallon water reservoir, and many other infrastructure projects.

At present the grading operation is nearly 25% complete. The grading contractor is moving, on the average, of 100,000 cubic yards of dirt per day with over 120 pieces of heavy equipment. Delineation of roads, housing pads, and golf fairways are beginning to take form in the north sector. Large portions of the Santaluz beautiful acreage will remain as open space.

Our first occupancy is scheduled for August 2001. Residents will enjoy the protection of gate guarded communities. Local schools, worship, parks, and shopping are part of the master plan.

The following are major projects and their current status.

Project:	Mass Grading:
Scope:	Mass grading will encompass the movement of approximately 8 million yards of remedial grading. This will prepare the underlying geology for placement of 8 million yards of mass grading.
Awarded	Ebensteiner Company of Brea California.
Status:	25% complete
Project:	Carmel Val. Rd. 'B' and Northerly Blk.Mtn.Rd.
Scope:	Development of a major highway. Length = 2.8 miles from Via Abertura to Black Mtn. Rd. Major Structures: Bridge, major storm drain work, 36" water transmission main, residential sound walls and landscaping.
Awarded:	Hazard Construction Co. of San Diego Ca.

EXHIBIT A

May-10-00 11:59A

P.02

Status: 98% Complete.

Project: Carmel Val.Rd.A (from State Route 56 to Del Mar Hts. Road).

Scope: Two lane road. Improvements will include new alignment of Carmel Valley Road, from Caltrans State Rte. 56 to Del Mar Heights Road. This project will also include 40,000 cubic yards of mass grading.

Awarded: Apparent Low Bidder is Diamond Lane Co.
Status: Contractor has been selected. Start in June 2000.**Project:** Carmel Val.Rd.A A (from Del Mar Hts. Road to Santaluz)

Scope: Two lane road. Improvements will include new alignment of Carmel Valley Road from Del Mar Hts. Rd. to Santaluz development.

Awarded: Not awarded to date.
Status: Improvement plans are processing through the City of San Diego.**Project:** Water Reservoir Foundation:Open Bids: June 1999. Water Reservoir Mass Grading
Scope: Mass grading of 400,000 cubic yards of removed earth to accommodate a 25 million-gallon water reservoir.Status: Excavation completed April 30th 2000.**Project:** Water Reservoir Structure:

Scope: 25 million gallon concrete water reservoir.

Awarded: Kiewit Pacific Co. of Long Beach Ca.
Status: Mobilization started May 2000.
Completion expected August 2001.**Project:** Camino Ruiz Highway - South

Scope: Development of a .6 mile, 6 lane major highway, with a width of 122 feet. Including a beautiful three arch concrete bridge.

Awarded: Errecas Construction Co. of Lakeside Ca.
Status: 98% complete.**Project:** Camino Ruiz Highway - NorthScope: Development of a 1.7 mile, 6 lane major highway, with a width of 122 feet.
Two small bridges will be built for circulation of traffic along Camino Ruiz alignment for residential traffic circulation.Awarded: Not awarded to date.
Status: Bids due June 1st 2000. Start July 1st to Aug. 21st.

C-117

May-10-00 12:00P

P.03

Project: San Dieguito Road:

Scope: Development of a 60.0' secondary highway from the west boundary limit to Camino Ruiz. 1.06 miles in length.

Awarded: Not awarded to date.
Status: Bids due June 1st. Start July 3rd to Feb.21st 2001.**Project:** Sewer Pumps Structures #87 and #88

Scope: Two pump facilities will be built adjacent the westerly boundary. Purpose: to receive sewer effluent from gravity source into the pump stations then place it into pressure sewer pipes to return the effluent to a second gravity drain system.

Awarded: Cass Construction Co. of San Diego Ca.
Status: Started May 1st, 2000.**Project:** Offsite Trunk Sewer

Scope: Project provides for the installation of a 18" gravity sewer main from Carmel Valley Road to a point of beginning at the inner developments edge where it will tie to the Onsite Trunk Sewer main.

Awarded: Cass Construction Co. of San Diego Ca.
Status: Started May 4, 2000**Project:** Multiple Traffic Signals:

Scope: Throughout Santaluz and its surrounding boundaries, selected traffic intersections will be improved with state of the art traffic signals.

Award: Hazard Construction Company of San Diego has been awarded the El Camino Real and San Dieguito project. Other signals will follow as they process through the City approval system.

Status: Project Start date is July 3rd, 2000.Robert P. Sciolto
Director of Construction

C-118

Jennifer

ORIGINAL

Doc # 1997-0307774
30-JUN-1997 02:50 PM

1501

OFFICIAL RECORDS
SAN DIEGO COUNTY RECORDER'S OFFICE
GREGORY SMITH, COUNTY RECORDER
RF: 106.00 FEES: 310.00
AF: 203.00
MF: 1.00

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Office of the City Clerk
City Administration Building
202 C Street
San Diego, CA 92101

EXHIBIT B

SECOND AMENDED AND RESTATED DEVELOPMENT AGREEMENT BETWEEN
THE CITY OF SAN DIEGO AND
BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP
NEGOTIATED AND ENTERED INTO PURSUANT TO
CITY COUNCIL POLICY 600-37 ADOPTED BY THE
CITY COUNCIL ON AUGUST 9, 1988 AND AS
AMENDED ON SEPTEMBER 13, 1988

REFERENCE:

ORIGINAL DEVELOPMENT AGREEMENT, DOCUMENT No. CO-17940
FILED JULY 26, 1993
RECORDED WITH SAN DIEGO COUNTY RECORDER'S OFFICE
DOCUMENT #1993-0501588, ON AUGUST 3, 1993

FIRST AMENDED AND RESTATED DEVELOPMENT AGREEMENT, DOCUMENT No. CO-18230
Filed Nov. 20, 1995
RECORDED WITH SAN DIEGO COUNTY RECORDER'S OFFICE
DOCUMENT #1996-0148617, ON MARCH 26, 1996

RECORDED
MAR 13 1997 3:10
RECEIVED

DOCUMENT NO. 00-18387
FILED MAR 17 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

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SECOND AMENDED AND RESTATED DEVELOPMENT AGREEMENT BETWEEN
 THE CITY OF SAN DIEGO AND
 BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP
 NEGOTIATED AND ENTERED INTO PURSUANT TO
 CITY COUNCIL POLICY 600-37 ADOPTED BY THE
 CITY COUNCIL ON AUGUST 9, 1988 AND AS
 AMENDED ON SEPTEMBER 13, 1988

THIS SECOND AMENDED AND RESTATED DEVELOPMENT AGREEMENT ("Amended Agreement") is entered into between THE CITY OF SAN DIEGO, a municipal corporation ("City"), and BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP, a Maryland limited partnership ("Owner").

1.0 RECITALS. This Amended Agreement is entered into with reference to the following facts:

1.1 Original and Amended Development Agreements. On October 29, 1992, the Planning Commission of City ("Planning Commission") recommended to the City Council of City ("Council") that a Development Agreement between City, Owner, and PGA TOUR, Inc. ("Original Development Agreement") be adopted. On July 26, 1993, the Council adopted Ordinance No. 0-17940, which became effective on August 25, 1993, and approved the Original Development Agreement. On October 5, 1995, the Planning Commission recommended to the Council that a First Amended and Restated Development Agreement ("First Amended Agreement") be adopted to replace the Original Development Agreement. On November 20, 1995, the Council adopted Ordinance No. 0-18230, which became effective on December 20, 1995, and approved the First Amended Agreement. City and Owner now mutually desire to amend the First Amended Agreement and replace it in its entirety with this Amended Agreement. PGA TOUR, Inc., a signatory to the First Amended Agreement, executed a document, a copy of which is attached hereto as Exhibit "H", consenting to replacing the First Amended Agreement with this Amended Agreement and to not being a signatory to this Amended Agreement.

1.2 Code Authorization and Acknowledgments. City, a charter city, is authorized pursuant to California Government Code sections 65864 through 65869.5 to enter into development agreements with persons having legal or equitable interests in real property for the purpose of establishing certainty for both City and Owner in the development process. City enters into this Amended Agreement pursuant to the provisions of the California Government Code, the City charter, its home-rule powers, City Municipal Code sections 111.0901 et seq., City Council Policy No. 600-37, and applicable City policies. City and Owner acknowledge:

1.2.1 This Amended Agreement assures adequate public facilities at the time of development.

1.2.2 This Amended Agreement assures development in accordance with City's Capital Improvement Plans.

1.2.3 This Amended Agreement constitutes a current exercise of City's police powers to provide certainty to Owner in the development approval process by vesting the permitted uses(s), density, intensity of use, and the limited timing and phasing of development as described in the Project Phasing and Financing Plan, which is defined in paragraph 2.6 of this Amended Agreement, in exchange for Owner's commitment to provide extraordinary and significant public benefits to City.

1.2.4 This Amended Agreement will permit achievement of growth management goals and objectives as reflected in City's Progress Guide and General Plan and City Council Policy No. 600-37.

1.2.5 Owner is required by the North City Future Urbanizing Area Framework Plan ("NCFUA Framework Plan"), adopted on October 1, 1992 by Resolution No. 93-336, the Mitigation Monitoring and Reporting Program included in the Black Mountain Ranch II Environmental Impact Report, certified on October 31, 1995 by Resolution No. R-286501, and the Development Plan as defined in paragraph 2.3 of this Amended Agreement, to provide public facilities or public improvements as conditions of approvals through the regulatory process.

1.2.6 This Amended Agreement will allow City to realize extraordinary and significant economic, recreational, park, open space, social, and public facilities benefits, some of which are of regional significance. Such extraordinary and significant public benefits, as more particularly described in the Terms of Extraordinary and Significant Benefits, which is defined in paragraph 2.9 of this Amended Agreement, include dedication in fee to City of approximately 600 acres of open space in excess of the open space to be dedicated in fee to City that is located within the Focused Planning Area of the San Dieguito River Valley Regional Open Space Park ("Regional Park"), for the benefit of the Regional Park; construction of 18 miles of trails, as depicted in the Parks and Open Space Program, which is defined in paragraph 2.7 of this Amended Agreement, the Development Plan, which is defined in paragraph 2.3 of this Amended Agreement, and the Project Phasing and Financing Plan, which is defined in paragraph 2.6 of this Amended Agreement, to provide public access to the regional open space system; provision of school facilities; siting of a regional potable water storage facility and advancing its construction; construction of competitive golf facilities that could accommodate a PGA TOUR sanctioned golf tournament, and funding to be used for other City purposes.

1.2.7 Many of the extraordinary and significant benefits identified as consideration to City for entering into this Amended Agreement are of regional significance, require Owner to contribute a greater percentage of benefits than would otherwise be required, and represent benefits which would not otherwise be required as part of the normal development process.

1.2.8 Because of the complexities of the financing of the infrastructure, park dedication, and regional and community facilities, and the extraordinary and significant nature of such facilities, certainty in the development process is an absolute necessity. The phasing, timing, and development of public infrastructure necessitate a significant commitment of resources, planning, and effort by Owner for the public facilities financing, construction, and dedication to be successfully completed. In return for Owner's participation and commitment to these significant contributions of private resources for public purposes, City is willing to exercise its authority to enter into this Amended Agreement and to make a commitment of certainty for the development process for the Property.

1.2.9 In consideration of Owner's agreement to provide the extraordinary and significant public facilities, City hereby grants Owner assurances that it can proceed with development of the Property in accordance with City's ordinances, rules, regulations, and policies existing as of December 20, 1995. Owner would not enter into this Amended Agreement or agree to provide the public benefits and improvements described in this Amended Agreement, if it were not for the commitment of City that the property subject to this Amended Agreement can be developed in accordance with City's ordinances, rules, regulations, and policies existing as of the effective date of this Amended Agreement.

1.3 Owner. Owner has a legal or equitable interest in the Property, which is defined in paragraph 2.2 of this Amended Agreement, and located in City and County of San Diego, California. The Property consists of approximately 4,677 acres within the geographic area covered by the NCFUA Framework Plan in City. The Property is generally bounded by the communities of Rancho Penasquitos to the south and Rancho Bernardo to the east, within City, and the community of Fairbanks Ranch to the west, the 4-S Ranch to the east, and Santa Fe Valley to the north, within the County of San Diego.

1.4 Interest of Owner. Owner hereby represents that it has an equitable and legal interest in the Property and is authorized to enter into this Amended Agreement.

1.5 Planning Commission - City Council Hearings. On February 6, 1997, the Planning Commission, after giving the notice required by law, held a public hearing to consider Owner's application for the Amended Agreement. At the conclusion of the public hearing, the Planning Commission recommended to the Council that the Amended Agreement be adopted as proposed. On February 25, 1997, the Council, after providing notice as required by law, held a public hearing to consider Owner's application for the Amended Agreement.

1.6 Council Findings.

1.6.1 The Council finds that this Amended Agreement and the Development Plan for the Project, as that term is defined herein, is consistent with City's Progress Guide and General Plan, the NCFUA Framework Plan, Council Policies Nos. 600-37 and 600-29, the general principles and guidelines of City's most recent version of the Multiple Species Habitat Conservation Program ("MSCP"), as well as all other applicable ordinances, plans, policies, and regulations of City in effect as of the effective date of this Amended Agreement.

1.6.2 The Council finds that this Amended Agreement provides for an efficient use of resources, moderates the cost of housing and other development to the consumer, and encourages investment in and a commitment to comprehensive planning which makes maximum efficient utilization of resources at the least economic cost to the public.

1.6.3 The Council finds that this Amended Agreement strengthens the public planning process, encourages private participation in comprehensive planning, particularly with respect to the implementation of the NCFUA Framework Plan, and reduces the economic costs of development and government.

1.6.4 The Council finds that this Amended Agreement ensures that adequate public facilities will be built to meet the needs of new housing within the Project, including, but not limited to, streets, sewage, transportation, water, fire station, school, park, open space, and recreation facilities.

1.6.5 The Council finds that this Amended Agreement will further the planning effort associated with the MSCP and the Regional Park.

1.7 City Ordinance. On March 17, 1997, the Council adopted Ordinance No. 0-97-83 approving this Amended Agreement. The ordinance became effective on April 16, 1997.

2.0 DEFINITIONS. In this Amended Agreement, unless the context otherwise requires:

2.1 "Owner" means the person, persons, or entity having a legal and equitable interest in the Property or parts thereof, and includes Owner's successors in interest.

2.2 "Property" means the real property described in Exhibit "A", attached hereto and incorporated herein.

2.3 "Development Plan" means the discretionary approvals for the Property that were approved by City prior to the approval of this Amended Agreement, which include, but are not limited to, a Black Mountain Ranch Vesting Tentative Map No. 95-0173, attached hereto and incorporated herein as Exhibit "C", a Planned Residential Development Permit

for the residential and golf course facilities and accessory clubhouse uses, a Resource Protection Ordinance permit (alternative compliance), adoption of findings for the issuance of a Rule 4d interim take permit, and miscellaneous street vacations. All of the above discretionary approvals will permit the Project to include a maximum of 1121 dwelling units, of which 179 dwelling units will be affordable units, two 18-hole golf courses and associated clubhouses, and other on and off-site public and private facilities identified in Exhibits "B" through and including "F", attached hereto and incorporated herein.

2.4 "Project" means the development of the Property as set forth in the Development Plan.

2.5 "NCFUA Interim Fee" means the North City Future Urbanizing Area Interim Development Fee that currently exists for the geographic area covered by the NCFUA Framework Plan.

2.6 "Project Phasing and Financing Plan" means the Black Mountain Ranch Facilities Phasing and Financing Plan, attached hereto and incorporated herein as Exhibit "B". The Project Phasing and Financing Plan provides a general description, process, phasing of construction, and allocation of costs with respect to required private and public facilities.

2.7 "Parks and Open Space Program" means the program by which the Project shall dedicate in fee and grant easements to City to preserve parklands and open space as more fully described in Exhibit "D", attached hereto and incorporated herein.

2.8 "Affordable Housing Program" means the affordable housing program approved by the San Diego Housing Commission for the Project as more fully described in Exhibit "F", attached hereto and incorporated herein.

2.9 "Terms of Extraordinary and Significant Benefits" means the list of extraordinary and significant benefits that the Project will provide to City, as more fully described in Exhibit "E", attached hereto and incorporated herein.

2.10 "City Municipal Code" means the Municipal Code for the City of San Diego as of the effective date of this Amended Agreement.

2.11 "Clearing Permit Conditions" means the list of conditions required to be satisfied prior to the Owner being allowed to clear the Property as more fully described in Exhibit "G", attached hereto and incorporated herein.

3.0 **EXHIBITS.** The following documents referred to in this Amended Agreement are attached hereto and incorporated herein and are identified as follows:

Exhibit Designation	Description
"A"	Property Description
"B"	Project Phasing and Financing Plan
"C"	Development Plan
"D"	Parks and Open Space Program
"E"	Terms of Extraordinary and Significant Benefits
"F"	Affordable Housing Program
"G"	Clearing Permit Conditions
"H"	PGA TOUR Consent Agreement

4.0 GENERAL PROVISIONS.

4.1 Property Subject to Amended Agreement. Until released pursuant to the provisions of this Amended Agreement or until this Amended Agreement is terminated pursuant to its terms or until Owner has fully performed its obligations arising out of this Amended Agreement, no portion of the Property shall be released from this Amended Agreement.

4.2 Duration of Amended Agreement and Revised Vesting Tentative Map. The term of this Amended Agreement shall commence on, and the effective date of this Amended Agreement shall be, the effective date of City Ordinance No. 0-97-83 as set forth in paragraph 1.7 of this Amended Agreement and the term shall extend for a period of twenty (20) years following the effective date unless this Amended Agreement is earlier terminated, or its term modified pursuant to paragraph 4.4 of this Amended Agreement. Pursuant to California Government Code section 66452.6, the Black Mountain Ranch Vesting Tentative Map No. 95-0173 is hereby extended so that it will remain valid for a period of time equal to the term of this Amended Agreement. In addition, notwithstanding any condition or provision which may provide to the contrary, every approval granted for the Project other than ministerial approvals shall remain valid for a period of time equal to the term of this Amended Agreement.

4.3 Assignment and Delegation. Owner shall have the right to transfer or assign its interest in the Property, in whole or in part, to any person, partnership, joint venture, firm,

or corporation at any time during the term of this Amended Agreement without the consent of City. Owner also shall have the right to assign or transfer all or any portion of its interest or rights under this Amended Agreement to third parties acquiring an interest or estate in the Property at any time during the term of this Amended Agreement without the consent of City. In addition, Owner shall have the right to delegate or transfer its obligations under this Amended Agreement to third parties acquiring an interest or estate in the Property after receiving the prior written consent of the City Manager, which consent shall not be unreasonably withheld, delayed, or conditioned. When the City Manager is reasonably satisfied that the proposed transferee of the obligations is or will be financially able to fulfill the obligations of Owner under this Amended Agreement (i.e. able to replace existing bonds or other security previously posted by Owner in connection with this Amended Agreement), the City Manager shall grant written consent within thirty (30) business days after receipt of a written request from Owner for such consent. Within ten (10) business days after receipt of Owner's written request for consent to delegate, the City Manager may request information from Owner or its transferee documenting such transferee's ability to satisfy the requirements of the foregoing sentence. The time period within which the City Manager may grant written consent (if the City Manager is reasonably satisfied) shall be extended twenty (20) business days to review such documentation. Once the City Manager has consented to a transfer, delivery to and acceptance by the City Manager of an unqualified written assumption of Owner's obligations under this Amended Agreement by such transferee shall relieve Owner of the obligations under this Amended Agreement to the extent the obligations have been expressly assumed by the transferee. Such transferee shall not be entitled to amend this Amended Agreement without the written consent of the entity that, as of the effective date of this Amended Agreement, is Owner. The entity that is Owner as of the effective date of this Amended Agreement, however, shall be entitled to amend this Amended Agreement without the written consent of such transferee. If Owner or the transferee defaults under this Amended Agreement, such default shall not constitute a default by the owner of any other portion of the Property hereunder (including, but not limited to, Owner) and shall not entitle City to terminate or modify this Amended Agreement with respect to such other portion of the Property or the owner thereof who is not in default.

4.4 Amendment or Cancellation of Amended Agreement. This Amended Agreement may be amended from time to time or canceled by the mutual consent of City and Owner in the same manner as its adoption by an ordinance as set forth in California Government Code section 65868 and shall be in a form suitable for recording in the Official Records of San Diego County, California. The term "Amended Agreement" shall include any such amendment properly approved and executed. City, and Owner acknowledge that the provisions of this Amended Agreement require a close degree of cooperation between them and that minor or insubstantial changes to the Project and the Development Plan may be required from time to time to accommodate design changes, engineering changes, and other refinements. Accordingly, changes to the Project and the Development Plan that do not result in a change in use, an increase in density or intensity of use, cause new or increased environmental impacts, or violate any applicable health and safety

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regulations may be considered minor or insubstantial by the City Manager and made without amending this Amended Agreement.

4.5 **Enforcement.** Notwithstanding California Government Code section 65865.4 and San Diego Municipal Code section 111.0910, this Amended Agreement is enforceable by City and Owner in any manner provided by law, including specific performance. The remedies, however, provided in paragraph 8.3 of this Amended Agreement shall not include, and City shall not be liable for, any action in damages resulting from any dispute, controversy, action or inaction, or any legal proceeding arising out of this Amended Agreement.

4.6 **Hold Harmless.** Owner agrees to and shall hold City, its officers, agents, and employees harmless from liability (i) for damages, just compensation, restitution, judicial or equitable relief arising out of claims for personal injury, including health, and claims for property damage which may arise from the direct or indirect operations of Owner or its contractors, subcontractors, agents, employees or other persons acting on its behalf which relate to the Project; and (ii) from any claims by third parties that damages, just compensation, restitution, judicial or equitable relief is due by reason of the terms of or effects arising from this Amended Agreement. Owner agrees to pay all costs for the defense of City and its officers, agents, and employees regarding any action for damages, just compensation, restitution, judicial or equitable relief caused or alleged to have been caused by reason of Owner's actions in connection with the Project or any claims arising out of this Amended Agreement. This hold harmless agreement applies to all claims for damages, just compensation, restitution, judicial or equitable relief suffered or alleged to have been suffered by reason of the events referred to in this paragraph or due by reason of the terms of, or effects, arising from this Amended Agreement regardless of whether or not City prepared, supplied, or approved this Amended Agreement, plans or specifications, or both, for the Project. Owner further agrees to indemnify, hold harmless, and pay all costs for the defense of City, including fees and costs for special counsel regarding any action by a third party challenging the validity of this Amended Agreement or asserting that damages, just compensation, restitution, judicial or equitable relief is due to personal or property rights by reason of the terms of, or effects arising from, this Amended Agreement. Owner shall have the right to select legal counsel to represent City in any such proceeding subject to City Attorney's approval. Such approval shall not be unreasonably withheld. City may make all reasonable decisions with respect to its representation in any legal proceeding, except that if during the proceeding a settlement demand is made and Owner is willing to satisfy the settlement demand and City rejects such settlement demand, Owner's indemnity obligation in the proceeding shall from that point forward not exceed the amount of the settlement demand. Notwithstanding any language to the contrary in this paragraph 4.6 or in this Amended Agreement, Owner shall have no indemnity obligations to City or its officers, agents, and employees for claims that arise from or are alleged to arise from the sole negligence or willful misconduct of City or its officers, agents, and employees.

4.7 **Binding Effect of Amended Agreement.** Except to the extent otherwise provided in this Amended Agreement, the burdens of this Amended Agreement bind and the benefits of this Amended Agreement inure to City's and Owner's successors in interest.

4.8 **Relationship of City and Owner.** The contractual relationship between City and Owner arising out of this Amended Agreement is one of independent contractor and not agency. This Amended Agreement does not create any third-party beneficiary rights.

4.9 **Notices.** All notices, demands, and correspondence required or permitted by this Amended Agreement shall be in writing and delivered in person or mailed by first class or certified mail, postage prepaid, addressed as follows:

If to City, to:

The City of San Diego
City Administration Building
202 "C" Street, 9th Floor
San Diego, CA 92101
Attention: City Manager

If to Owner, to:

Black Mountain Ranch Limited Partnership
c/o USF&G Corporation
One Market Plaza
Spear Street Tower - Suite 930
San Francisco, CA 94105
Attention: Duane M. Danielsen

and:

Potomac Investment Associates San Diego, Inc.
1501 Farm Credit Drive, Suite 2500
McLean, Virginia 22101

If to mortgagee/beneficiary to:

The USF&G Black Mountain Ranch Mortgage Holding Company
c/o USF&G Corporation
One Market Plaza
Spear Street Tower - Suite 930
San Francisco, CA 94105
Attention: Duane M. Danielsen

City, Owner, or mortgagee/beneficiary may change its address by giving notice in writing to the other. Thereafter, notices, demands, and correspondence shall be addressed and transmitted to the new address. Notice shall be deemed given upon personal delivery or, if mailed, two (2) business days following deposit in the United States mail.

5.0 DEVELOPMENT OF THE PROPERTY.

5.1 Rules, Regulations and Policies. Owner shall have the vested right, to the fullest extent allowed under California Development Agreement legislation, California Government Code sections 65864 et seq., and except as expressly restricted in this Amended Agreement, to develop the Property in accordance with the Development Plan and the rules, regulations, ordinances, policies, conditions, environmental regulations, exactions, entitlements, assessments, and fees applicable to and governing development of the Property which are in effect as of December 20, 1995, except that Owner and City may mutually agree that the Project will be subject to later enacted or amended rules, regulations, ordinances, policies, conditions, environmental regulations, or phasing controls governing development of the Property which are adopted after December 20, 1995.

5.2 Permitted Use, Density, Intensity of Use, Phasing. This Amended Agreement shall vest the right to develop the Property with respect to the permitted use(s) of land, density, and intensity of use(s), and limited timing and phasing of development as described in the Project Phasing and Financing Plan. The permitted use(s) of land, density, and intensity of use(s) shall be those specifically set forth in the Development Plan, which includes 942 market rate dwelling units, 179 affordable dwelling units, as described in the Affordable Housing Program, two 18-hole golf courses and accompanying clubhouses, and other on-site and off-site public and private facilities, as described in the Project Phasing and Financing Plan.

5.3 Design and Construction Standards and Specifications. The design and construction standards and specifications for layout, design, grading, and construction of buildings and structures, streets, and other public facilities shall be subject to applicable design standards and guidelines in effect (as of the date of filing an application with City) for the Project, or any unit or structure contained within the Project, unless indicated otherwise in this Amended Agreement, so long as such design and construction standards and specifications (i) apply generally to all development within City; (ii) apply only to applications for building permits in good faith not accepted for processing as of the date of the revision; and (iii) would not, if applied, prevent development of the Property as contemplated in this Amended Agreement.

5.4 Maximum Height and Size of Structures. The maximum height and size for all structures shall be as provided in City's zoning ordinances in effect as of the effective date of this Amended Agreement, unless indicated otherwise in the Development Plan.

5.5 Reservations and Dedications. Reservations and dedications of land are set forth in the Parks and Open Space Program, which also describes the methods by which Project open space shall be permanently protected through the granting of perpetual open space easements or dedication of open space lands to the public in fee title. The Parks and Open Space Program also describes the Project's revegetation program, which is designed to mitigate encroachments into sensitive lands through restoration or enhancement of important wildlife corridors and habitats. The phasing of the Parks and Open Space Program is more particularly described in the Project Phasing and Financing Plan.

5.6 Processing Fees and Costs. All fees and charges intended to cover City's costs associated with staff review of applications for development of the Property shall be limited to fees and charges for processing applications, providing inspections, conducting annual reviews, and providing environmental analysis, which exist as of the date of filing such applications with City or as may be revised during the term of this Amended Agreement. Water and sewer capacity fees or charges shall be limited to those water and sewer capacity fees or charges in effect and payable on the date building permits are issued by City for structures required to pay such fees or charges.

5.7 NCFUA Interim Fee and Adoption of Subarea I Public Facilities Financing Plan. This Amended Agreement shall not preclude, and the Project shall be subject to, the NCFUA Interim Fee as such fee existed as of December 20, 1995. Owner shall receive a credit against the NCFUA Interim Fee for its contributions and donations under the Project Phasing and Financing Plan, including payment of the park and library fees described in Items 3 and 7, Exhibit B-2, of the Project Phasing and Financing Plan, provided the contributions are for infrastructure, such as arterial roads, sewage, transportation, and water facilities, police and fire stations, schools, libraries, and community parks (collectively "Infrastructure"), included in the basis for establishing the NCFUA Interim Fee. Owner shall be eligible for reimbursement by other property owners for contributions of Infrastructure contained in the Project Phasing and Financing Plan provided such contributions exceed Owner's share of the NCFUA Interim Fee. In the event that City approves a Subarea I Public Facilities Financing Plan and Development Impact Fee, however, the Project shall not be subject to the NCFUA Interim Fee or be required to pay the park and library fees described in Items 3 and 7, Exhibit B-2, of the Project Phasing and Financing Plan.

5.8 Development, Construction, and Completion of Project. In consideration for Owner providing the extraordinary and significant public benefits described in paragraph 6.1 of this Amended Agreement to City, Owner has been legally vested under paragraph 5.2 of this Amended Agreement with regard to the permitted use(s) of land, density, intensity of use(s), and limited timing and phasing of development as described in the Project Phasing and Financing Plan. Owner shall be issued building permits for development of the Property as described in the Project Phasing and Financing Plan after permit applications are reviewed and approved by City and Owner provides City with the appropriate financial assurances, as more fully described in paragraph 6.3 of this Amended Agreement, to ensure that the identified private and public amenities will be provided.

City has issued a Rule 4d interim take permit and authorized Owner to clear those areas not designated as open space areas in the Parks and Open Space Program as a result of Owner's satisfaction of the Clearing Permit Conditions.

5.9 Progress Reports Until Construction of Project is Complete. Owner shall make reports of the progress of construction of public facilities described in the Amended Agreement in such detail and at such time as the City Manager or City Engineer reasonably requests.

5.10 City to Receive Construction Contract Documents. Owner shall furnish City, upon written request, copies of any public facilities construction contracts and supporting documents relating to the Property.

5.11 Police Power and Moratoriums. In the exercise of its police power, City shall recognize and consider the circumstances existing at the time this Amended Agreement was authorized, as well as the then current circumstances. In addition, such exercise of the police power by City shall be consistent with the purpose and intent of California Development Agreement legislation, California Government Code sections 65864 et seq. Nothing in this Amended Agreement shall be construed to be in derogation of City's police power to protect the public health and safety in the event of a sudden, unexpected occurrence, involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of, or damage to, life, health, property, or essential public services involving the Property or the immediate community. City and Owner acknowledge that City may be restricted in its authority to limit its police power by contract and that the foregoing limitations, reservations, and exceptions are intended to reserve to City all of its police power which cannot be so limited. Moratoriums enacted by City to protect the public health and safety, and which are imposed on the Property, shall toll the time periods for performance by Owner set forth in this Amended Agreement and the term of this Amended Agreement.

5.12 Changes in Federal and State Law. The Property may be subject to subsequently enacted state or federal laws or regulations which preempt local regulations, or mandate the adoption of local regulations, and are in conflict with the Development Plan and this Amended Agreement. Upon discovery of a subsequently enacted federal or state law meeting the requirements of this paragraph, City or Owner shall provide the other party with written notice of the state or federal law or regulation, provide a copy of the law or regulation, and a written statement of conflicts with the provisions of this Amended Agreement. Promptly thereafter City and Owner shall meet and confer in good faith in a reasonable attempt to modify this Amended Agreement, as necessary, to comply with such federal or state law or regulation. In such negotiations, City and Owner agree to preserve the terms of this Amended Agreement and the rights of Owner as derived from this Amended Agreement to the maximum feasible extent while resolving the conflict. City agrees to cooperate with Owner in resolving the conflict in a manner which minimizes any financial impact of the conflict upon Owner. City also agrees to process Owner's proposed changes to the Project as may be necessary to comply with such

Federal or State law and to process such proposed Project changes in accordance with City procedures and findings.

5.13 Cooperation in Securing Other Governmental Approvals and Permits. Provided City staff is available, City agrees to assist Owner, wherever practicable, in securing permits and approvals required by other governmental agencies to assure Owner's ability to complete processing and construction in a timely manner.

5.14 MSCP Compliance and Mitigation Obligations. City is in the process of developing the MSCP, which requires approval from the California Department of Fish and Game ("CDFG") and the United States Fish and Wildlife Service ("USF&WS"), the goal of which is to provide for regional protection and perpetuation of natural wildlife diversity while allowing compatible land use and appropriate development growth. The Project is consistent with City's most recent version of the MSCP and Owner is willing to deed property, as specified in the Parks and Open Space Program, to City consistent with the most recent version of the MSCP. In return, City agrees that in the future Owner shall not be required to dedicate any additional acreage within the Property for MSCP or other conservation purposes. City further agrees that Owner shall be considered a Third Party Beneficiary, as that term may be defined in any MSCP Implementing Agreement entered into by and between City, USF&WS, and CDFG. In exchange for acquiring and maintaining Third Party Beneficiary status, Owner agrees, subject to the limitation contained in paragraph 1.b, Exhibit D-1, of the Parks and Open Space Program, to maintain the biological values of those lands committed for mitigation but not yet dedicated to City, including taking appropriate measures as City may reasonably require to maintain the biological values of the land. Owner shall remain obligated for maintaining these lands for biological value until such time that the lands are offered for dedication and fee title is accepted by City. In the event the MSCP or other similar regional conservation program is adopted by City and approved by CDFG and USF&WS, City agrees that Owner shall not be required to pay, and the Property shall not be assessed for, any additional funding for acquisition or maintenance of lands associated with the MSCP unless such payments or assessments are applied to all citizens or developed and undeveloped property within City. Furthermore, City agrees that Owner shall not be disadvantaged or prejudiced by its compliance with the most recent draft of the MSCP in the event City considers requests by property owners in the NCFUA to be placed on the ballot for a phase shift of property from future urbanizing to planned urbanizing. Therefore, to the extent contributions of open space consistent with the MSCP serve as a basis for determining whether property is eligible for placement on the ballot for a phase shift, City shall acknowledge Owner's contribution of open space as described in the Parks and Open Space Program in determining whether those portions of the Property designated in the Development Plan as future development area should be included on a ballot requesting voter approval of such a phase shift from future urbanizing to planned urbanizing. In the event the Property has not been cleared or graded consistent with the Development Plan prior to the adoption of the MSCP, City shall issue any MSCP permit or authorization needed by Owner in order to allow the Property to be developed consistent with the Development Plan. City also agrees that, with the exception of future

impacts to wetlands, Owner's compliance with the Parks and Open Space Program shall constitute full mitigation for all biological impacts resulting from future development of the Property provided such development is consistent with the biological impacts analyzed in the Black Mountain Ranch II Environmental Impact Report.

5.15 Interim Take Reservation. In accordance with federal and state requirements imposed on City as a jurisdiction enrolled in the Natural Communities Conservation Program planning process, City is allowed to authorize a maximum of five percent (5%) take of coastal sage scrub habitat in connection with development occurring within City. Subject to the concurrence of CDFG and USF&WS, City hereby agrees that, based on the extraordinary benefits of the Project, 195 acres for the Project is reserved for a period of eighteen (18) months. Owner agrees that the Interim Habitat Loss Permit for the Project shall be utilized in accordance with the Interim Habitat Loss Permit Procedures adopted by the Council on July 26, 1994 as Resolution No. 284355.

6.0 DEVELOPMENT PROGRAM.

6.1 Extraordinary and Significant Benefits. City acknowledges that Owner is providing through this Amended Agreement, as described in the Terms of Extraordinary and Significant Benefits, a number of extraordinary and significant public benefits to City. Such extraordinary and significant public benefits and facilities shall be provided in the manner described in the Project Phasing and Financing Plan, Parks and Open Space Program, and Affordable Housing Program.

6.2 Public Facilities Needed for Project. City recognizes that Owner's responsibility, as a condition of proceeding with development of the Property, to fund or construct the facilities identified in the Project Phasing and Financing Plan and Parks and Open Space Program is not limited to facilities based upon a need created by the Development Plan for the Property. Consequently, City agrees to prepare for and conduct hearings to form assessment districts, consistent with state law and City ordinances and policies, to provide for funding for the facilities in the Project Phasing and Financing Plan and Development Plan. If Owner elects to construct the facilities, City also agrees to form a reimbursement district or approve a reimbursement agreement which will require subsequent developers/owners of property benefited by the construction of the facilities to reimburse Owner in a legal and equitable manner. Reimbursement mechanisms may additionally include conditioning project approvals of any such benefiting property owner, or other reimbursement mechanisms in the sole, reasonable discretion of Council. If reimbursement is sought from the collection of development impact fees from other properties located within the NCFUA, reimbursement may be in the form of either cash or credit against Owner's payment of development impact fees, including the NCFUA Interim Fee.

6.3 Financial Assurances for Performance. Surety or performance bonds, letters of credit, set aside letters from a federally insured lending institution, or other security acceptable to City ("Financial Assurances") shall be provided by Owner to City in

amounts sufficient to guarantee completion of the public improvements identified in the Project Phasing and Financing Plan. Owner shall provide the Financial Assurances to City in accordance with the Project Phasing and Financing Plan.

6.4 Amendment to Phasing of Traffic Circulation. In order to protect the public interest, City and Owner acknowledge that it may become necessary to revise the construction phasing of certain traffic circulation elements described in the Project Phasing and Financing Plan. Pursuant to paragraph 4.4 of this Amended Agreement, such revisions shall be considered minor or insubstantial and not require this Amended Agreement to be amended provided that:

6.4.1 The revisions are acceptable to the City Manager.

6.4.2 The revisions are subject to the appropriate environmental review as determined by the Development Services Director of City.

6.4.3 The revisions do not result in a significant adverse impact on the levels of service, as determined by the Development Services Director of City, presently anticipated in the Black Mountain Ranch II Environmental Impact Report.

6.4.4 The development permitted under the revisions does not exceed that described in the Project Phasing and Financing Plan.

6.4.5 The revisions do not result in an acceleration of the construction or opening of the improvements to San Dieguito Road set forth in Item 17, Exhibit B-2, of the Project Phasing and Financing Plan, or the construction or opening of the improvements to Camino Ruiz set forth in Item 27, Exhibit B-2, of the Project Phasing and Financing Plan, relative to the improvements set forth in Items 18, 19, 20, and 21, Exhibit B-2, of the Project Phasing and Financing Plan.

6.5 Affordable Housing Program. Owner agrees that development of the Property shall be subject to the terms of the Affordable Housing Program including the phasing schedule outlined in Table 1 of the Affordable Housing Program. No market rate unit threshold in Table 1 shall be exceeded prior to satisfaction of the corresponding affordable unit threshold. Owner and the San Diego Housing Commission ("Commission") have selected Lots 7 and 8 of Unit 23 and Lot 5 of Unit 29 on the Black Mountain Ranch Vesting Tentative Map No. 95-0173 as the sites where the required affordable units may be developed. In the event that a phase shift for the Property from Future Urbanizing to Planned Urbanizing is approved by the residents of City, Owner and the Commission may, after obtaining City approval for any necessary amendments to the Development Plan, agree to develop the affordable units on sites other than those specified in this Amended Agreement.

6.5.1 Owner further agrees that prior to recording the first final map for residential units, the issuance of a certificate of occupancy for a golf course

clubhouse, or thirty-six (36) months after commencement of construction of the golf courses, whichever occurs earlier, Owner shall provide to the Commission adequate security, as determined by the Commission in its reasonable discretion, in the form of a lien, bond, letter of credit, set aside letter from a federally insured lending institution, or other security acceptable to the Commission, or any combination thereof, to ensure construction of the initial threshold of sixty (60) affordable units prior to exceeding the initial threshold of four hundred fifty (450) market rate units as set forth in Table 1 of the Affordable Housing Program. When Owner completes construction of a threshold of affordable units set forth in Table 1, the amount of the security shall be reduced or increased as needed to reflect the amount of security needed to ensure construction of the next threshold of affordable units set forth in Table 1.

6.5.2 In the event that the security offered by Owner to Commission constitutes a lien on real property that entitles Commission to take title to the real property in the event Owner does not comply with the requirements of the Affordable Housing Program, Owner shall provide Commission with evidence that the real property constitutes a legal lot within the meaning of California law and title insurance which verifies that the Commission's lien is in a first priority position. Owner and Commission currently contemplate that the Owner shall provide to Commission a first priority lien on all of Unit 23 as shown on the Black Mountain Ranch Vesting Tentative Map No. 95-0173 to satisfy the security requirement contained in paragraph 6.5.1 of this Amended Agreement with respect to the initial phase of affordable units. Provided, however, Commission shall, in its reasonable discretion, evaluate the nature and amount of security necessary to secure the timely construction of the affordable units when the security is offered by Owner, taking into account the probable cost and timing of the construction of the affordable units. Commission may require different security than is now contemplated by this Amended Agreement in order to ensure construction of the affordable units. The design and location of the affordable units shall be subject to the prior written approval of Commission, in its reasonable discretion.

6.5.3 Upon completion of the construction of the affordable units, and prior to the issuance of a certificate of occupancy, Owner shall record a Declaration of Covenants, Conditions, and Restrictions, or other document acceptable to Commission, to ensure that the affordable units will remain affordable for a period of fifty-five (55) years.

6.5.4 In the event Owner elects to construct companion units as provided for in the Affordable Housing Program, approval of the Development Plan and this Amended Agreement shall constitute the discretionary approval of such companion units and Owner shall not be required to obtain any additional discretionary approvals for the construction of the companion units. Owner shall be required to obtain non-discretionary permits and approvals, such as building permits, from City prior to construction of the companion units. In addition, City

will consider reduced fees for companion units pending an evaluation of data that suggests companion units have lower facilities impacts than market rate units. The construction of companion units, however, shall not increase the total number of market rate residential units beyond that allowed in the Development Plan.

6.5.5 In the event City adopts any ordinances or policies providing for a waiver or reduction of fees for affordable housing, the Owner shall be granted such a waiver or reduction of fees for the affordable units that have not been built prior to the adoption of such ordinances or policies.

6.5.6 In the event Owner abandons development of the Property prior to initiating construction of the golf courses or any residential units, and this Amended Agreement is terminated and the Development Plan nullified, Commission agrees that Owner shall have no obligation to construct the affordable units and Commission shall relinquish whatever security it has received from Owner prior to the abandonment.

6.6 Equal Employment Opportunity Program. Owner agrees not to discriminate against any employee or applicant for employment on any basis prohibited by law. Owner shall provide equal opportunity in all employment practices. In addition, to the extent applicable to this Amended Agreement, Owner agrees to comply with the City's Equal Employment Opportunity Program, as that program is defined in the City Municipal Code, Division 27 as of the effective date of this Amended Agreement. Owner also has submitted a Work Force Report as requested by City pursuant to Section 22.2705 of the City Municipal Code.

6.7 Golf Courses. Owner shall construct one golf course and have the right to construct a second golf course on the Property, as more fully described in the Development Plan. In the event that Owner does not construct a second golf course within fifty (50) years after the effective date of this Amended Agreement, Owner shall grant City an open space easement or fee interest in the property designated for development of the second golf course in the Development Plan. Owner shall be prohibited from obtaining final maps on the Property for more than 510 market rate residential units until \$500,000 worth of construction has been completed on at least one of the golf courses.

6.7.1 Owner shall ensure that any golf course it operates on the Property will remain in permanent open space.

6.7.2 Owner shall ensure that the use and membership of any golf course it operates on the Property shall be available to the general public on a daily fee basis and/or shall offer memberships to the general public on a nondiscriminatory basis, but in any event upon completion of both golf courses at least one golf course shall be available to the general public on a daily fee basis.

6.7.3 Owner shall be entitled to hold or authorize other parties to hold, including but not limited to the PGA TOUR, Inc., golf tournaments on either or both of the golf courses on the Property consistent with the analysis and mitigation measures described in the Black Mountain Ranch II Environmental Impact Report.

6.8 Good Faith Negotiations Concerning Municipal Golf Course. City is interested in exploring whether the northern golf course acreage could be used as a municipal golf course. City and Owner agree to negotiate in good faith to determine whether a mutually acceptable arrangement could be reached that would accommodate City's use of the northern golf course acreage for use as a municipal golf course. Owner retains absolute discretion, however, whether to accept or reject any proposal by City to use the northern golf course acreage as a municipal golf course.

6.9 Jobs Training Program. Owner has submitted and the City Manager has approved a jobs training program that is designed to provide training and employment opportunities for minorities and women in connection with all development construction and operation of the golf courses included within the Project.

6.10 School Impacts. Mitigation for school impacts will include execution of a final mitigation agreement, which may or may not include participation in school facilities financing with other surrounding development projects. The Poway Unified School District ("School District") proposes establishment of a Mello-Roos special tax assessment district, however, some other means mutually acceptable to the School District and Owner could be employed. Proof of a final mitigation agreement between School District and Owner shall be required prior to recordation of the first final map for the Project. School District and Owner agree that neither party shall unreasonably withhold execution of a final mitigation agreement. If during or after the negotiation of the final mitigation agreement the School District concludes that it does not need the high school site currently designated on the Development Plan, Owner may relocate a portion of the Project's allowed residential density onto the former high school site provided that the total residential density for the Project does not exceed that provided for in the Development Plan. In order to accomplish such a relocation of residential density, Owner shall comply with the Subdivision Map Act and the design review guidelines for the Project but shall not be required to amend the Development Plan or this Amended Agreement.

6.11 Payment to City. As additional consideration for City's entering into the First Amended Agreement and this Amended Agreement, Owner committed to pay City One Million Dollars (\$1,000,000), which shall be set aside in a special fund to be used at Council's discretion to address facilities needs within the adjacent communities. An initial payment of Two Hundred Thousand Dollars (\$200,000) was made on July 25, 1996. An additional payment of Three Hundred Thousand Dollars (\$300,000) was made on October 1, 1996, in connection with the issuance of a Rule 4d interim take permit and authorization to Owner to clear the Property as more fully described in paragraph 5.8 of this Amended Agreement. An additional payment of One Hundred Twenty-Five

Thousand Dollars (\$125,000) shall be made upon the issuance of a building permits for the 100th market rate residential unit in the Project. A final payment of Three Hundred Seventy-Five Thousand Dollars (\$375,000) shall be made upon the issuance of a building permit for the 500th market rate residential unit in the Project. Although the Council retains its discretion in using these funds, it is anticipated that the first Five Hundred Thousand Dollars (\$500,000) will be used for improvements that benefit the Rancho Penasquitos and Carmel Valley communities. It is anticipated that the second Five Hundred Thousand Dollars (\$500,000) will be used to reimburse funds advanced for construction of the Rancho Bernardo Library from the I-15/Camino Del Norte interchange project in the Carmel Mountain Ranch Public Facilities Financing Plan.

6.12 Gated Communities. In the event that City adopts a policy authorizing gated communities in the NCFUA and amends the NCFUA Framework Plan or approves the development of gated communities for projects subject to the NCFUA Framework Plan, provided such approved gated communities include in excess of ten (10) residential units, City agrees that Owner may administratively revise the Development Plans to provide for gated communities consistent with any such adopted policy or approved development. Any such gated communities within the Project shall comply with City guidelines, standards, and regulations designed to protect public health and safety.

6.13 Proposition C and Hotel Development. On March 26, 1996, the citizens of San Diego voted in favor of Proposition C. Proposition C authorizes development of two hotels in the NCFUA, one of which is located within the Project and the other in Subarea V of the NCFUA. Prior to approving development of a hotel authorized by Proposition C, City must be guaranteed a financing or funding mechanism over a ten-year period of Six Million Three Hundred Thousand Dollars (\$6,300,000), by the hotel being developed, that could support bonding for acquisition of open space. In addition to authorizing development of two hotels, Proposition C authorizes development of 60,000 square feet of limited commercial accessory uses within the Project. City is in the process of negotiating with the owner of the hotel site in Subarea V for development of a hotel consistent with Proposition C. Owner contemplates entering into similar negotiations with City during the term of this Amended Agreement. City agrees that in the event Owner seeks approval for development of a hotel in the Project consistent with Proposition C, City will negotiate in good faith for the development of the hotel as authorized by Proposition C.

6.14 Assurance of Accesses. City is in the process of evaluating alignments and planning for the construction of SR-56. One option being considered by City is the construction of SR-56 as a city street with no at grade full access intersections at Camino Ruiz and Camino Santa Fe. If this option were selected by City, the Project would, as previously planned, lose the existing connection between Carmel Valley Road and SR-56. City agrees that if the presently contemplated connection between Carmel Valley Road and SR-56 were deleted during the construction of SR-56, whether constructed as a city street or otherwise, City shall, prior to closing the connection, ensure that an alternative improved access to Del Mar Heights Road is provided to the Project.

Moreover, in the event an alternative improved access is provided, the Project shall not have any responsibility, financial or otherwise, concerning the provision of the alternative access beyond that currently contemplated in this Amended Agreement towards other equivalent improvements. City further agrees to complete any CEQA review required by law to improve an alternative access concurrent with the CEQA review being completed for SR-56.

6.15 Nondiscrimination of Financing and Sales. Owner agrees that it shall not engage in illegal discrimination in connection with the financing or sale of any residential units within the Project.

7.0 ANNUAL REVIEW.

7.1 City and Owner Responsibilities. City shall at least every twelve (12) months during the term of this Amended Agreement, review the extent of good faith substantial compliance by Owner with the terms of this Amended Agreement. Pursuant to California Government Code section 65865.1, as amended, and City Municipal Code section 105.0108, Owner shall have the duty to demonstrate by substantial evidence its good faith compliance with the terms of this Amended Agreement at the periodic review. Either City or Owner may address any requirement of the Amended Agreement during the review.

7.2 Review Letter. If Owner is found to be in compliance with this Amended Agreement after the annual review, City shall, within forty-five (45) days after Owner's written request, issue a review letter in recordable form to Owner ("Letter") stating that based upon information known or made known to the Council, the City Planning Commission and/or the City Planning Director, this Amended Agreement remains in effect and Owner is not in default. Owner may record the Letter in the Official Records of the County of San Diego.

7.3 Failure of Periodic Review. City's failure to review at least annually Owner's compliance with the terms and conditions of this Amended Agreement shall not constitute or be asserted by City or Owner as a breach of the Amended Agreement.

8.0 DEFAULT.

8.1 Events of Default. A default under this Amended Agreement shall be deemed to have occurred upon the happening of one or more of the following events or conditions:

8.1.1 A warranty, representation or statement made or furnished by Owner to City is false or proves to have been false in any material respect when it was made.

8.1.2 A finding and determination by City made following a periodic review under the procedure provided for in California Government Code section 65865.1

that upon the basis of substantial evidence Owner has not complied in good faith with one or more of the terms or conditions of this Amended Agreement.

8.1.3 City does not accept, timely review, or appropriately consider requested development permits or entitlements submitted in accordance with the provisions of this Amended Agreement.

8.1.4 Any other act or omission by City or Owner which materially interferes with the terms of this Amended Agreement.

8.2 Procedure upon Default.

8.2.1 Upon the occurrence of default by the other party, City or Owner may terminate this Amended Agreement and the Development Plan after providing the other party thirty (30) days written notice specifying the nature of the alleged default and, when appropriate, the manner in which said default may be satisfactorily cured. After proper notice and expiration of said thirty (30) day cure period without cure, this Amended Agreement and the Development Plan may be terminated. In the event that City's or Owner's default is not subject to cure within the thirty (30) day period, City or Owner shall be deemed not to remain in default in the event that City or Owner commences to cure within such thirty (30) day period and diligently prosecutes such cure to completion. Failure or delay in giving notice of any default shall not constitute a waiver of any default, nor shall it change the time of default. Notwithstanding any other provision of this Amended Agreement, City reserves the right to formulate and propose to Owner options for curing any defaults under this Amended Agreement for which a cure is not specified in this Amended Agreement.

8.2.2 City does not waive any claim of defect in performance by Owner if on periodic review City does not propose to modify or terminate this Amended Agreement.

8.2.3 Subject to paragraph 10.9 of this Amended Agreement, non-performance shall not be excused because of a failure of a third person.

8.2.4 All other remedies at law or in equity which are not inconsistent with the provisions of this Amended Agreement are available to City and Owner to pursue in the event there is a breach.

8.3 Institution of Legal Action. In addition to any other rights or remedies, City or Owner may institute a legal action to cure, correct, or remedy any default or breach, to specifically enforce any covenants or agreements set forth in this Amended Agreement, or to enjoin any threatened or attempted violation of the Amended Agreement, or to obtain any remedies consistent with the purpose of this Amended Agreement. The prevailing party in any such legal action shall be entitled to recover attorneys' fees and

costs. Legal actions shall be instituted in the Superior Court of the County of San Diego, State of California, or in the Federal District Court in the Southern District of California.

9.0 ENCUMBRANCES AND RELEASES ON PROPERTY.

9.1 Discretion to Encumber. This Amended Agreement shall not prevent or limit Owner, in any manner, at Owner's sole discretion, from encumbering the Property or any portion of the Property or any improvement on the Property by any mortgage, deed of trust, or other security device securing financing with respect to the Property or its improvement.

9.2 Mortgagee Rights and Obligations. The mortgagee of a mortgage or beneficiary of a deed of trust encumbering the Property or any part thereof and their successors and assigns shall, upon written request to City, be entitled to receive from City written notification of any default by Owner of the performance of Owner's obligations under the Amended Agreement which has not been cured within thirty (30) days following the date of default.

9.2.1 Notwithstanding Owner's default, this Amended Agreement shall not be terminated by City as to any mortgagee or beneficiary to whom notice is to be given and to which either or the following is true:

(a) the mortgagee or beneficiary cures any default by Owner involving the payment of money within ninety (90) days after the notice of default;

(b) as to defaults requiring title or possession of the Property or any portion thereof to effectuate a cure: (i) the mortgagee/beneficiary agrees in writing, within ninety (90) days after receipt from City of the written notice of default, to perform the proportionate share of Owner's obligations under this Amended Agreement allocable to that part of the Property in which the mortgagee/beneficiary has an interest conditioned upon such mortgagee's/beneficiary's acquisition of the Property or portion thereof by foreclosure (including a trustee sale) or by a deed in lieu of foreclosure; (ii) the mortgagee/beneficiary commences foreclosure proceedings to reacquire title to the Property or applicable portion thereof within said ninety (90) days and thereafter diligently pursues such foreclosure to completion, and (iii) the mortgagee/beneficiary promptly and diligently cures such default after obtaining title or possession. Subject to the foregoing, in the event any mortgagee/beneficiary records a notice of default as to its mortgage or deed of trust, City shall consent to the assignment of all of Owner's rights and obligations under this Amended Agreement to the mortgagee/beneficiary or to any purchaser of the Owner's interest at a foreclosure or trustee sale and Owner shall remain liable for such obligations unless released by City or unless the applicable portion of the Property is transferred in accordance with paragraph 4.3 of this Amended Agreement.

9.2.2 Notwithstanding paragraph 9.2.1 of this Amended Agreement, if any mortgagee/beneficiary is prohibited from commencing or prosecuting foreclosure or other appropriate proceedings including by any process of injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Owner, the times specified in paragraph 9.2.1 of this Amended Agreement for commencing or prosecuting foreclosure or other proceedings shall be extended for the period of the prohibition.

9.2.3 The lien of any existing or future deeds of trust recorded against all or any part of the Property shall be superior and senior to any lien created by this Amended Agreement or the recordation thereof. At the request of any lender whose loan will be secured by a deed of trust on all or any part of the Property, City shall execute a subordination agreement subordinating its interest hereunder to the lien of such deed of trust, which subordination agreement shall be subject to the reasonable approval of City. Notwithstanding the foregoing, at the option of the mortgagee/beneficiary any foreclosure of any such deed of trust shall not serve to extinguish or terminate this Amended Agreement.

9.2.4 Neither entering into this Amended Agreement nor a breach of this Amended Agreement shall defeat, render invalid, diminish or impair the lien of any existing or future mortgage or deed of trust on the Property made in good faith and for value.

9.2.5 Except as provided to the contrary in this Amended Agreement, no mortgagee or beneficiary shall have an obligation or duty under this Amended Agreement to perform the obligations of Owner or other affirmative covenants of Owner hereunder, or to guarantee such performance, and no mortgagee or beneficiary shall be liable for any defaults or monetary obligations of Owner arising prior to acquisition of title to the Property by such mortgagee or beneficiary or their respective successors or assigns; except that to the extent any covenant to be performed by Owner is a condition to the performance of a covenant by City, the performance thereof shall continue to be a condition precedent to City's performance hereunder. In the event a mortgagee or beneficiary elects to develop the Property in accordance with the Development Plan, the mortgagee or beneficiary shall be required to assume and perform the obligations or other affirmative covenants of Owner under this Amended Agreement.

9.3 Releases. City agrees that upon written request of Owner and payment of all fees and performance of the requirements and conditions required of Owner by this Amended Agreement with respect to the Property, or any portion thereof, City shall execute and deliver to Owner appropriate releases(s) of further obligations imposed by this Amended Agreement in form and substance acceptable to the San Diego County Recorder and title

insurance company, if any, or as may otherwise be necessary to effect the release. City Manager shall not unreasonably withhold approval of such release(s).

9.4 Termination of Amended Agreement With Respect to Individual Residential Lots Upon Sale to Public. Notwithstanding any other provisions of this Amended Agreement, this Amended Agreement shall terminate with respect to any residential lot and such lot shall be released and no longer be subject to this Amended Agreement without the execution or recordation of any further document when the lot has been finally subdivided and title conveyed to the lot's ultimate user.

9.5 Obligation to Modify. City acknowledges that the lenders providing financing for the Project may require certain modifications to this Amended Agreement and City agrees, upon request from time to time, to meet with Owner and/or representatives of such lenders to negotiate in good faith any such requirement for modification. City will not unreasonably withhold its consent to any such requested modification.

10.0 MISCELLANEOUS PROVISIONS.

10.1 Rules of Construction. The singular includes the plural; the masculine gender includes the feminine; "shall" is mandatory; "may" is permissive.

10.2 Entire Amended Agreement, Waivers, and Recorded Statement. This Amended Agreement constitutes the entire understanding and agreement of City and Owner with respect to the matters set forth in this Amended Agreement. This Amended Agreement supersedes all negotiations or previous agreements between City and Owner respecting this Amended Agreement. All waivers of the provisions of this Amended Agreement must be in writing and signed by the appropriate authorities of City and Owner. Upon the completion of performance of this Amended Agreement or its revocation or termination, a statement evidencing completion, revocation, or termination signed by the appropriate agents of City, shall be recorded in the Official Records of San Diego County, California.

10.3 Project as a Private Undertaking. It is specifically understood by City and Owner that (i) the Project is a private development; (ii) City has no interest in or responsibilities for or duty to third parties concerning any improvements to the Property until City accepts the improvements pursuant to the provisions of this Amended Agreement or in connection with subdivision map approvals; and (iii) Owner shall have the full power and exclusive control of the Property subject to the obligations of Owner set forth in this Amended Agreement.

10.4 Incorporation of Recitals. The recitals set forth in paragraph 1 of this Amended Agreement are part of this Amended Agreement.

10.5 Captions. The captions of this Amended Agreement are for convenience and reference only and shall not define, explain, modify, construe, limit, amplify, or aid in the

interpretation, construction, or meaning of any of the provisions of this Amended Agreement.

10.6 Consent. Where the consent or approval of City or Owner is required in or necessary under this Amended Agreement, the consent or approval shall not be unreasonably withheld, delayed, or conditioned.

10.7 Covenant of Cooperation. City and Owner shall cooperate and deal with each other in good faith, and assist each other in the performance of the provisions of this Amended Agreement.

10.8 Recording. The City Clerk shall cause a copy of this Amended Agreement to be recorded with the Office of the County Recorder of San Diego County, California, within ten (10) days following the effective date of this Amended Agreement.

10.9 Delay, Extension of Time for Performance. In addition to any specific provision of this Amended Agreement, performance by either City or Owner of its obligations hereunder shall be excused, and the term of this Amended Agreement and the Development Plan extended, during any period of delay caused at any time by reason of any event beyond the control of City or Owner which prevents or delays performance by City or Owner of obligations under this Amended Agreement, including, but not limited to, acts of God, enactment of new conflicting Federal or State laws or regulations (example: listing of a species as threatened or endangered), judicial actions such as the issuance of restraining orders and injunctions, riots, strikes, or damage to work in process by reason of fire, floods, earthquake, or other such casualties. If City or Owner seeks excuse from performance, it shall provide written notice of such delay to the other within thirty (30) days of the commencement of such delay. If the delay or default is beyond the control of City or Owner and is excused, an extension of time for such cause shall be granted in writing for the period of the enforced delay, or longer as may be mutually agreed upon.

10.10 Interpretation and Governing Law. This Amended Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

10.11 Time of Essence. Time is of the essence in the performance of the provisions of this Amended Agreement as to which time is an element.

10.12 Estoppel Certificate. Within ten (10) business days following a written request by any of the parties, the other parties to this Amended Agreement shall execute and deliver to the requesting party a statement certifying that (i) this Amended Agreement is unmodified and in full force and effect, or if there have been modifications hereto, that this Amended Agreement is in full force and effect as modified and stating the date and nature of such modifications; (ii) there are no known current uncured defaults under this Amended Agreement or specifying the dates and nature of any such default; and (iii) any

other reasonable information requested. The failure to deliver such a statement within such time shall constitute a conclusive presumption against the party which fails to deliver such statement that this Amended Agreement is in full force and effect without modification except as may be represented by the requesting party and that there are no uncured defaults in the performance of the requesting party, except as may be represented by the requesting party.

[Remainder of this page left intentionally blank.]

IN WITNESS WHEREOF, this Amended Agreement has been executed by the City of San Diego, acting by and through its City Manager, pursuant to Ordinance No. 0-97-83 authorizing such execution and by Owner.

Dated this 10 day of June, 1997.

THE CITY OF SAN DIEGO

OWNER

By: [Signature]

BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP, a Maryland limited partnership

Its: CEO member

By: BMR Sports Properties, Inc. a Maryland corporation

By: [Signature]

Its: VICE PRESIDENT

I HEREBY APPROVE the form and legality of the foregoing Amended Agreement this 12th day of June, 1997.

CASEY G. GWINN, City Attorney

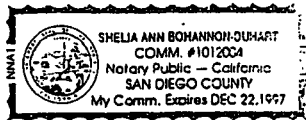
By: [Signature], DCA

ALL PURPOSE ACKNOWLEDGMENT

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

On June 10, 1997, before me, SHELIA ANN BOHANNON-DUHART, the undersigned, a Notary Public in and for said State, personally appeared K. S. CHILCOTT, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



(This area for official notarial seal)

Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of CALIFORNIA
County of SAN FRANCISCO
On MAY 12, 1997 before me, LEAH STOUT NOTARY PUBLIC
personally appeared DUANE DANIELSEN

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Signature of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
CORPORATE OFFICER VICE PRESIDENT
PARTNER(S) LIMITED GENERAL
ATTORNEY-IN-FACT
TRUSTEE(S)
GUARDIAN/CONSERVATOR
OTHER:

DESCRIPTION OF ATTACHED DOCUMENT
SECOND AMENDED and RESTATED DEVELOPMENT AGREEMENT BETWEEN THE CITY OF SAN DIEGO and BLACK HILLS TAN
TITLE OR TYPE OF DOCUMENT

28 + EXHIBITS
NUMBER OF PAGES

12th day of MAY, 1997
DATE OF DOCUMENT

THE CITY OF SAN DIEGO
CASEY G. GWINN
SIGNER(S) OTHER THAN NAMED ABOVE

SIGNER IS REPRESENTING.
NAME OF PERSON(S) OR ENTITY(IES)
BMR SPORTS PROPERTIES, INC.
a Maryland corporation

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF SAN DIEGO, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THOSE PORTIONS OF THE SOUTH HALF OF THE SOUTHWEST QUARTER AND OF LOTS 1 AND 2, OF SECTION 33, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, LYING WESTERLY OF THE WESTERLY BOUNDARY OF PENASQUITOS GLENS NO. 5, ACCORDING TO MAP THEREOF NO. 6983.

EXCEPT THEREFROM ALL MINERALS, OIL, GAS AND HYDROCARBON SUBSTANCES AND THE RIGHT FOR THEMSELVES, THEIR HEIRS, GRANTEES, LESSEES AND SUCCESSORS TO PROSPECT FOR, MINE FOR, DRILL FOR, REMOVE AND TAKE MINERALS, OIL, GAS AND HYDROCARBON SUBSTANCES FROM UNDER SAID PROPERTY BY WELLS, TUNNEL OR OTHER WORKS, AS RESERVED BY BERNARD J. OLHASSO AND FRANCES OLHASSO, HUSBAND AND WIFE, AND MARIE LOINAZ, A WIDOW, IN DEED RECORDED OCTOBER 18, 1949 IN BOOK 3353, PAGE 362 OF OFFICIAL RECORDS.

PARCEL 2:

THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER; THE SOUTH HALF OF THE SOUTHWEST QUARTER AND LOTS 1, 2, 3 AND 4, ALL BEING IN SECTION 32, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 3:

THAT PORTION OF SECTION 31, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, LYING SOUTHERLY OF A LINE DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID SECTION 31, WHICH IS DISTANT THEREON 487.00 FEET SOUTHERLY FROM THE WEST QUARTER CORNER OF SAID SECTION 31; THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID SECTION 31 TO THE EASTERLY LINE OF SAID SECTION 31.

PARCEL 4:

PARCEL 1 OF PARCEL MAP NO. 12443, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED IN DEED TO THE CITY OF SAN DIEGO, RECORDED APRIL 14, 1983, AS FILE NO. 83-118520 OF OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SURVEY LINE OF THE SECOND SAN DIEGO AQUEDUCT, SECOND PIPELINE SAID SURVEY LINE BEING THE SOUTHWESTERLY LINE OF THAT CERTAIN EASEMENT FOR WATER PURPOSES GRANTED

TO THE SAN DIEGO COUNTY WATER AUTHORITY, A PUBLIC CORPORATION, RECORDED JULY 17, 1958 AS DOCUMENT 114529 IN BOOK 7169, PAGE 419 OF OFFICIAL RECORDS WITH THE SOUTHEASTERLY LINE THAT CERTAIN 50 FOOT WIDE EASEMENT DESCRIBED AS PARCEL 8 OF THAT DOCUMENT RECORDED MARCH 5, 1965, AS FILE/PAGE 39815 OF OFFICIAL RECORDS, BEING ALSO A POINT IN THE ARC OF A 1100-FOOT RADIUS CURVE, CONCAVE WESTERLY, A RADIAL BEARS SOUTH 69°16'58" EAST TO SAID POINT, THENCE SOUTHWESTERLY ALONG SAID SOUTHEASTERLY LINE AND ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 04°52'50", A DISTANCE OF 93.70 FEET TO A POINT TO WHICH A RADIAL BEARS SOUTH 64°24'08" EAST BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTHWESTERLY ALONG SAID SOUTHEASTERLY LINE AND ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 02°21'54" A DISTANCE OF 45.40 FEET; THENCE SOUTH 30°02'22" EAST, 35.00 FEET; THENCE NORTH 59°57'38" EAST, 38.00 FEET; THENCE NORTH 30°02'22" WEST, 59.85 FEET RETURNING TO THE TRUE POINT OF BEGINNING.

PARCEL 5:

LOT 2 IN SECTION 2, TOWNSHIP 14 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY.

EXCEPTING AND RESERVING UNTO THE GRANTOR HEREOF ALL OIL, HYDROCARBONS, FISSIONABLE MATERIALS, MINERALS LYING BELOW 500 FEET BENEATH THE SURFACE OF SAID LAND WITHOUT THE RIGHT TO EXCAVATE OR DISTURB THE SURFACE OF SAID LAND.

PARCEL 6:

THAT PORTION OF LOT 1 -THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER- OF SECTION 4, TOWNSHIP 14 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, LYING NORTHERLY OF PENASQUITOS GLENS, ACCORDING TO MAP THEREOF NO. 6453, WESTERLY OF PENASQUITOS GLENS Unit No. 5, ACCORDING TO MAP THEREOF NO. 6983, AND WESTERLY OF PENASQUITOS GLENS UNIT NO. 2, ACCORDING TO MAP THEREOF NO. 6773, ALL FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

PARCEL 7:

ALL THAT REAL PROPERTY IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THOSE PORTIONS OF THE EAST HALF OF THE WEST HALF OF SECTION 4, IN TOWNSHIP 14 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, ACCORDING TO UNITED STATES GOVERNMENT SURVEY THEREOF, AND OF RANCHO LOS PENASQUITOS, ACCORDING TO MAP THEREOF ACCOMPANYING THE PATENT TO SAID RANCHO RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, IN BOOK 2, PAGE 385 OF PATENTS, DESCRIBED AS FOLLOWS:

BEGINNING AT AN ANGLE POINT IN THE WESTERLY BOUNDARY OF LOT 97 OF PENASQUITOS UNIT NO. 3, ACCORDING TO MAP THEREOF NO. 6111, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, SAID ANGLE POINT BEING FORMED BY THE COURSES BEARING "NORTH 37°26' WEST" AND

"NORTH 13°19' WEST"; THENCE SOUTH 56°36'24" WEST 801.54 FEET TO THE WEST LINE OF THE EAST HALF OF THE WEST HALF OF SECTION 4; THENCE ALONG SAID WEST LINE NORTH 0°44'16" EAST -RECORD NORTH 0°44'48" EAST- 3190.14 FEET TO AN ANGLE POINT IN THE SOUTHERLY BOUNDARY OF PENASQUITOS GLENS, ACCORDING TO MAP THEREOF NO. 6453, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY; THENCE IN A GENERAL EASTERLY DIRECTION ALONG SAID BOUNDARY TO WESTERLY BOUNDARY OF SAID PENASQUITOS UNIT NO. 3; THENCE IN A GENERAL SOUTHERLY, WESTERLY AND SOUTHERLY DIRECTION ALONG THE BOUNDARY OF SAID UNIT NO. 3 TO THE POINT OF BEGINNING.

EXCEPTING THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF THE WESTERLY 1/2 OF SAID SECTION 4 DISTANT THEREON NORTH 00°56'44" EAST 2475.72 FEET FROM THE SOUTHEAST CORNER OF SAID WESTERLY 1/2 OF SECTION 4; THENCE NORTH 69°20'00" EAST 83.32 FEET; THENCE NORTH 20°40'00" WEST 340.00 FEET; THENCE SOUTH 69°20'00" WEST 250.00 FEET; THENCE SOUTH 20°40'00" EAST 340.00 FEET; THENCE NORTH 69°20'00" EAST 166.68 FEET TO THE POINT OF BEGINNING.

BASIS OF BEARINGS: LINE BETWEEN U.S.C. & G.S. STA. "MIRAMAR" AND STA. "BLACK" I.E. NORTH 00°09'46" EAST.

ALSO EXCEPTING THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF THE WESTERLY 1/2 OF SAID SECTION 4, DISTANT THEREON NORTH 00°56'44" EAST 2475.72 FEET FROM THE SOUTHEAST CORNER OF SAID WESTERLY 1/2 OF SECTION 4; THENCE NORTH 69°20'00" EAST 81.30 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 69°20'00" EAST 2.02 FEET; THENCE NORTH 20°40'00" WEST 40.52 FEET; THENCE SOUTH 65°30'00" EAST 282.33 FEET TO A POINT IN THE ARC OF A 958.00 FOOT RADIUS CURVE, CONCAVE NORTHWESTERLY; A RADIAL BEARS SOUTH 66°41'46" EAST TO SAID POINT; THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 01°11'46" A DISTANCE OF 20.00 FEET; THENCE SOUTH 24°30'00" WEST 10.00 FEET; THENCE NORTH 65°30'00" WEST 255.23 FEET TO THE TRUE POINT OF BEGINNING.

BASIS OF BEARINGS: LINE BETWEEN U.S.C. & G.S. STA. "MIRAMAR" AND STA. "BLACK", I.E. NORTH 00°09'46" EAST, COORDINATES ARE LAMBERT GRID COORDINATES, CALIFORNIA ZONE 6.

ALSO EXCEPTING A STRIP OF LAND 60 FEET IN WIDTH THE CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF THE WEST 1/2 OF SAID SECTION 4; THENCE ALONG THE EASTERLY LINE OF SAID WEST 1/2 OF SECTION 4 NORTH 00°56'44" EAST 2475.72 FEET; THENCE SOUTH 69°20'00" WEST 166.68 FEET; THENCE NORTH 20°40'00" WEST 150.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 69°20'00" WEST 158.73 FEET TO THE BEGINNING OF A TANGENT 200.00 FOOT RADIUS CURVE, CONCAVE NORTHERLY; THENCE WESTERLY ALONG THE ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 36°40'00" A DISTANCE OF 127.99 FEET; THENCE NORTH 74°00'00" WEST 104.74 FEET TO THE BEGINNING OF A TANGENT 100.00 FOOT RADIUS CURVE, CONCAVE EASTERLY; THENCE NORTHWESTERLY, NORTHERLY AND NORTHEASTERLY ALONG THE ARC OF LAST SAID CURVE THROUGH A CENTRAL ANGLE OF 114°00'00" A DISTANCE OF 198.97 FEET; THENCE NORTH 40°00'00" EAST 435.75 FEET TO THE BEGINNING

OF A TANGENT 200.00 FOOT RADIUS CURVE, CONCAVE SOUTHEASTERLY; THENCE NORTHEASTERLY AND EASTERLY ALONG THE ARC OF LAST SAID CURVE, THROUGH A CENTRAL ANGLE OF 50°00'00" A DISTANCE OF 174.53 FEET; THENCE EAST TO THE NORTHEASTERLY BOUNDARY OF THE ABOVE DESCRIBED LAND.

BASIS OF BEARINGS: LINE BETWEEN U.S.C. & G.S. STA. "MIRAMAR" AND STA. "BLACK", I.E. NORTH 00°09'46" EAST, COORDINATES ARE LAMBERT GRID COORDINATES, CALIFORNIA ZONE 6.

PARCEL 8:

THE SOUTH HALF OF SECTION 36 AND THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 9:

LOTS 2, 3 AND 4 OF SECTION 1, TOGETHER WITH LOT 1 OF SECTION 2, ALL BEING IN TOWNSHIP 14 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 10:

THE SOUTH HALF OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 1, TOWNSHIP 14 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 11:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER; AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER; AND THE WEST HALF OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 12:

THE EAST HALF OF THE SOUTHWEST QUARTER AND THE WEST HALF OF THE SOUTHEAST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 13:

THE EAST HALF OF THE WEST HALF OF SECTION 2, TOWNSHIP 14 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 14:

LOTS 6, 7 AND 8; THE WEST HALF OF THE NORTHEAST QUARTER; THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER; ALL OF THE SOUTHWEST QUARTER; ALL OF THE NORTHWEST QUARTER; ALL BEING IN SECTION 30, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

EXCEPTING FROM SAID SECTION 30 THAT PORTION LYING NORTHERLY OF THE NORTHERLY LINE OF THE SOUTHERLY 3,450 FEET OF SAID SECTION.

PARCEL 15:

THE SOUTHERLY 3,450 FEET OF SECTION 25, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 16:

THAT PORTION OF SECTION 31, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, LYING NORTHERLY OF A LINE DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID SECTION 31, WHICH IS DISTANT THEREON 487.00 FEET SOUTHERLY FROM THE WEST QUARTER CORNER OF SAID SECTION 31; THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID SECTION 31 TO THE EASTERLY LINE OF SAID SECTION 31.

EXCEPTING LOT 8 OF SAID SECTION 31.

PARCEL 17:

THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER; NORTH HALF OF THE NORTHWEST QUARTER; SOUTHWEST QUARTER OF THE NORTHWEST QUARTER; AND THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 35; AND NORTH HALF OF SECTION 36, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

PARCEL 18:

THAT PORTION OF SECTION 30, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, LYING NORTHERLY OF THE NORTHERLY LINE OF THE SOUTHERLY 3,450 FEET OF SAID SECTION.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 1 -THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER-

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OF SECTION 30, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID LOT 1 -NORTHWEST QUARTER OF THE NORTHWEST QUARTER- OF SECTION 30; THENCE SOUTH 89°57'30" EAST ALONG THE NORTHERLY LINE OF SAID LOT 1 -NORTHWEST QUARTER OF THE NORTHWEST QUARTER-, A DISTANCE OF 200.00 FEET TO A POINT ON THE EASTERLY LINE OF THAT CERTAIN RIGHT OF WAY GRANTED TO SAN DIEGO GAS & ELECTRIC COMPANY, A CORPORATION, RECORDED JANUARY 27, 1954 AS DOCUMENT NO. 10727 IN BOOK 5122, PAGE 554 OF OFFICIAL RECORDS OF THE SAID COUNTY OF SAN DIEGO; THENCE LEAVING SAID NORTHERLY LINE AND ALONG SAID EASTERLY RIGHT OF WAY LINE SOUTH 0°04'08" EAST, 30.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING AND CONTINUING ALONG SAID EASTERLY RIGHT OF WAY LINE SOUTH 0°04'08" EAST, 310.00 FEET; THENCE LEAVING SAID EASTERLY RIGHT OF WAY LINE SOUTH 89°57'30" EAST ALONG A LINE PARALLEL WITH AND 340.00 FEET SOUTHERLY OF THE NORTHERLY LINE OF SAID SECTION 30, A DISTANCE OF 380.00 FEET; THENCE NORTH 0°04'08" WEST ALONG A LINE PARALLEL WITH AND 380.00 FEET EASTERLY OF SAID EASTERLY RIGHT OF WAY LINE, A DISTANCE OF 310.00 FEET TO A LINE THAT IS PARALLEL WITH AND 30.00 FEET SOUTHERLY OF SAID NORTHERLY LINE OF SECTION 30; THENCE NORTH 89°57'30" WEST ALONG SAID PARALLEL LINE, A DISTANCE OF 380.00 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 19:

SECTION 25, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF.

EXCEPTING THE SOUTHERLY 3,450 FEET OF SAID SECTION 25.

PARCEL 20:

THOSE PORTIONS OF THE NORTHEAST QUARTER AND THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 11, TOWNSHIP 14 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO OFFICIAL PLAT THEREOF, LYING NORTHERLY OF THE NORTHERLY LINE OF SAID SECTION 11 AS SAID NORTHERLY LINE IS SHOWN ON PARCEL MAP 8133 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 6, 1978, RECORDER'S FILE NO. 78-525379.

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EXHIBIT B

PROJECT PHASING AND FINANCING PLAN

B-1. Phasing Summary

B-2. Financing Plan

Black Mountain Ranch
PHASING SUMMARY

cross section, grade and alignment approved through the Vesting Tentative Map process shall be used. Provide intersection widening and traffic signal at Black Mountain Road and Camino Ruiz.

4. Black Mountain Road - Construct 2 lanes of an ultimate 4-lane major street from Carmel Valley Road to existing improvements in Peñasquitos. Provide intersection widening and traffic signal at Carmel Valley Road.
5. Carmel Valley Road - West from Via Abertura to SR-56 in Carmel Valley, enhance existing 2-lane road. Provide signing, striping, and other widening or intersection improvements as required by the City Engineer.
6. Carmel Valley Road at Rancho Santa Fe Farms Road - Construct traffic signal.
7. El Camino Real at San Dieguito Road - Widen westbound approach for shared left and right turn lane.
8. Black Mountain Road at Maler Road - Construct traffic signal.
9. Black Mountain Road at SR-56 Westbound Ramp - Widen westbound approach for dual lefts and right turn lanes. Modify the traffic signal.
10. Black Mountain Road at SR-56 Eastbound Ramp - Widen southbound approach for dual lefts. Widen northbound approach for exclusive right turn lane.
11. Black Mountain Road at Park Village Road - Widen southbound approach for exclusive right turn.
12. Rancho Peñasquitos Blvd at SR-56 Westbound Ramp - Widen westbound off ramp to provide a center left/through/right turn lane.

PHASE 1 DEVELOPMENT

Maximum Development in Phase 1 Increment:

Private Facilities:

Market Rate Dwellings	450
Affordable Dwellings	60
Golf Courses and Clubhouses	2
Churches	2
Police Station/Security Office	1
Post Office/Mail Center	1
Recreation Center	1
Property Owners Association Offices	1
Day Care Center	1
Senior Center	1
Meeting Hall/Community Center	1

Public Facilities:

Neighborhood Park	1
Fire Station	1
Potable Water Reservoir	1
Reclaimed Water Reservoir	1

Traffic Improvements to be Assured Prior to Recordation of Final Maps in Phase 1:

1. San Dieguito Road - Construct a 2-lane collector street from the westerly property boundary to Camino Ruiz with intersection widening for a turn lane and a traffic signal at Camino Ruiz.
2. Camino Ruiz - Construct 2 lanes of an ultimate 4-lane major street from San Dieguito Road to Carmel Valley Road. Provide reservation (Irrevocable Offer to Dedicate) for 6 lanes plus slope rights. Provide intersection widening and traffic signals at San Dieguito Road, B Street, and Carmel Valley Road.
3. Carmel Valley Road - Construct 2 lanes from Via Abertura (off-site) to Black Mountain Road. Provide reservation (Irrevocable Offer to Dedicate) for 6 lanes plus slope rights. A

PHASE 2 DEVELOPMENT

Maximum Development in Phase 2 Increment:

Private Facilities:

Market Rate Dwellings	492
Affordable Dwellings	119

Public Facilities:

Elementary Schools	2
Middle School	1
Neighborhood Park	1
Community Park	1
Fire Station	1
High School	1

Total Development Allowed in Phases 1 and 2 Combined:

Private Facilities:

Market Rate Dwellings	942
Affordable Dwellings	179
Golf Courses and Clubhouses	2
Churches	2
Day Care Center	1
Senior Center	1
Meeting Hall/Community Center	1
Police Station/Security Office	1
Post Office/Mail Center	1
Recreation Center	1
Property Owners Association Offices	1

Public Facilities:

Elementary Schools	2
Middle School	1
High School	1
Neighborhood Parks	2
Community Park	1
Fire Station	2
Potable Water Reservoir	1
Reclaimed Water Reservoir	1

Traffic Improvements to be Assured Prior to Recordation of Final Maps in Phase 2:

1. Carmel Valley Road - Provide reservation (Irrevocable Offer to Dedicate) for 6 lanes plus slope rights from Black Mountain Road east to project boundary.
2. Camino del Norte - Provide reservation (Irrevocable Offer to Dedicate) for 6 lanes plus slope rights from Camino Ruiz east to project boundary.
3. Resort Street - Provide reservation (Irrevocable Offer to Dedicate) for a 4-lane collector street from Camino Ruiz to the golf course access.
4. Camino Ruiz - Provide reservation (Irrevocable Offer to Dedicate) for 6 lanes plus slope rights from Camino del Norte to San Dieguito Road.
5. Camino Ruiz - Widen to a 4-lane major street from San Dieguito Road to Carmel Valley Road or provide funding for construction of 2 lanes of a 4-lane major street from Carmel Valley Road to SR-56.
6. Carmel Valley Road at I-5 Southbound Ramp - Restripe intersection for a westbound shared left/through lane. Modify signal for split phasing.

Legend



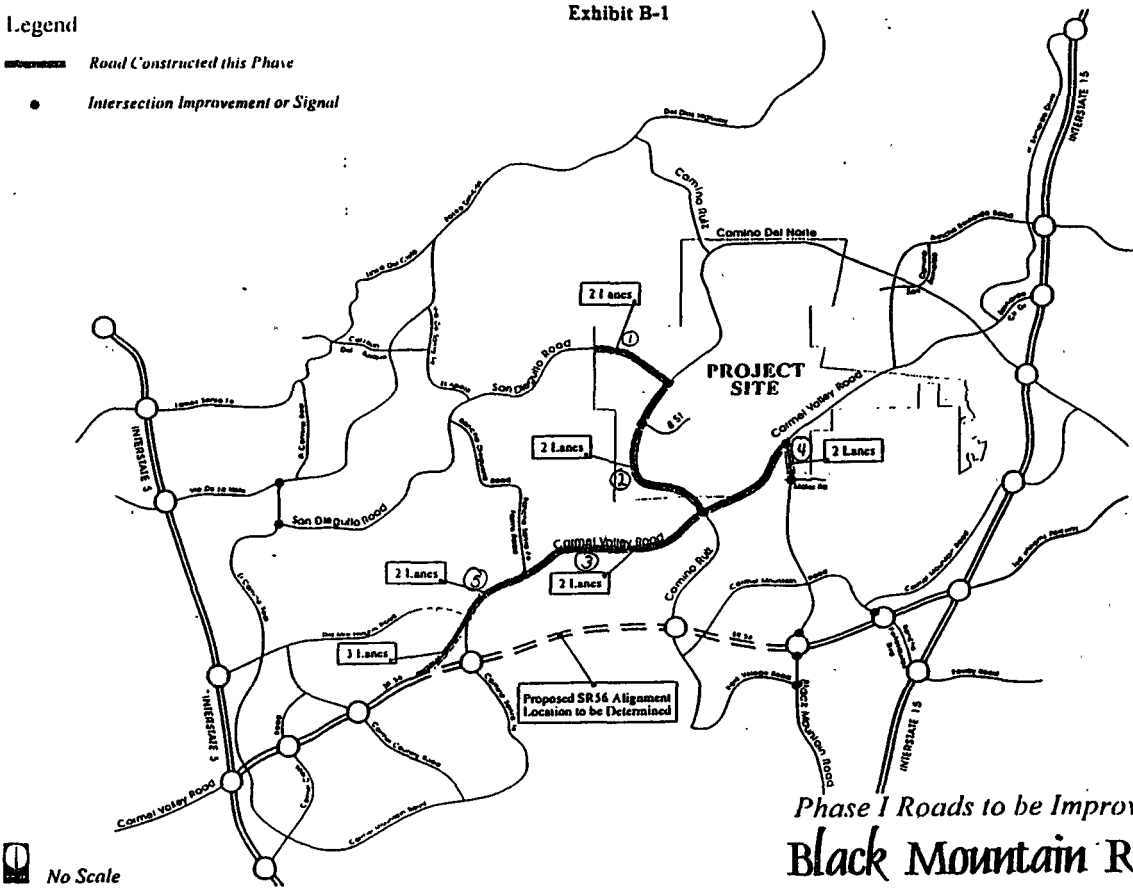
-  Road Constructed this Phase
-  Intersection Improvement or Signal

Exhibit B-1



Phase I Roads to be Improved
Black Mountain Ranch

1546

C-165

Legend



-  Road Constructed this Phase - Either (A) or (B)
-  Intersection Improvement or Signal

Exhibit B-1

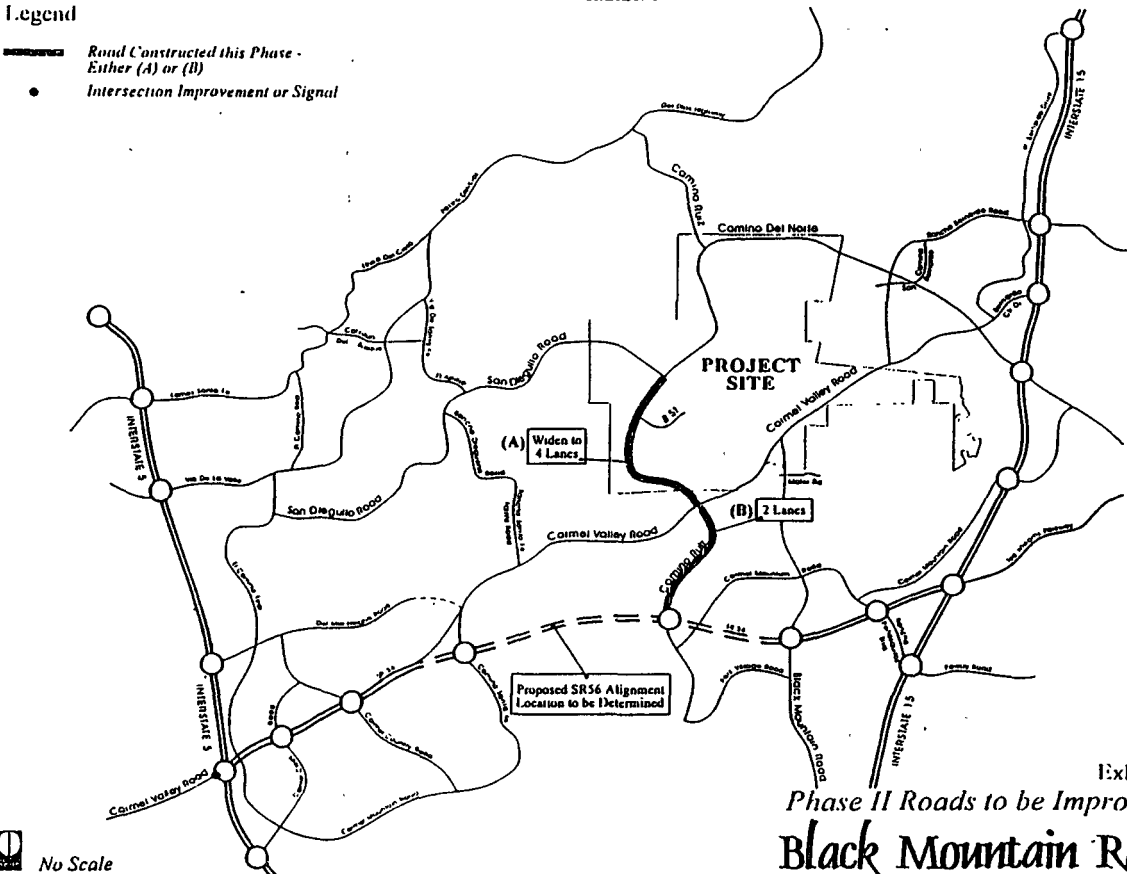


Exhibit B-1
Phase II Roads to be Improved
Black Mountain Ranch

1547

C-166

Black Mountain Ranch
PUBLIC FACILITIES FINANCING PLAN

1. Southern Neighborhood Park (5 usable acres)
[Unit 23, Lot 1]

Financing: Owner shall design, construct and deed completed facility to the City. Owner shall be eligible for reimbursement from other property owners for their fair share allocation of the cost of the land, design and construction of the park.

Phasing: To be completed prior to issuance of the first Certificate of Occupancy for a non-model residential unit.

Permitted Development: Phase 1 development as set forth in Exhibit B-1.

2. Northeastern Neighborhood Park (5 or 10 usable acres)
[Unit 29, Lot 2]

Financing: Owner to donate 5 usable acres of land adjacent an elementary school site or 10 usable acres as a stand alone park site. Owner shall cooperate with City to establish a financing program, to the extent permitted by law, to fund the design and construction of the entire 5 or 10 acres of the park. Owner shall be eligible for reimbursement from other property owners for their fair share allocation of the cost of the land for the park site.

Phasing: To be donated prior to recordation of the Final Map for Development Unit 29. An alternative site location within Unit 29 may be established during the Subarea Planning for Subarea I of the North City Future Urbanizing Area Framework Plan or by mutual agreement of the Owner and the City.

Permitted Development: Phase 1 and Phase 2 development as set forth in Exhibit B-1.

3. Community Park (30 usable acres)
[Unit 27, Lot 73]

Financing: Owner to donate the 40.97 acre Community Park Site including a 30 acre graded pad for park development. Owner to provide public street and utility service up to and adjacent to the Park Site. Owner shall be eligible for reimbursement from other property owners for their fair share allocation of the land and improvement costs of the Community Park Site. The Owner shall establish a Special Park Fee within Black Mountain Ranch of \$1,335. per single family dwelling unit and \$934. per multi-family dwelling unit to provide for their fair share of costs associated with Community Park design, development and construction. Said fee shall be adjusted to reflect the increase, if any, in the Consumer Price Index on July 1 of each calendar year. The fee shall be paid at Building Permit issuance for each dwelling.

Phasing: An irrevocable offer to dedicate the Community Park Site on demand of the City shall be provided on recordation of the first Final Map. Public streets and utilities serving the Park Site shall be constructed concurrently with the other public improvements in Development Unit 27. Site to be graded and conveyed to the City prior to recordation of the Final Map for the Development Unit containing the 600th market rate residential unit.

Permitted Development: Phase 1 and Phase 2 development as set forth in Exhibit B-1.

4. Elementary Schools (10 acres each)
[Unit 23, Lot 2 & Unit 29, Lot 6]

Financing: Per Agreement with Poway Unified School District.

Phasing: Per Agreement with Poway Unified School District.

Permitted Development: Per Agreement with Poway Unified School District.

5. Middle School (17.06 acres)
[Unit 26, Lot 62]

Financing: Per Agreement with Poway Unified School District.

Phasing: Per Agreement with Poway Unified School District.

Permitted Development: Per Agreement with Poway Unified School District.

6. High School (38.26 acres)
[Unit 25, Lot 67]

Financing: Per Agreement with Poway Unified School District.

Phasing: Per Agreement with Poway Unified School District.

Permitted Development: Per Agreement with Poway Unified School District.

7. Library

Financing: The Owner shall establish a Special Library Fee of \$509. per single family dwelling unit and \$356. per multi-family dwelling unit to provide for their fair share of costs associated with the design, development and furnishing of permanent Library facilities to serve the project and neighboring communities. Said fee shall have be adjusted to reflect the increase, if any, in the Consumer Price Index on July 1 of each calendar year and shall be paid at Building Permit issuance for each dwelling.

Phasing: Development timing for the permanent Library shall be determined by the City.

Permitted Development: Phase 1 and Phase 2 development as set forth in Exhibit B-1.

8. South Fire Station (1 acre. Up To 10,000 SF building)
[Unit 23, Lot 10]

Financing: Owner to donate land and construct and equip building according to Fire Department specifications, including fire fighting apparatus and related equipment, all at no cost to the City. Owner shall be eligible for reimbursement from other property owners for their fair share allocation of the land, improvement and equipment costs of the South Fire Station. Site improvements to include traffic control equipment for direct access onto Camino Ruiz.

Phasing: Owner to dedicate site with the recordation of the Final Map for Development Unit 23. Site to be graded concurrently with the grading of Camino Ruiz adjacent to the site. The timing of building construction and staffing to be determined by the City.

Permitted Development: Phase 1 development as set forth in Exhibit B-1.

9. North Fire Station (1 acre. Up To 10,000 SF building)
[Unit 29, Lot 1]

Financing: Owner to reserve for potential future acquisition a site for possible Fire Station to serve possible future development. The site shall be reserved at no cost to the City.

Phasing: A specific site location within Unit 29 to be established during the Subarea Planning for Subarea I of the North City Future Urbanizing Area Framework Plan, but in no case later than the recordation of the Final Map for Development Unit 29. The timing of site acquisition, building construction and staffing to be determined by the City. Fire Station funding and construction not required for Phase 1 or Phase 2.

Permitted Development: Phase 1 and Phase 2 development as set forth in Exhibit B-1.

10. Potable Water ("Domestic Water") Reservoir
[Unit 27, Lot 74]

Financing: Owner to donate land for Reservoir site. Owner to enter into a Participation Agreement with the City of San Diego Water Utilities Department for the design and construction of the Reservoir. The Participation Agreement will establish the degree and timing of Owner and Water Utility Department participation in project financing. Owner to contribute to design, improvement, and mitigation costs in proportion to usage.

Phasing: Participation Agreement to be finalized prior to recordation of first Final Map. Site to be dedicated and Reservoir to be constructed prior to recordation of first sale of residential units in Phase I.

Permitted Development: Phase 1 development as set forth in Exhibit B-1.

11. Reclaimed Water Reservoir (43.06 acres)
[Unit 1, Lot 3]

Financing: Owner to construct improvements.

Phasing: Construct concurrent with 2 golf courses in Phase 1.

Permitted Development: Phase 1 development as set forth in Exhibit B-1.

12. Trail System - La Jolla Valley Link (3.6 miles)

Financing: Owner to construct trail improvements, including but not limited to amenities such as informational signs, directional signs and benches, as part of Development Units in accordance with Exhibit D.

Phasing: Construct prior to donation of public open space parcels in which trail segment is located.

Permitted Development: Applicable Development Units as set forth in Exhibit D.

13. Trail System - South Loop (6.2 miles)

Financing: Owner to construct trail improvements, including but not limited to amenities such as informational signs, directional signs and benches, as part of Development Units in accordance with Exhibit D.

Phasing: Construct prior to donation of public open space parcels in which the trail segment is located.

Permitted Development: Applicable Development Units as set forth in Exhibit D.

14. Trail System - North Loop (6.6 miles)

Financing: Owner to construct trail improvements, including but not limited to amenities such as informational signs, directional signs and benches, as part of Development Units in accordance with Exhibit D.

Phasing: Construct prior to donation of public open space parcels in which the trail segment is located.

Permitted Development: Applicable Development Units as set forth in Exhibit D.

15. Public Open Space System
[See Exhibit D-2 for List of Lots]
- Financing: Owner to donate land.
- Phasing: Owner to provide Irrevocable Offers of Dedication upon the recordation of final subdivision map for each Development Unit in accordance with the terms specified in Exhibit D.
- Permitted Development: Applicable Development Units as set forth in Exhibit D.
16. La Jolla Valley Recreational Bike Path (1.7 miles)
- Financing: Owner to construct bike path improvements, including but not limited to amenities such as informational signs, directional signs and benches, as part of Development Units in accordance with Exhibit D.
- Phasing: Construct prior to donation of public open space parcels in which the bike path segment is located.
- Permitted Development: Applicable Development Units as set forth in Exhibit D.
17. San Dieguito Road (60 ft. right-of-way)
- Financing: Owner to dedicate 2-lane right-of-way and construct a 2-lane collector street from the westerly property boundary to Camino Ruiz, with intersection widening and traffic signal at Camino Ruiz. Owner to construct the one-foot strip connection to San Dieguito Road within the County of San Diego to the satisfaction of the County of San Diego Director of Public Works.
- Phasing: Construct prior to issuance of a Certificate of Occupancy for the first non-model residential unit and opening of golf courses in Phase 1. San Dieguito Road will not be opened to public traffic until such time as Camino Ruiz has been opened to at least two lanes of traffic from San Dieguito Road south to Carmel Valley Road.
- Permitted Development: Phase 1 as set forth in Exhibit B - 1.
18. Camino Ruiz (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)
- Financing: Owner to dedicate all required right-of-way and construct 2 lanes of ultimate 4-lane major street from San Dieguito Road to Carmel Valley Road, providing intersection widening and traffic signals at San Dieguito Road, "B" Street, and Carmel Valley Road.
- Phasing: Construct prior to issuance of a Certificate of Occupancy for the first non-model residential unit and opening of golf courses in Phase 1.
- Permitted Development: Phase 1 as set forth in Exhibit B - 1.

19. Carmel Valley Road (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)
- Financing: Owner to dedicate right-of-way and construct 2 lanes of ultimate 4-lane major street from Via Abertura (off-site) to Black Mountain Road, providing intersection widening and traffic signals at Camino Ruiz and Black Mountain Road. A grade and alignment approved through the Vesting Tentative Map process shall be used.
- Phasing: Construct prior to issuance of a Certificate of Occupancy for the first non-model residential unit and opening of golf courses in Phase 1.
- Permitted Development: Phase 1 as set forth in Exhibit B - 1.
20. Black Mountain Road (98 ft. right-of-way)
- Financing: Owner to dedicate all right-of-way plus slope rights as required and construct 2 lanes of ultimate 4-lane major street from Carmel Valley Road to existing improvements in Rancho Penasquitos, providing intersection widening and traffic signal at Carmel Valley Road.
- Phasing: Construct prior to issuance of a Certificate of Occupancy for the first non-model residential unit and opening of golf courses in Phase 1.
- Permitted Development: Phase 1 as set forth in Exhibit B - 1.
21. Carmel Valley Road (Enhance existing 2-lane road)
- Financing: Owner to enhance existing 2-lane road by widening the road to two 20 ft. lanes in a 50 ft. graded cross section with a design speed of between 45 and 55 mph from Via Abertura west to SR-56 in Carmel Valley, providing intersection widening and traffic signal at Rancho Santa Fe Farms Road. Provide additional (third) 12 ft. lane from SR-56 east to top of grade near Del Mar Heights Road extension. Provide signing and striping to the satisfaction of the City Engineer.
- Phasing: Construct to the satisfaction of the City Engineer prior to issuance of a Certificate of Occupancy for the first non-model residential unit in Phase 1.
- Permitted Development: Phase 1 as set forth in Exhibit B - 1.
22. Phase 1 Off-site Traffic Improvements Numbers 7, 8, 9, 10, 11 & 12 Identified in Exhibit B - 1.
- Financing: Owner to acquire rights-of-way, including slope rights as required, and donate and construct improvements or otherwise assure construction to the satisfaction of the City Engineer.

Phasing: Construct or otherwise assure to the satisfaction of the City Engineer prior to issuance of a Certificate of Occupancy for the first non-model residential unit and opening of golf courses in Phase 1.

Permitted Development: Phase 1 as set forth in Exhibit B - 1.

23. Carmel Valley Road (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)

Financing: Owner to provide Irrevocable Offer to Dedicate for six lanes and slope rights from Black Mountain Road east to project boundary. Owner may be subject to reimbursement, either in whole or in part, from San Diego County for land, design and improvements.

Phasing: Provide Irrevocable Offer to Dedicate with the Final Map for the development unit in which the road or portion of road is located. The City may require the Owner to provide the Irrevocable Offer to Dedicate in advance of Final Map recordation if the City Engineer determines there is a need. The Owner may seek and the City shall facilitate reimbursement for any design or documentation costs associated with Irrevocable Offers to Dedicate required in advance of Final Map recordation.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

24. Camino del Norte (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)

Financing: Owner to provide Irrevocable Offer to Dedicate for six lanes and slope rights from Camino Ruiz east to project boundary. Owner may be subject to reimbursement, either in whole or in part, from San Diego County for land, design and improvements.

Phasing: Provide Irrevocable Offer to Dedicate with the Final Map for the development unit in which the road or portion of road is located. The City may require the Owner to provide the Irrevocable Offer to Dedicate in advance of Final Map recordation if the City Engineer determines there is a need. The Owner may seek and the City shall facilitate reimbursement for any design or documentation costs associated with Irrevocable Offers to Dedicate required in advance of Final Map recordation.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

25. Resort Street (98 ft. right-of-way)

Financing: Owner to provide an Irrevocable Offer to Dedicate for a 4-lane collector street and slope rights from Camino Ruiz to the golf course access on a grade and alignment satisfactory to the City Engineer.

Phasing: Provide Irrevocable Offer to Dedicate with the Final Map for the development unit in which the road or portion of road is located.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

26. Camino Ruiz (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)

Financing: Owner to provide Irrevocable Offer to Dedicate for six lanes and slope rights from Camino del Norte to San Dieguito Road. Owner may be subject to reimbursement, either in whole or in part, from San Diego County for land, design and improvements.

Phasing: Provide Irrevocable Offer to Dedicate with the Final Map for the development unit in which the road or portion of road is located. The City may require the Owner to provide the Irrevocable Offer to Dedicate in advance of Final Map recordation if the City Engineer determines there is a need. The Owner may seek and the City shall facilitate reimbursement for any design or documentation costs associated with Irrevocable Offers to Dedicate required in advance of Final Map recordation.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

27. Camino Ruiz (98 ft. right-of-way plus an Irrevocable Offer to Dedicate for six lanes and slope rights)

Financing: (A) Owner to construct 2 additional lanes of 4-lane major street from San Dieguito Road to Carmel Valley Road or (B) provide funding for the construction of 2 lanes of Camino Ruiz from Carmel Valley Road south to SR-56. The funding to be provided under alternative (B) shall be either an amount equal to the estimated cost of the construction of the 2 additional lanes between San Dieguito Road and Carmel Valley Road or \$3,200,000, whichever is larger.

Phasing: City Engineer shall select alternative (A) or (B) concurrent with approval of the Final Map for the Development Unit containing the 511th market rate residential unit.

If the City Engineer selects alternative (A) the additional 2-lanes shall be constructed after the building permit is issued for the 511th market rate residential unit and before the building permit is issued for the 600th market rate residential unit. The resulting 4-lane facility shall not be striped for more than two through lanes of traffic unless a determination is made by the City Engineer that the facility is operating at or below Level of Service "D".

If the City Engineer selects alternative (B) the Owner shall provide the funding or a guarantee of funding prior to recordation of the Final Map for the Development Unit containing the 600th market rate residential unit or at the start of construction of SR-56 between Black Mountain Road and Camino Ruiz, whichever occurs first. Funding or guarantee of funding by the Owner shall be provided in a manner to be established by the City Engineer at the time alternative (B) is selected. Design studies and CEQA review for Camino Ruiz between Carmel Valley Road and SR-56 must be complete prior to construction of this road segment.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

28. Carmel Valley Road at I - 5 Southbound Ramp

Financing: Owner to modify traffic signal for split phasing and restripe intersection for a westbound shared left/through lane.

Phasing: Construct prior to issuance of a Certificate of Occupancy for the first non-model residential unit in Phase 2.

Permitted Development: Phase 2 as set forth in Exhibit B - 1.

29. The improvements included in Items 17, 18, 19, 20, 21, and 27 are assented to by the Owner, in part, in order to induce the County of San Diego to take early action to accept the previously rejected offer of dedication for the San Dieguito one-foot strip. Any future amendments to this agreement changing the improvement requirements of these Items, related to the San Dieguito Road issue only, must receive prior approval by the Board of Supervisors of the County of San Diego.

NOTE: 1) All design processes of all public facilities, such as parks, library, fire station, etc. shall be subject to review and approval of the relevant operating City Department. This includes designer selection, design concept, material specifications, all details of design, including building, facilities, equipment, apparatus, and construction procedures. This is not the City Building Permit process which must also be used.

EXHIBIT C

DEVELOPMENT PLAN

C-1. Composite Vesting Tentative Map

C-2. Project Data

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 1	1	GOLF COURSE	319.40	
UNIT 1	2	CLUBHOUSE	10.17	
UNIT 1	3	RECLAIMED WATER RESERVOIR	43.06	
UNIT 1	POA 1	SIGNAGE	0.03	
UNIT 1	POA 2	SIGNAGE	0.06	
UNIT 1	POA 3	SIGNAGE	0.06	
UNIT 1	POA 4	SIGNAGE	0.03	
UNIT 1	OS 1	PUBLIC OPEN SPACE	22.75	
UNIT 1		8 LOTS ON TOTAL UNIT ACREAGE OF	395.56	
UNIT 2	1 THRU 26	SINGLE FAMILY RESIDENTIAL	5.66	0.22
UNIT 2	POA 1	POA OPEN SPACE	10.86	
UNIT 2	POA 2	SIGNAGE	0.03	
UNIT 2	POA 3	SIGNAGE	0.06	
UNIT 2	POA 4	SIGNAGE	0.06	
UNIT 2		STREETS	4.74	
UNIT 2		30 LOTS ON TOTAL UNIT ACREAGE OF	21.21	
UNIT 3	1 THRU 23	SINGLE FAMILY RESIDENTIAL	4.61	0.20
UNIT 3	POA 1	POA OPEN SPACE	8.79	
UNIT 3	POA 2	SIGNAGE	0.03	
UNIT 3	POA 3	SECURITY OFFICE	0.06	
UNIT 3	POA 4	SIGNAGE	0.06	
UNIT 3	POA 5	SIGNAGE	0.06	
UNIT 3		STREETS	4.11	
UNIT 3		28 LOTS ON TOTAL UNIT ACREAGE OF	17.72	
UNIT 4	1 THRU 64	SINGLE FAMILY RESIDENTIAL	18.63	0.29
UNIT 4	6 5	RECLAIMED WATER RESERVOIR	89.90	
UNIT 4	POA 1	POA OPEN SPACE	1.84	
UNIT 4	POA 2	POA OPEN SPACE	0.33	
UNIT 4	POA 3	POA OPEN SPACE	0.76	
UNIT 4	POA 4	POA OPEN SPACE	0.98	
UNIT 4	POA 5	POA OPEN SPACE	0.52	
UNIT 4	POA 6	POA OPEN SPACE	0.24	
UNIT 4	POA 7	POA OPEN SPACE	0.07	
UNIT 4	POA 8	POA OPEN SPACE	0.10	
UNIT 4	POA 9	SIGNAGE	0.11	
UNIT 4	BM 1	BRUSH MANAGEMENT OPEN SPACE	1.86	
UNIT 4		STREETS	11.51	
UNIT 4		75 LOTS ON TOTAL UNIT ACREAGE OF	126.65	
UNIT 5	1 THRU 38	SINGLE FAMILY RESIDENTIAL	10.47	0.28
UNIT 5	POA 1	POA OPEN SPACE	10.62	
UNIT 5	POA 2	SIGNAGE	0.03	
UNIT 5	POA 3	SIGNAGE	0.03	
UNIT 5	POA 4	SIGNAGE	0.03	
UNIT 5	POA 5	SIGNAGE	0.03	
UNIT 5	POA 6	POA ACCESSORY USE	4.43	
UNIT 5	POA 7	POA OPEN SPACE	4.49	
UNIT 5		STREETS	6.39	
UNIT 5		45 LOTS ON TOTAL UNIT ACREAGE OF	36.52	
UNIT 6	1 THRU 42	SINGLE FAMILY RESIDENTIAL	10.28	0.24
UNIT 6	POA 1	POA OPEN SPACE	4.22	
UNIT 6	POA 2	POA OPEN SPACE	0.40	
UNIT 6	POA 3	SIGNAGE	0.03	

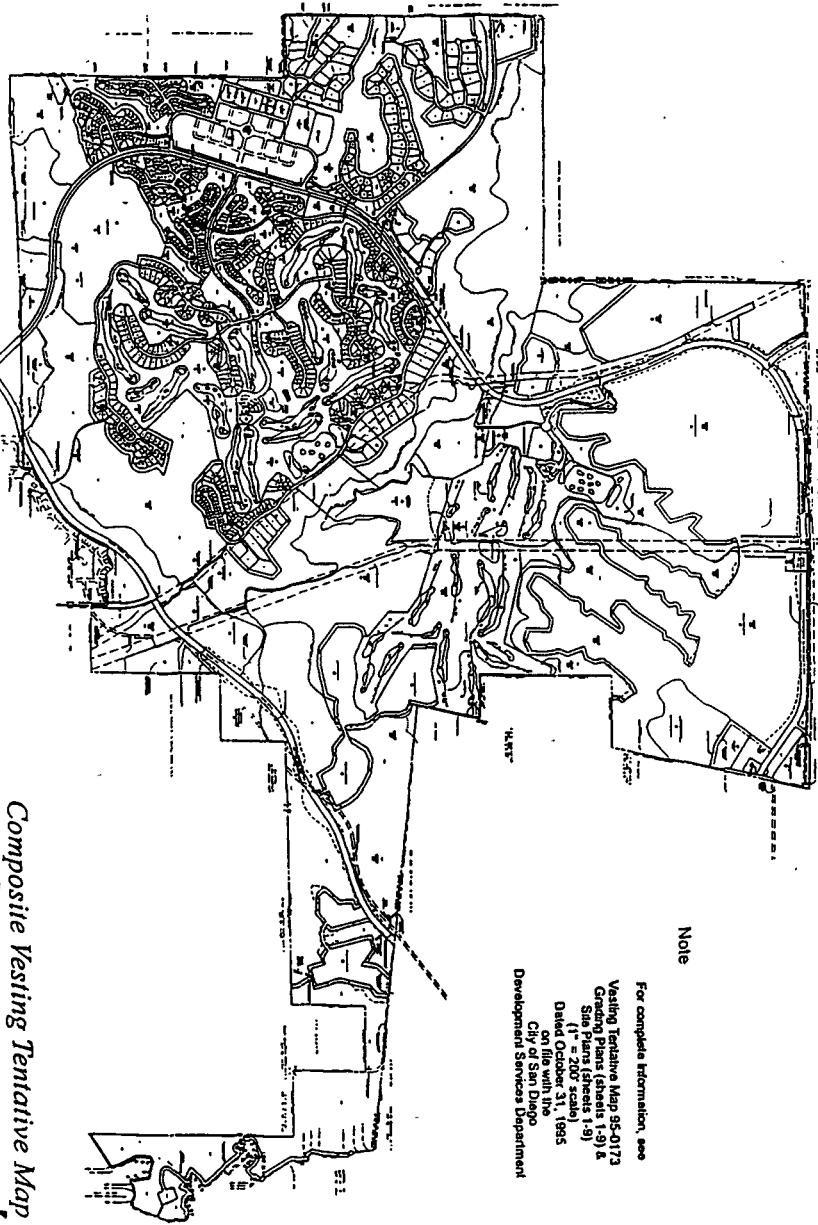


Exhibit C-1

Note

For complete information, see
 Vesting Tentative Map 95-0173
 Grading Plans (sheets 1-9) &
 Site Plans (sheets 1-9) &
 (1" = 200' scale)
 Dated October 31, 1995
 City of San Diego
 Civil Services Department

Composite Vesting Tentative Map
 Black Mountain Ranch

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 6	POA 4	POA OPEN SPACE	0.11	
UNIT 6	POA 5	POA ACCESSORY USE	2.59	
UNIT 6	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.55	
UNIT 6		STREETS	4.06	
UNIT 6		48 LOTS ON TOTAL UNIT ACREAGE OF	25.24	
UNIT 7	1 THRU 24	SINGLE FAMILY RESIDENTIAL	8.68	0.36
UNIT 7	POA 1	POA OPEN SPACE	9.45	
UNIT 7	POA 2	SIGNAGE	0.03	
UNIT 7	POA 3	POA ACCESSORY USE	1.12	
UNIT 7	BM 1	BRUSH MANAGEMENT OPEN SPACE	0.47	
UNIT 7		STREETS	4.46	
UNIT 7		28 LOTS ON TOTAL UNIT ACREAGE OF	24.21	
UNIT 8	1 THRU 25	SINGLE FAMILY RESIDENTIAL	9.39	0.38
UNIT 8	POA 1	POA OPEN SPACE	4.70	
UNIT 8	POA 2	POA OPEN SPACE	1.15	
UNIT 8	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.34	
UNIT 8		STREETS	1.96	
UNIT 8		28 LOTS ON TOTAL UNIT ACREAGE OF	19.54	
UNIT 9	1 THRU 35	SINGLE FAMILY RESIDENTIAL	18.62	0.53
UNIT 9		STREETS	3.12	
UNIT 9		35 LOTS ON TOTAL UNIT ACREAGE OF	21.74	
UNIT 10	1 THRU 21	SINGLE FAMILY RESIDENTIAL	10.57	0.50
UNIT 10		STREETS	2.38	
UNIT 10		21 LOTS ON TOTAL UNIT ACREAGE OF	12.95	
UNIT 11	1 THRU 40	SINGLE FAMILY RESIDENTIAL	15.89	0.40
UNIT 11		STREETS	2.92	
UNIT 11		40 LOTS ON TOTAL UNIT ACREAGE OF	18.81	
UNIT 12	1 THRU 18	SINGLE FAMILY RESIDENTIAL	6.45	0.36
UNIT 12	POA 1	POA OPEN SPACE	0.11	
UNIT 12		STREETS	2.13	
UNIT 12		19 LOTS ON TOTAL UNIT ACREAGE OF	8.69	
UNIT 13	1 THRU 59	SINGLE FAMILY RESIDENTIAL	28.09	0.48
UNIT 13	POA 1	POA ACCESSORY USE	1.12	
UNIT 13	POA 2	POA ACCESSORY USE	3.44	
UNIT 13	POA 3	POA OPEN SPACE	1.52	
UNIT 13	POA 4	POA OPEN SPACE	0.23	
UNIT 13	POA 5	POA OPEN SPACE	1.33	
UNIT 13		STREETS	6.93	
UNIT 13		64 LOTS ON TOTAL UNIT ACREAGE OF	42.66	
UNIT 14	1 THRU 38	SINGLE FAMILY RESIDENTIAL	11.76	0.31
UNIT 14	POA 1	POA OPEN SPACE	2.95	
UNIT 14	POA 2	POA OPEN SPACE	0.11	
UNIT 14	POA 3	POA OPEN SPACE	0.05	
UNIT 14	POA 4	POA OPEN SPACE	0.78	
UNIT 14	POA 5	POA OPEN SPACE	0.09	
UNIT 14		STREETS	4.38	
UNIT 14		43 LOTS ON TOTAL UNIT ACREAGE OF	20.12	
UNIT 15	1 THRU 131	SINGLE FAMILY RESIDENTIAL	11.80	0.38
UNIT 15	POA 1	POA OPEN SPACE	8.73	

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 15	POA 2	POA OPEN SPACE	0.23	
UNIT 15	POA 3	POA OPEN SPACE	1.00	
UNIT 15	POA 4	SIGNAGE	0.08	
UNIT 15		STREETS	8.86	
UNIT 15		35 LOTS ON TOTAL UNIT ACREAGE OF	30.70	
UNIT 16	1 THRU 23	SINGLE FAMILY RESIDENTIAL	6.46	0.28
UNIT 16	POA 1	POA OPEN SPACE	2.04	
UNIT 16	POA 2	POA OPEN SPACE	1.23	
UNIT 16	POA 3	POA ACCESSORY USE	1.13	
UNIT 16		STREETS	3.91	
UNIT 16		26 LOTS ON TOTAL UNIT ACREAGE OF	14.77	
UNIT 17	1 THRU 32	SINGLE FAMILY RESIDENTIAL	14.51	0.45
UNIT 17	POA 1	POA OPEN SPACE	0.15	
UNIT 17		STREETS	5.11	
UNIT 17		33 LOTS ON TOTAL UNIT ACREAGE OF	19.77	
UNIT 18	1 THRU 18	SINGLE FAMILY RESIDENTIAL	35.09	1.95
UNIT 18	19	ACCESS LOT	0.82	
UNIT 18	OS 1	PUBLIC OPEN SPACE	4.50	
UNIT 18	OS 2	PUBLIC OPEN SPACE	87.53	
UNIT 18	BM 1	BRUSH MANAGEMENT OPEN SPACE	7.04	
UNIT 18		STREETS	0.54	
UNIT 18		22 LOTS ON TOTAL UNIT ACREAGE OF	135.52	
UNIT 19	1 THRU 17	SINGLE FAMILY RESIDENTIAL	16.57	2.37
UNIT 19	POA 1	SIGNAGE	0.03	
UNIT 19	POA 2	SIGNAGE	0.03	
UNIT 19	POA 3	SIGNAGE	0.03	
UNIT 19	POA 4	SIGNAGE	0.03	
UNIT 19	POA 5	POA OPEN SPACE	0.33	
UNIT 19	OS 1	PUBLIC OPEN SPACE	270.68	
UNIT 19	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.30	
UNIT 19	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.56	
UNIT 19	BM 3	BRUSH MANAGEMENT OPEN SPACE	2.20	
UNIT 19		STREETS	2.70	
UNIT 19		STREET RESERVATION	10.32	
UNIT 19		16 LOTS ON TOTAL UNIT ACREAGE OF	307.78	
UNIT 20	1 THRU 23	SINGLE FAMILY RESIDENTIAL	50.52	2.20
UNIT 20	24	DESILTING BASIN OPEN SPACE	0.82	
UNIT 20	25	DESILTING BASIN OPEN SPACE	3.46	
UNIT 20	26	SEWER PUMP STATION #2	0.54	
UNIT 20	POA 1	SIGNAGE	0.06	
UNIT 20	POA 2	SIGNAGE	0.06	
UNIT 20	POA 3	SIGNAGE	0.03	
UNIT 20	POA 4	SIGNAGE	0.03	
UNIT 20	POA 5	SIGNAGE	0.03	
UNIT 20	POA 6	SIGNAGE	0.03	
UNIT 20	OS 1	PUBLIC OPEN SPACE	27.79	
UNIT 20	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.38	
UNIT 20	BM 2	BRUSH MANAGEMENT OPEN SPACE	3.32	
UNIT 20	BM 3	BRUSH MANAGEMENT OPEN SPACE	1.25	
UNIT 20	BM 4	BRUSH MANAGEMENT OPEN SPACE	2.47	
UNIT 20	BM 5	BRUSH MANAGEMENT OPEN SPACE	2.71	
UNIT 20	BM 6	BRUSH MANAGEMENT OPEN SPACE	2.25	
UNIT 20	BM 7	BRUSH MANAGEMENT OPEN SPACE	0.78	

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 20		STREETS	7.821	
UNIT 20		401 LOTS ON TOTAL UNIT ACREAGE OF	108.351	
UNIT 21	1 THRU 56	SINGLE FAMILY RESIDENTIAL	36.091	0.78
UNIT 21	POA 1	POA ACCESSORY USE	1.221	
UNIT 21	POA 2	POA ACCESSORY USE	1.641	
UNIT 21	POA 3	POA ACCESSORY USE	1.211	
UNIT 21	POA 4	SIGNAGE	0.031	
UNIT 21	POA 5	SIGNAGE	0.031	
UNIT 21	POA 6	SIGNAGE	0.031	
UNIT 21	POA 7	SIGNAGE	0.031	
UNIT 21	POA 8	SIGNAGE	0.031	
UNIT 21	POA 9	SIGNAGE	0.031	
UNIT 21	POA 10	SIGNAGE	0.031	
UNIT 21	POA 11	SIGNAGE	0.031	
UNIT 21	POA 12	SIGNAGE	0.031	
UNIT 21	POA 13	SIGNAGE	0.031	
UNIT 21	POA 14	POA OPEN SPACE	7.121	
UNIT 21	OS 1	PUBLIC OPEN SPACE	78.941	
UNIT 21	BM 1	BRUSH MANAGEMENT OPEN SPACE	4.801	
UNIT 21	BM 2	BRUSH MANAGEMENT OPEN SPACE	7.141	
UNIT 21		STREETS	15.581	
UNIT 21		73 LOTS ON TOTAL UNIT ACREAGE OF	153.841	
UNIT 22	1 THRU 23	SINGLE FAMILY RESIDENTIAL	44.951	1.95
UNIT 22	24	DESILTING BASIN OPEN SPACE	3.901	
UNIT 22	POA 1	SIGNAGE	0.011	
UNIT 22	POA 2	SIGNAGE	0.011	
UNIT 22	POA 3	POA OPEN SPACE	0.781	
UNIT 22	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.431	
UNIT 22	BM 2	BRUSH MANAGEMENT OPEN SPACE	0.721	
UNIT 22	BM 3	BRUSH MANAGEMENT OPEN SPACE	2.711	
UNIT 22		STREETS	5.311	
UNIT 22		30 LOTS ON TOTAL UNIT ACREAGE OF	61.821	
UNIT 23	1	NEIGHBORHOOD PARK	5.521	
UNIT 23	2	ELEMENTARY SCHOOL	10.001	
UNIT 23	3	RECREATION CENTER	2.121	
UNIT 23	4	SENIORS CENTER	1.071	
UNIT 23	5	DAY CARE CENTER	1.071	
UNIT 23	6	CHURCH	1.921	
UNIT 23	7	AFFORDABLE HOUSING (30 DWELLINGS)	2.151	
UNIT 23	8	AFFORDABLE HOUSING (30 DWELLINGS)	2.121	
UNIT 23	9	POA OFFICES & SERVICES	4.281	
UNIT 23	10	FIRE STATION	1.061	
UNIT 23	11	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	58.511	
UNIT 23	POA 1	SIGNAGE	0.031	
UNIT 23	POA 2	SIGNAGE	0.031	
UNIT 23	POA 3	SIGNAGE	0.031	
UNIT 23	POA 4	SIGNAGE	0.031	
UNIT 23	POA 5	POA OPEN SPACE	1.491	
UNIT 23	POA 6	POA OPEN SPACE	1.521	
UNIT 23	POA 7	SIGNAGE	0.031	
UNIT 23		STREETS	15.151	
UNIT 23		18 LOTS ON TOTAL UNIT ACREAGE OF	108.111	
UNIT 24	1 THRU 79	SINGLE FAMILY RESIDENTIAL	18.571	0.24
UNIT 24	80	DESILTING BASIN OPEN SPACE	0.501	

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 24	POA 1	POA OPEN SPACE	0.341	
UNIT 24	POA 2	POA ACCESSORY USE	0.541	
UNIT 24	POA 3	SIGNAGE	0.031	
UNIT 24	POA 4	SIGNAGE	0.031	
UNIT 24	POA 5	SIGNAGE	0.031	
UNIT 24	OS 1	PUBLIC OPEN SPACE	23.401	
UNIT 24	BM 1	BRUSH MANAGEMENT OPEN SPACE	0.761	
UNIT 24	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.731	
UNIT 24		STREETS	5.861	
UNIT 24		88 LOTS ON TOTAL UNIT ACREAGE OF	52.791	
UNIT 25	1 THRU 64	SINGLE FAMILY RESIDENTIAL	20.471	0.32
UNIT 25	65	SEWER PUMP STATION #3	0.451	
UNIT 25	66	DESILTING BASIN OPEN SPACE	3.021	
UNIT 25	67	HIGH SCHOOL SITE	38.261	
UNIT 25	68	CHURCH	5.661	
UNIT 25	POA 1	POA OPEN SPACE	0.921	
UNIT 25	POA 2	POA OPEN SPACE	0.311	
UNIT 25	POA 3	SIGNAGE	0.031	
UNIT 25	POA 4	SIGNAGE	0.031	
UNIT 25	POA 5	POA OPEN SPACE	1.251	
UNIT 25	POA 6	SIGNAGE	0.121	
UNIT 25	POA 7	SIGNAGE	0.111	
UNIT 25	POA 8	POA OPEN SPACE	0.261	
UNIT 25	POA 9	POA ACCESSORY USE	0.541	
UNIT 25	OS 1	PUBLIC OPEN SPACE	59.481	
UNIT 25	BM 1	BRUSH MANAGEMENT OPEN SPACE	4.051	
UNIT 25	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.141	
UNIT 25	BM 3	BRUSH MANAGEMENT OPEN SPACE	1.241	
UNIT 25		STREETS	12.581	
UNIT 25		81 LOTS ON TOTAL UNIT ACREAGE OF	150.921	
UNIT 25	1 THRU 161	SINGLE FAMILY RESIDENTIAL	25.241	0.41
UNIT 26	62	MIDDLE SCHOOL	17.061	
UNIT 26	63	ACCESS LOT	1.331	
UNIT 26	POA 1	SIGNAGE	0.121	
UNIT 26	POA 2	SIGNAGE	0.081	
UNIT 26	POA 3	SIGNAGE	0.061	
UNIT 26	POA 4	POA OPEN SPACE	0.671	
UNIT 26	OS 1	PUBLIC OPEN SPACE	75.411	
UNIT 26	OS 2	PUBLIC OPEN SPACE	170.821	
UNIT 26	OS 3	PUBLIC OPEN SPACE	13.301	
UNIT 26	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.221	
UNIT 26	BM 2	BRUSH MANAGEMENT OPEN SPACE	5.311	
UNIT 26		STREETS	25.221	
UNIT 26		72 LOTS ON TOTAL UNIT ACREAGE OF	336.841	
UNIT 27	1 THRU 72	SINGLE FAMILY RESIDENTIAL	37.801	0.53
UNIT 27	73	COMMUNITY PARK	40.971	
UNIT 27	74	DOMESTIC WATER RESERVOIR	12.821	
UNIT 27	75	SEWER PUMP STATION #5	0.311	
UNIT 27	76	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	68.411	
UNIT 27	77	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	29.951	
UNIT 27	78	ACCESS LOT	0.691	
UNIT 27	POA 1	POA OPEN SPACE	3.901	
UNIT 27	POA 2	SIGNAGE	0.081	
UNIT 27	OS 1	PUBLIC OPEN SPACE	255.601	
UNIT 27	OS 2	PUBLIC OPEN SPACE	36.921	

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 27	OS 3	PUBLIC OPEN SPACE	210.751	
UNIT 27	OS 4	PUBLIC OPEN SPACE	47.911	
UNIT 27	OS 5	PUBLIC OPEN SPACE	7.341	
UNIT 27	OS 6	PUBLIC OPEN SPACE	98.611	
UNIT 27	OS 7	PUBLIC OPEN SPACE	13.011	
UNIT 27	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.021	
UNIT 27	BM 2	BRUSH MANAGEMENT OPEN SPACE	4.841	
UNIT 27	BM 3	BRUSH MANAGEMENT OPEN SPACE	4.671	
UNIT 27	BM 4	BRUSH MANAGEMENT OPEN SPACE	2.191	
UNIT 27	BM 5	BRUSH MANAGEMENT OPEN SPACE	3.971	
UNIT 27	BM 6	BRUSH MANAGEMENT OPEN SPACE	1.971	
UNIT 27	BM 7	BRUSH MANAGEMENT OPEN SPACE	0.831	
UNIT 27	BM 8	BRUSH MANAGEMENT OPEN SPACE	2.751	
UNIT 27	BM 9	BRUSH MANAGEMENT OPEN SPACE	1.521	
UNIT 27	BM 10	BRUSH MANAGEMENT OPEN SPACE	4.261	
UNIT 27	BM 11	BRUSH MANAGEMENT OPEN SPACE	3.431	
UNIT 27	BM 12	BRUSH MANAGEMENT OPEN SPACE	4.471	
UNIT 27	BM 13	BRUSH MANAGEMENT OPEN SPACE	0.651	
UNIT 27	BM 14	BRUSH MANAGEMENT OPEN SPACE	3.121	
UNIT 27	BM 15	BRUSH MANAGEMENT OPEN SPACE	1.641	
UNIT 27	BM 16	BRUSH MANAGEMENT OPEN SPACE	2.671	
UNIT 27		STREET RESERVATION	19.921	
UNIT 27		STREETS	11.421	
UNIT 27		103 LOTS ON TOTAL UNIT ACREAGE OF	942.391	
UNIT 28	1	GOLF COURSE	287.841	
UNIT 28	2	CLUBHOUSE	6.381	
UNIT 28	3	CLUBHOUSE	6.291	
UNIT 28	4	SEWER PUMP STATION #1	1.721	
UNIT 28	5	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	13.211	
UNIT 28	6	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	107.891	
UNIT 28	7	A-1-10 ZONE (FUTURE DEVELOPMENT SITE-RESORT)	19.371	
UNIT 28	POA 1	SIGNAGE	0.031	
UNIT 28	POA 2	SIGNAGE	0.031	
UNIT 28	POA 3	SIGNAGE	0.031	
UNIT 28	POA 4	SIGNAGE	0.031	
UNIT 28	POA 5	SIGNAGE	0.061	
UNIT 28	POA 6	SIGNAGE	0.061	
UNIT 28	POA 7	SIGNAGE	0.031	
UNIT 28	POA 8	SIGNAGE	0.031	
UNIT 28	POA 9	POA OPEN SPACE	9.411	
UNIT 28	POA 10	POA OPEN SPACE	23.591	
UNIT 28	OS 1	PUBLIC OPEN SPACE	164.591	
UNIT 28	OS 2	PUBLIC OPEN SPACE	5.771	
UNIT 28	OS 3	PUBLIC OPEN SPACE	39.621	
UNIT 28	OS 4	PUBLIC OPEN SPACE	3.111	
UNIT 28	BM 1	BRUSH MANAGEMENT OPEN SPACE	6.211	
UNIT 28	BM 2	BRUSH MANAGEMENT OPEN SPACE	3.731	
UNIT 28		STREET RESERVATION	24.871	
UNIT 28		23 LOTS ON TOTAL UNIT ACREAGE OF	723.901	
UNIT 29	1	FIRE STATION	1.681	
UNIT 29	2	NEIGHBORHOOD PARK	6.431	
UNIT 29	3	SEWER PUMP STATION #4	0.081	
UNIT 29	4	UTILITY SITE	1.471	
UNIT 29	5	AFFORDABLE HOUSING (119 DWELLINGS)	11.291	
UNIT 29	6	ELEMENTARY SCHOOL	10.401	
UNIT 29	7	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	39.251	

DEVELOPMENT PLAN PROJECT DATA

EXHIBIT C-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	AVERAGE LOT SIZE
UNIT 29	8	A-1-10 ZONE (FUTURE DEVELOPMENT SITE)	556.511	
UNIT 29	POA 1	SIGNAGE	0.061	
UNIT 29	POA 2	SIGNAGE	0.061	
UNIT 29	OS 1	PUBLIC OPEN SPACE	5.271	
UNIT 29	OS 2	PUBLIC OPEN SPACE	27.261	
UNIT 29	OS 3	PUBLIC OPEN SPACE	10.121	
UNIT 29	BM 1	BRUSH MANAGEMENT OPEN SPACE	13.021	
UNIT 29	BM 2	BRUSH MANAGEMENT OPEN SPACE	14.011	
UNIT 29	BM 3	BRUSH MANAGEMENT OPEN SPACE	15.711	
UNIT 29	BM 4	BRUSH MANAGEMENT OPEN SPACE	0.421	
UNIT 29		STREET RESERVATION	24.171	
UNIT 29		STREETS	2.471	
UNIT 29		171 LOTS ON TOTAL UNIT ACREAGE OF	736.681	
TOTAL BLACK MOUNTAIN RANCH AREA			4677.001	
TOTAL NUMBER OF SINGLE FAMILY RESIDENTIAL LOTS			942.001	
OVERALL AVERAGE SINGLE FAMILY LOT SIZE (ACRES)				0.51
LAND USE SUMMARY			ACRES	PERCENT
TOTAL SINGLE FAMILY RESIDENTIAL NET AREA (942 DWELLINGS)			477.171	10.20%
TOTAL AFFORDABLE HOUSING AREA (119 DWELLINGS)			15.561	0.33%
TOTAL POA ACCESSORY USE AREA			18.981	0.41%
TOTAL ASSOCIATION SIGNAGE			2.801	0.06%
TOTAL COMMUNITY FACILITIES			18.901	0.40%
TOTAL ACCESS LOTS			2.841	0.06%
TOTAL CLUBHOUSE AREA			22.841	0.49%
TOTAL STREET DEDICATIONS			181.621	3.88%
TOTAL STREET RESERVATIONS			79.281	1.70%
TOTAL DOMESTIC WATER RESERVOIR AREA			12.821	0.27%
TOTAL PUMP STATION AREA			3.101	0.07%
TOTAL SCHOOL AREA			75.721	1.62%
TOTAL UTILITY AREA			1.471	0.03%
TOTAL CURRENT DEVELOPMENT AREA			913.101	19.52%
TOTAL FUTURE DEVELOPMENT AREA			893.101	19.10%
TOTAL FUTURE DEVELOPMENT AREA			893.101	19.10%
TOTAL DEVELOPMENT AREA			1806.201	38.62%
TOTAL BRUSH MANAGEMENT OPEN SPACE			173.631	3.71%
TOTAL POA OPEN SPACE			131.871	2.82%
TOTAL GOLF COURSE AREA			607.241	12.98%
TOTAL DESILTING BASIN AREA			11.701	0.25%
TOTAL RECLAIMED RESERVOIR AREA			132.961	2.84%
TOTAL OPEN SPACE EASEMENTS			1057.401	22.61%
TOTAL PUBLIC OPEN SPACE			1760.481	37.64%
TOTAL PARKS AREA			52.921	1.13%
TOTAL DEDICATED OPEN SPACE & PARKS			1813.401	38.77%
TOTAL OPEN SPACE			2870.801	61.38%
TOTAL BLACK MOUNTAIN RANCH AREA			4677.001	100.00%

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Black Mountain Ranch
PARKS & OPEN SPACE PROGRAM

EXHIBIT D

PARKS AND OPEN SPACE PROGRAM

D-1. Program

D-2. List of Protected Open Spaces

D-3. Conceptual Trail Plan

1. Dedications:

Owner shall dedicate (i.e., gift in fee title) to the City of San Diego approximately 1,813 acres of "Public Open Space & Parks Area," as such uses are identified by development unit and lot in Exhibit C-2 and Exhibit D-2 of this Agreement. An Irrevocable Offer of Dedication shall be provided for such lots upon recordation of the final subdivision map for the development unit in which each lot to be dedicated is located. These Irrevocable Offers of Dedication shall be accepted by the City at the time the conditions of a., b., and c. below are either complete or otherwise assured to the satisfaction of the Director of Parks and Recreation.

a. Revegetation and Mitigation:

Prior to dedication to the City of lots for open space purposes, the owner shall on lots to be accepted by the City, initiate a habitat mitigation and revegetation program which provides for mitigation of project impacts to existing native habitats and the revegetation of open space areas disturbed by project grading. A detailed Final Habitat Mitigation and Revegetation program prepared by a qualified biologist and landscape architect consistent with the Black Mountain Ranch II EIR and Draft Revegetation Program shall be approved by the City of San Diego Development Services Department and Parks and Recreation Department, the U.S. Fish and Wildlife Service, and the California Department of Fish and Game prior to issuance of a grading permit or recordation of the first final map.

The habitat mitigation and revegetation program shall include a Mitigation Area which includes the active revegetation of 13 acres of riparian habitat and 12 acres of Diegan sage scrub, the revegetation of open space areas disturbed by project grading and the preservation of existing native habitats within the dedicated open space. After initial planting of the 13 acres of riparian habitat, 12 acres of Diegan sage scrub and the open space areas disturbed by project grading within the open space lots the Owner shall be responsible for maintenance, monitoring and reporting of the revegetated riparian habitat, Diegan sage scrub and open space areas disturbed by project grading for a minimum of five years and until the success criteria to be established in the Final Habitat Mitigation and Revegetation program have been met.

Those areas of the open space lots which are not a part of the Mitigation Area are available for active revegetation as part of the Clean Water Program and other public or private mitigation.

b. Invasive Species Removal:

Prior to the recordation of the first Final Map the Owner shall prepare an Invasive Plant Removal Plan to the satisfaction of the Director of the Parks and Recreation Department. The Plan shall provide for the phased removal of invasive plants from those lots to be dedicated to the City for open space purposes. The Plan may provide for the Owner to undertake the active removal of invasive plants or it may provide for cash contributions from the Owner to the Parks and Recreation Department for the purpose of invasives removal or both. The Owner's total expenditure for active removal and cash contributions shall be fixed at \$350,000. in the Plan. Said expenditure limitation shall be adjusted to reflect the increase, if any,

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EXHIBIT D - 1

in the Consumer Price Index on July 1 of each calendar year. The City shall have no obligation to remove invasive species from private properties within Black Mountain Ranch.

c. Trails:

Prior to dedication to City of lots for open space purposes, owner shall construct pedestrian, bicycle, and horseback riding trails on those lots to be dedicated. Trail improvements shall be in substantial conformance with the Project Design Guidelines. This represents approximately 18 miles of trails in the public open space as identified in Exhibit D-3.

2. Easements:

Owner shall grant City permanent open space easements over approximately 1,057 acres of land for "Brush Management Open Space" and "Property Owner Association, Desilting Basin, Reclaimed Water Reservoir & Golf Course Open Space" use as identified by development unit and lot in Exhibit C-2 and Exhibit D-2 of this Agreement. Granting of such easements shall be upon recordation of the final subdivision map for the development unit in which each easement is located. Maintenance of easement areas shall be as provided for in the Project Design Guidelines.

PROTECTED OPEN SPACES

EXHIBIT D-2

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	PROTECTION
UNIT 1	1	GOLF COURSE	319.40	EASEMENT
UNIT 1	3	RECLAIMED WATER RESERVOIR	43.06	EASEMENT
UNIT 1	OS 1	PUBLIC OPEN SPACE	22.75	DEDICATION
UNIT 2	POA1	POA OPEN SPACE	10.66	EASEMENT
UNIT 3	POA 1	POA OPEN SPACE	8.79	EASEMENT
UNIT 4	65	RECLAIMED WATER RESERVOIR	89.90	EASEMENT
UNIT 4	POA 1	POA OPEN SPACE	1.84	EASEMENT
UNIT 4	POA 2	POA OPEN SPACE	0.33	EASEMENT
UNIT 4	POA 3	POA OPEN SPACE	0.78	EASEMENT
UNIT 4	POA 4	POA OPEN SPACE	0.98	EASEMENT
UNIT 4	POA 5	POA OPEN SPACE	0.52	EASEMENT
UNIT 4	POA 6	POA OPEN SPACE	0.24	EASEMENT
UNIT 4	POA 7	POA OPEN SPACE	0.07	EASEMENT
UNIT 4	POA 8	POA OPEN SPACE	0.10	EASEMENT
UNIT 4	BM 1	BRUSH MANAGEMENT OPEN SPACE	1.88	EASEMENT
UNIT 5	POA 1	POA OPEN SPACE	10.62	EASEMENT
UNIT 5	POA 7	POA OPEN SPACE	4.49	EASEMENT
UNIT 6	POA 1	POA OPEN SPACE	4.22	EASEMENT
UNIT 6	POA 2	POA OPEN SPACE	0.40	EASEMENT
UNIT 6	POA 4	POA OPEN SPACE	0.11	EASEMENT
UNIT 6	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.55	EASEMENT
UNIT 7	POA 1	IPOA OPEN SPACE	9.45	EASEMENT
UNIT 7	BM 1	BRUSH MANAGEMENT OPEN SPACE	0.47	EASEMENT
UNIT 8	POA 1	IPOA OPEN SPACE	4.70	EASEMENT
UNIT 8	POA 2	IPOA OPEN SPACE	1.15	EASEMENT
UNIT 8	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.34	EASEMENT
UNIT 12	POA 1	POA OPEN SPACE	0.11	EASEMENT
UNIT 13	POA 3	POA OPEN SPACE	1.52	EASEMENT
UNIT 13	POA 4	POA OPEN SPACE	0.23	EASEMENT
UNIT 13	POA 5	POA OPEN SPACE	1.33	EASEMENT
UNIT 14	POA 1	POA OPEN SPACE	2.95	EASEMENT
UNIT 14	POA 2	POA OPEN SPACE	0.11	EASEMENT
UNIT 14	POA 3	POA OPEN SPACE	0.05	EASEMENT
UNIT 14	POA 4	POA OPEN SPACE	0.78	EASEMENT
UNIT 14	POA 5	POA OPEN SPACE	0.09	EASEMENT
UNIT 15	POA 1	POA OPEN SPACE	8.73	EASEMENT
UNIT 15	POA 2	POA OPEN SPACE	0.23	EASEMENT
UNIT 15	POA 3	POA OPEN SPACE	1.00	EASEMENT
UNIT 16	POA 1	POA OPEN SPACE	2.04	EASEMENT
UNIT 16	POA 2	POA OPEN SPACE	1.23	EASEMENT
UNIT 17	POA 1	POA OPEN SPACE	0.15	EASEMENT
UNIT 18	OS 1	PUBLIC OPEN SPACE	4.50	DEDICATION
UNIT 18	OS 2	PUBLIC OPEN SPACE	87.53	DEDICATION

PROTECTED OPEN SPACES

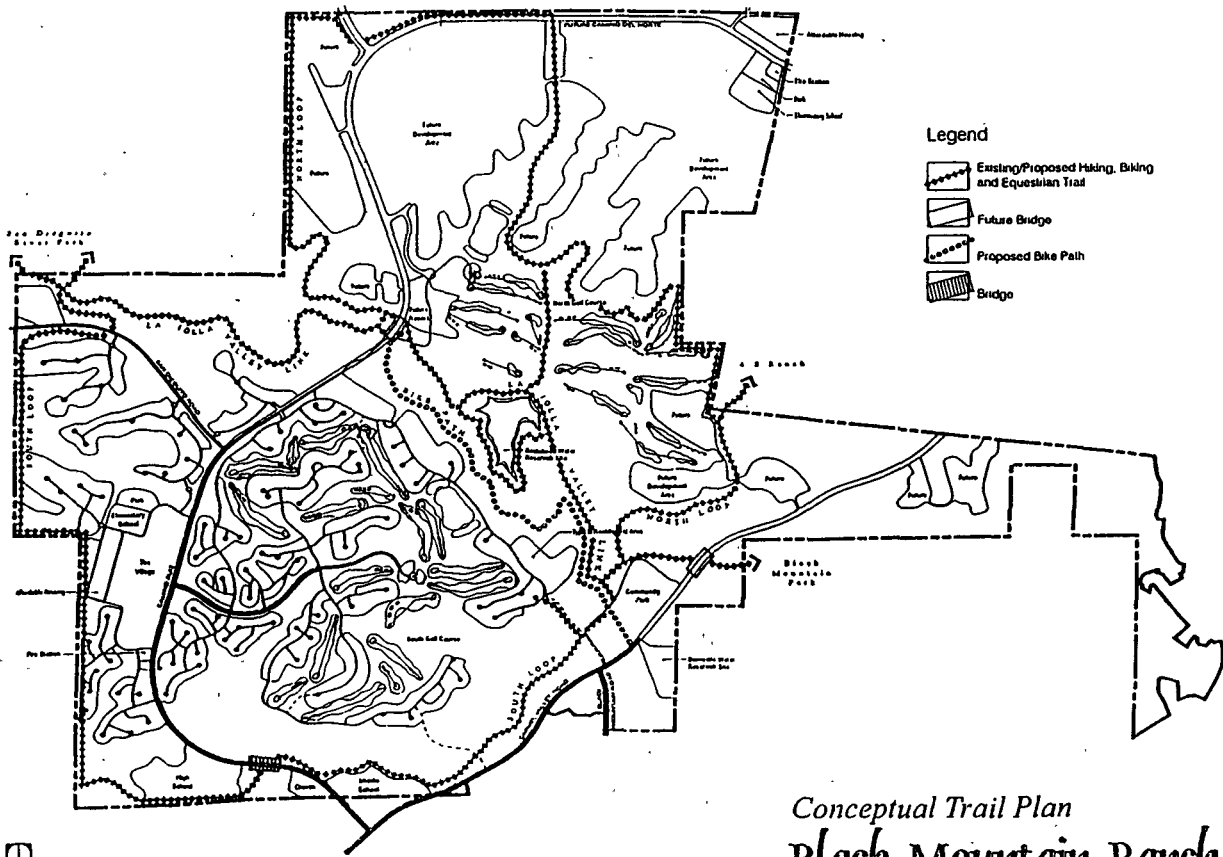
UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	PROTECTION
UNIT 18	BM 1	BRUSH MANAGEMENT OPEN SPACE	7.04	EASEMENT
UNIT 19	POA 5	POA OPEN SPACE	0.33	EASEMENT
UNIT 19	OS 1	PUBLIC OPEN SPACE	270.68	DEDICATION
UNIT 19	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.30	EASEMENT
UNIT 19	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.58	EASEMENT
UNIT 19	BM 3	BRUSH MANAGEMENT OPEN SPACE	2.20	EASEMENT
UNIT 20	24	DESILTING BASIN OPEN SPACE	0.82	EASEMENT
UNIT 20	25	DESILTING BASIN OPEN SPACE	3.48	EASEMENT
UNIT 20	OS 1	PUBLIC OPEN SPACE	27.79	DEDICATION
UNIT 20	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.38	EASEMENT
UNIT 20	BM 2	BRUSH MANAGEMENT OPEN SPACE	3.32	EASEMENT
UNIT 20	BM 3	BRUSH MANAGEMENT OPEN SPACE	1.25	EASEMENT
UNIT 20	BM 4	BRUSH MANAGEMENT OPEN SPACE	2.47	EASEMENT
UNIT 20	BM 5	BRUSH MANAGEMENT OPEN SPACE	2.71	EASEMENT
UNIT 20	BM 6	BRUSH MANAGEMENT OPEN SPACE	2.25	EASEMENT
UNIT 20	BM 7	BRUSH MANAGEMENT OPEN SPACE	0.78	EASEMENT
UNIT 21	POA 14	POA OPEN SPACE	7.12	EASEMENT
UNIT 21	OS 1	PUBLIC OPEN SPACE	78.94	DEDICATION
UNIT 21	BM 1	BRUSH MANAGEMENT OPEN SPACE	4.60	EASEMENT
UNIT 21	BM 2	BRUSH MANAGEMENT OPEN SPACE	7.14	EASEMENT
UNIT 22	24	DESILTING BASIN OPEN SPACE	3.90	EASEMENT
UNIT 22	POA 3	POA OPEN SPACE	0.78	EASEMENT
UNIT 22	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.43	EASEMENT
UNIT 22	BM 2	BRUSH MANAGEMENT OPEN SPACE	0.72	EASEMENT
UNIT 22	BM 3	BRUSH MANAGEMENT OPEN SPACE	2.71	EASEMENT
UNIT 23	1	NEIGHBORHOOD PARK	5.52	DEDICATION
UNIT 23	POA 5	POA OPEN SPACE	1.49	EASEMENT
UNIT 23	POA 6	POA OPEN SPACE	1.52	EASEMENT
UNIT 24	80	DESILTING BASIN OPEN SPACE	0.50	EASEMENT
UNIT 24	POA 1	POA OPEN SPACE	0.34	EASEMENT
UNIT 24	OS 1	PUBLIC OPEN SPACE	23.40	DEDICATION
UNIT 24	BM 1	BRUSH MANAGEMENT OPEN SPACE	0.76	EASEMENT
UNIT 24	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.73	EASEMENT
UNIT 25	66	DESILTING BASIN OPEN SPACE	3.02	EASEMENT
UNIT 25	POA 1	POA OPEN SPACE	0.92	EASEMENT
UNIT 25	POA 2	POA OPEN SPACE	0.31	EASEMENT
UNIT 25	POA 5	POA OPEN SPACE	1.25	EASEMENT
UNIT 25	POA 8	POA OPEN SPACE	0.26	EASEMENT
UNIT 25	OS 1	PUBLIC OPEN SPACE	59.48	DEDICATION
UNIT 25	BM 1	BRUSH MANAGEMENT OPEN SPACE	4.05	EASEMENT
UNIT 25	BM 2	BRUSH MANAGEMENT OPEN SPACE	2.14	EASEMENT
UNIT 25	BM 3	BRUSH MANAGEMENT OPEN SPACE	1.24	EASEMENT
UNIT 26	POA 4	POA OPEN SPACE	0.87	EASEMENT
UNIT 26	OS 1	PUBLIC OPEN SPACE	75.41	DEDICATION
UNIT 26	OS 2	PUBLIC OPEN SPACE	170.82	DEDICATION
UNIT 26	OS 3	PUBLIC OPEN SPACE	13.30	DEDICATION
UNIT 26	BM 1	BRUSH MANAGEMENT OPEN SPACE	2.22	EASEMENT
UNIT 26	BM 2	BRUSH MANAGEMENT OPEN SPACE	5.31	EASEMENT
UNIT 27	73	COMMUNITY PARK	40.97	DEDICATION

PROTECTED OPEN SPACES

UNIT NUMBER	LOT NUMBER	USE	APPROXIMATE ACREAGE	PROTECTION
UNIT 27	POA 1	POA OPEN SPACE	3.90	EASEMENT
UNIT 27	OS 1	PUBLIC OPEN SPACE	255.80	DEDICATION
UNIT 27	OS 2	PUBLIC OPEN SPACE	36.92	DEDICATION
UNIT 27	OS 3	PUBLIC OPEN SPACE	210.75	DEDICATION
UNIT 27	OS 4	PUBLIC OPEN SPACE	47.91	DEDICATION
UNIT 27	OS 5	PUBLIC OPEN SPACE	7.34	DEDICATION
UNIT 27	OS 6	PUBLIC OPEN SPACE	98.61	DEDICATION
UNIT 27	OS 7	PUBLIC OPEN SPACE	13.01	DEDICATION
UNIT 27	BM 1	BRUSH MANAGEMENT OPEN SPACE	3.02	EASEMENT
UNIT 27	BM 2	BRUSH MANAGEMENT OPEN SPACE	4.84	EASEMENT
UNIT 27	BM 3	BRUSH MANAGEMENT OPEN SPACE	4.67	EASEMENT
UNIT 27	BM 4	BRUSH MANAGEMENT OPEN SPACE	2.19	EASEMENT
UNIT 27	BM 5	BRUSH MANAGEMENT OPEN SPACE	3.97	EASEMENT
UNIT 27	BM 6	BRUSH MANAGEMENT OPEN SPACE	1.97	EASEMENT
UNIT 27	BM 7	BRUSH MANAGEMENT OPEN SPACE	0.83	EASEMENT
UNIT 27	BM 8	BRUSH MANAGEMENT OPEN SPACE	2.75	EASEMENT
UNIT 27	BM 9	BRUSH MANAGEMENT OPEN SPACE	1.52	EASEMENT
UNIT 27	BM 10	BRUSH MANAGEMENT OPEN SPACE	4.26	EASEMENT
UNIT 27	BM 11	BRUSH MANAGEMENT OPEN SPACE	3.43	EASEMENT
UNIT 27	BM 12	BRUSH MANAGEMENT OPEN SPACE	4.47	EASEMENT
UNIT 27	BM 13	BRUSH MANAGEMENT OPEN SPACE	0.65	EASEMENT
UNIT 27	BM 14	BRUSH MANAGEMENT OPEN SPACE	3.12	EASEMENT
UNIT 27	BM 15	BRUSH MANAGEMENT OPEN SPACE	1.64	EASEMENT
UNIT 27	BM 16	BRUSH MANAGEMENT OPEN SPACE	2.67	EASEMENT
UNIT 28	1	GOLF COURSE	287.84	EASEMENT
UNIT 28	POA 9	POA OPEN SPACE	9.41	EASEMENT
UNIT 28	POA 10	POA OPEN SPACE	23.59	EASEMENT
UNIT 28	OS 1	PUBLIC OPEN SPACE	164.59	DEDICATION
UNIT 28	OS 2	PUBLIC OPEN SPACE	5.77	DEDICATION
UNIT 28	OS 3	PUBLIC OPEN SPACE	39.62	DEDICATION
UNIT 28	OS 4	PUBLIC OPEN SPACE	3.11	DEDICATION
UNIT 28	BM 1	BRUSH MANAGEMENT OPEN SPACE	6.21	EASEMENT
UNIT 28	BM 2	BRUSH MANAGEMENT OPEN SPACE	3.73	EASEMENT
UNIT 29	2	NEIGHBORHOOD PARK	6.43	DEDICATION
UNIT 29	OS 1	PUBLIC OPEN SPACE	5.27	DEDICATION
UNIT 29	OS 2	PUBLIC OPEN SPACE	27.26	DEDICATION
UNIT 29	OS 3	PUBLIC OPEN SPACE	10.12	DEDICATION
UNIT 29	BM 1	BRUSH MANAGEMENT OPEN SPACE	13.02	EASEMENT
UNIT 29	BM 2	BRUSH MANAGEMENT OPEN SPACE	14.01	EASEMENT
UNIT 29	BM 3	BRUSH MANAGEMENT OPEN SPACE	15.71	EASEMENT
UNIT 29	BM 4	BRUSH MANAGEMENT OPEN SPACE	0.42	EASEMENT
TOTAL BRUSH MANAGEMENT OPEN SPACE			173.63	EASEMENT
TOTAL POA OPEN SPACE			131.87	EASEMENT
TOTAL GOLF COURSE AREA			607.24	EASEMENT
TOTAL DESILTING BASIN AREA			11.70	EASEMENT
TOTAL RECLAIMED RESERVOIR AREA			132.96	EASEMENT
TOTAL OPEN SPACE EASEMENTS			1057.40	
TOTAL PUBLIC OPEN SPACE			1760.48	DEDICATION
TOTAL PARKS AREA			52.92	DEDICATION
TOTAL OPEN SPACE DEDICATIONS			1813.40	
TOTAL OPEN SPACE			2870.80	

EXHIBIT E
TERMS OF EXTRAORDINARY AND SIGNIFICANT BENEFITS

Exhibit D-3



Conceptual Trail Plan
Black Mountain Ranch

EXHIBIT E

TERMS OF EXTRAORDINARY AND SIGNIFICANT BENEFITS

Parks & Open Space

- Dedication of approximately 600 acres of open space in excess of the acreage within the Project that is contained within the Focused Planning Area of the Regional Park. Construction of at least 18 miles of trails. These extraordinary benefits will provide the first public access between the San Dieguito River Valley and Black Mountain Park.

Economic

- At least 12 years of construction related employment to assist the depressed San Diego job market.
- During development and upon buildout, the project is projected to generate a fiscal surplus for the City (i.e., the amount of property taxes and other project-related revenues exceed the cost of services).
- Contribution of \$1,000,000 to City to be used for facilities needs within communities adjacent to the project.

Environmental

- Creation of a mitigation resource which is available to the Clean Water Program's Multiple Species Habitat Conservation Program or the State of California's Natural Communities Habitat Conservation Program. (Black Mountain Ranch is currently enrolled in the latter program for the preservation of potentially endangered species.)

Public Facilities

- Dedication of a site for a 15-million gallon potable water storage facility to serve the North City area. Advancement of construction of the reservoir through participation in project financing with the City and provision of early environmental review.
- Advancement of regionally significant traffic circulation improvements such as Camino Ruiz, Carmel Valley Road, Black Mountain Road, and various off-site improvements.
- Contribution (in excess of maximum fees that can be required under California law) to school funding in order to advance school construction.

EXHIBIT F

AFFORDABLE HOUSING PROGRAM

BLACK MOUNTAIN RANCH

Affordable Housing Program

Introduction

This report sets forth the affordable housing program for the current development phase of Black Mountain Ranch. The current development phase has a base density of 1 unit/4 acres consistent with existing zoning.

This report assumes the current development phase will consist of a total of 1121 units, that is 897 units based on the density calculations plus the 224 bonus units based on the density bonus ordinance. In the event the number of base density units changes due to city policy interpretation, the number of affordable units referenced in this report will change accordingly.

Plan and permit applications have not yet been submitted for the future development phase. The future development phase will require voter approval because of base land use density higher than current zoning.

City Requirements

The 4677 acre Black Mountain Ranch is located within an area designated by the city as Future Urbanizing. The city of San Diego Municipal Code requires affordable housing as part of any planned residential development (PRD) at a 1 unit/4 acre density in this area.

In summary, the affordable housing requirement for PRD's submitted for projects in the Future Urbanizing Area is:

1. Twenty percent of the units must be affordable to families earning no more than 65% of median income, adjusted for family size.
2. The housing must be provided on-site.
3. The developer may take advantage of incentive programs such as the state mandated density bonus.
4. On-site land of equivalent value may be dedicated instead.

The current development phase project area totals approximately 3783 acres; the acreage used for purposes of calculating the base density is 3589 acres (refer to 95-0173 Vesting TM and PRD for revised Tentative Map/Planned Residential Development 90-0332 & 91-0313).

The current development phase Affordable Housing Proposal

1. Project Characteristics - the current development phase

a. Compliance with the Affordability Requirement

The current development phase of Black Mountain Ranch will comply with the required 20% low income housing by participation in the city's density bonus program. The state

requires all cities to offer a 25% density bonus in return for committing a specified percentage of the pre-bonus units to low income rental rates.

The density bonus provision relevant to this project is that 20% of the pre-bonus units must be affordable for income levels at 60% of median income, with income eligibility up to 80% of area median (both adjusted for family size).

The city's PRD ordinance requires 20% of the base units affordable for income levels of 65% of median, restricted for 55 years. This PRD requirement in combination with the aforementioned affordability requirements for the density bonus program result in the following:

897	Market rate units (base density)
179	Units affordable with rent levels not to exceed 30% of 60% of median income, and income eligibility up to 65% of area median, adjusted for family size. The restrictions remain for 55 years.
45	Market rate units (bonus units)
1121	Total Units

b. Location of the Affordable Housing

Planning the location of the affordable housing must be responsive to many variables and requirements. A concentration of affordable housing at one location is to be avoided, easy access to services, jobs and transit is necessary, and a balanced community - income mix & jobs/housing - is desired.

These considerations must be addressed in an area where 20% of the housing must be affordable, yet the maximum base density is 1 unit/4 acres. Artfully blending lower income housing with estate housing while meeting the above requirements creates the need for flexibility.

The flexibility must assure that the affordable housing location works given a worst case, development of this entire area at estate densities. It must also work in the best case, development of the remaining 894 acres with a variety of housing types in village (transit oriented development) patterns.

1) Best Location Given Estate Development Throughout the Entire Project Area

Given a maximum base density of 1 unit/4 acres in the Future Urbanizing Area, and assuming this may never be more dense, the best location for the affordable housing is northeastern Black Mountain Ranch because:

- a) Employment opportunities, services and urban land uses are currently available in 4S Ranch and Rancho Bernardo;
- b) Easy access to transit service is planned on the adjacent major road (route 680).

- c) A center with attached housing, high school, and community services is planned immediately adjacent to the east and existing services are 3/4 mile away.

If a phase shift is denied, or the city denies the higher village densities for the 894 acres in The future development phase, the northeastern location assures the affordable housing will at least have easy access to commercial and employment centers in the adjacent 4S Ranch and Rancho Bernardo.

For these reasons, 119 of the required 179 affordable units are located in Northeastern Black Mountain Ranch.

The remaining 60 required affordable units are located in the proposed village along Camino Ruiz. This location will be close to the community center and golf courses which may provide a source of employment.

The estate character of the project is also consistent with use of companion units for partial compliance with the affordable housing requirement. Companion units (otherwise known as second or ancillary units) are ideal for household employees (gardeners, day care), or adult family members (elderly parent). Absent these occupants, the unit could be rented to a qualifying household.

The nearby McGonigle Canyon encampment of day laborers and their families highlights the need for housing those who work on the many estates in the area. There is a direct relationship between the jobs created on estates and the housing provided by companion units.

- 2) Flexibility for Affordable Housing Location Given a future development phase - Village Scenario

Assuming voter and city approval of the "phase shift", the future development phase development plans would include villages will include a variety of housing types suited to diverse income levels.

Also as part of the future development phase, the developer may request a relocating a portion of the required 179 affordable units. The intent is to allow a future PRD amendment with assures the required 179 affordable units but allows them to be mixed into the village areas so a broader mix of socio-economic characteristics is achieved.

To allow this flexibility, the current development phase PRD conditions allows the city to consider a change to the location of these units as part of the future development phase project planning and permit processing.

- 3) Current PRD Applications/Consistency with City Policies

The city General Plan contains many policies relevant to housing. The following are the most relevant:

Balanced Communities: City Council Policy 600-19 calls for Fostering of Balanced Community Development. Consistent with this policy the city council amended the PRD ordinance (Municipal Code § 101.0901) to include an affordable housing requirement for PRD applications within the Future Urbanizing Area.

Implementation of the FUA affordable housing requirement in Black Mountain Ranch will foster a balanced community in the north city area. However, a greater variety of housing types and densities can only be achieved if the voters approve a phase shift and the city officials approve densities greater than the current maximum of 1 unit/4 acres.

Notwithstanding the difficulties of achieving balance when land use issues are decided on the ballot, the introduction of the 179 affordable units in this area helps balance an otherwise middle to high income subregion. Further it locates much needed low income housing in proximity to the existing employment centers at 4 S Ranch and Rancho Bernardo.

Jobs/Housing Balance:

The city's Guidelines for Future Development call for land use relationships resulting in a jobs/housing balance. This goal was further discussed in the context of land use relationships that foster transit access between jobs and housing.

The developer has reserved two "village" areas for potential future development consistent with the transit oriented development (TOD) concept. Voter approval is necessary to enable development of these village areas consistent with Framework Plan densities.

The area reserved for the largest village in the northeast is in close proximity to the employment centers in Rancho Bernardo and 4 S Ranch. This enhances access by bus as well as bike riding.

Inclusion of the affordable housing in the northeastern village also has the advantage of proximity to these employment centers. There is a dearth of nearby housing opportunity to serve the lower income workers at these employment centers.

Affirmative Marketing Policy:

The project will comply with the city's affirmative marketing plan requirements (policy 600-20).

- c. Type of Affordable Housing Units

This section assumes that 119 of the required units will be built in the northern village and 60 units in the southern village. However, the developer/merchant builder has the option to construct companion units under the terms and conditions described in the next subsection. Such flexibility is consistent with the previously discussed jobs/housing balance, preferred scattered locations, and documented housing need for day laborers in the area.

The bedroom mix of the affordable units will generally be one-third each: three bedroom units, two bedroom units and one bedroom units. This mix applies to the total buildout of the

affordable units and need not characterize the bedroom mix at any particular threshold of development.

Companion units are typically studio and one bedroom units. However two and three bedroom companion units may be built. In assessing the compliance with the general bedroom mix specified above, studio and 1 bedroom companion units will count as 1 bedroom affordable units, and two bedroom and three bedroom companion units will count as their respective sizes.

The minimum affordable unit size is:

- 1) 3 bedroom/2 bath units, minimum 1000 sq ft,
- 2) 2 bedroom/1 1/2 bath units, minimum 725 sq ft
- 3) 1 bedroom/1 bath units, minimum 590 sq ft.
- 4) companion units with kitchen and bath, minimum of 500 sq ft.

The affordable housing site in the north-eastern village will include amenities such as storage, community garden, auto minor-repair area, outdoor clothes drying area, tot-lot, laundry area, community multi-purpose room.

d. Companion Unit Option

The developer/merchant builder may choose to construct up to 30 companion units to comply with the affordable housing requirement. The number of affordable non-companion units scheduled for construction at the two village locations will be decreased by the number of companion units built with the condition that at least 30 affordable non-companion units be built in the southern village.

After at least 20 companion units have had occupancy permits for a minimum of 2 years, the developer may request Housing Commission consideration of the second increment of 30 companion units. The Housing Commission Executive Director will respond to this request in a timely manner and may approve construction of the additional 30 companion units if the completed companion units are being used in a manner consistent with intent of this agreement.

Building permit issuance for and construction of the entire first increment of 30 companion units will not be effected by either the request for consideration of the second increment of 30 companion units nor by the Executive Director's decision in response to this request.

The developer may appeal the Housing Commission Executive Director's decision to the Housing Commission and Housing Authority.

Occupancy of and rent on the companion units will be restricted to those person(s) who are income eligible and paying rents that do not exceed those required by this affordable housing agreement, except for the following exemptions:

- 1) Any companion unit occupied by adult members of the immediate family related by blood or marriage to the property owner.

- 2) Any companion unit occupied by a person who is employed on the premises by the occupants of the primary unit such as cleaning gardening, child care, elderly care.

If the unit is rented, the person(s) must be income eligible as defined in this agreement. The owner of the unit has no obligation to rent the unit. The owner shall participate in the city's affordable housing monitoring system which includes a reporting requirement.

The requirements governing the occupancy of the companion units will be set forth in a covenant recorded on the subject property. The form and substance of that covenant to be prepared by the developer and approved by the Housing Commission.

For this project, the rules contained in this document shall be the rules that govern companion unit construction. Companion units will be designed and built at the same time as the primary unit.

e. Tenancy and Potential Operational Characteristics

This report assumes the affordable units will be rental. However, the developer may explore home-ownership options because of the advantages of fostering a sense of ownership and responsibility in the affordable units.

1) Rental Units: Continuing Housing Affordability

Maintaining the units as "affordable" will be accomplished by only renting to those who are income eligible. HUD sets forth on a regular basis the income eligibility criteria based on family size, area median income and unit size. These data are distributed by the Housing Commission.

The Housing Commission will monitor the rentals to assure compliance. All rental applications will be reviewed by Housing Commission staff prior to rental as called for in the Commission's standard agreement. Incomes will be checked annually and an annual report will be filed as also required by the Housing Commission's standard agreement.

In the event of non-compliance with the income limitations, the Housing Commission may record a notice of violation and initiate a legal action to require compliance with the applicable criteria. The prevailing party in such legal action shall be entitled to recover attorney's fees and costs.

With respect to affordable units other than companion units, the developer agrees to recordation of a reversionary covenant which will provide that title to the affordable units will revert to the Housing Commission in the event that income eligibility requirements are not corrected within a reasonable time period after a notice of violation has been recorded against the involved property. The form and substance of this reversionary covenant to be prepared by the developer and approved by the Housing Commission Executive Director (designee).

2) Home-ownership Option

The developer may choose to explore a home-ownership option. No later than the recordation of the map for the 450th unit, the developer will decide on the form of tenancy; and advise the Housing Commission whether a home-ownership option will be pursued.

3) Potential Operational Characteristics

Some of the most successful affordable housing complexes are operated with support services on site. These support services have included tutoring, and homework centers for youth and transportation services for elders.

After the decision is made on whether the units will be rental, ownership, or some mix of each, the developer or builder will collaborate with the intended owner/operator of the affordable housing on the appropriateness and feasibility of including support services within the housing complex.

f. Phasing of the Affordable Units

The phasing schedule shown below assures that roads, sewer, and water systems will be in place when the housing is constructed at the two locations. The first 60 units will be located in the village, with the next phases of 60 and 59 being located in northeastern Black Mountain Ranch (these numbers will be altered if the companion unit option is implemented).

By phasing the affordable housing as shown below, there is sufficient time for the developer to explore a phase shift for both villages and propose a relocation of the affordable units to accomplish a scattered pattern.

Thresholds* Market Rate		Affordable Units	
Increment	Total	Increment	Total
450	450	60	60
200	650	60	120
145	795	59	179
145	940	0	179

*This threshold can not be passed prior to completion of the number of affordable units cited. The threshold counts semi-custom home sales and individual lot sales. It does not count the sale of a block of lots to a homebuilder. These would in turn be counted when an individual home or lot is subsequently sold.

MacLeod 9-15-95

EXHIBIT G
CLEARING PERMIT CONDITIONS

C-203

Black Mountain Ranch
CLEARING PERMIT CONDITIONS

The following conditions shall be made a part of any Clearing Permit issued pursuant Section 5.8 of this Development Agreement.

1. Clearing of any native uplands habitat shall be mitigated by the establishment of an open space easement over native habitat area in the proposed public open space system of the Project at a ratio of 3 acres of open space easement for each acre of native habitat to be cleared. Any such open space easements shall be established concurrently with the issuance of the Clearing Permit.
2. Clearing of any coastal sage scrub habitat within the proposed reclaimed water reservoir site (Unit 1, Lot 3) shall be mitigated by the active revegetation of coastal sage scrub habitat at a ratio of 2 acres of revegetation for each acre cleared. Revegetation activities shall be pursuant a program approved by the City, the U.S. Fish and Wildlife Service and the California Department of Fish and Game as outlined in EIR No. 95-0173.
3. Clearing of any wetlands habitat shall be mitigated by the active revegetation of riparian habitat at a ratio of 3 acres of revegetation for each acre cleared. Revegetation or restoration activities shall be pursuant a program approved by the City, the U.S. Fish and Wildlife Service and the California Department of Fish and Game as outlined in EIR No. 95-0173. Owner shall obtain appropriate permits and agreements from Federal and State agencies before undertaking any wetlands clearing.
4. Clearing shall not occur beyond limits of an approved clearing envelope. Clearing plans shall indicate that all natural open space areas outside the clearing envelope are off-limits to equipment and other disturbance. A pre-clearing meeting shall be held to describe to all clearing personnel the required avoidance techniques and areas to be avoided. The clearing supervisor and a qualified biologist together shall mark clearing limits. A biologist shall monitor clearing activity adjacent biologically sensitive areas.
5. No clearing activities shall be allowed within 200 feet of a nest or burrow being actively used by sensitive species as outlined in EIR No.95-0173 unless it can be demonstrated to the satisfaction of the Director of the Development Services Division that such activities would not adversely impact the breeding success of these species. Additionally, a burrow known to have been used by burrowing owl, San Diego black-tailed jackrabbit or gray fox shall not be destroyed unless a biologist confirms that the burrow is not occupied at the time of impact. This issue shall be discussed at the pre-clearing meeting and these sensitive areas shall be adequately marked or fenced to ensure protection.
6. Any archeological sites that may be affected by clearing activities shall either be protected to the satisfaction of the Director of the Development Services Department or a data recovery program consistent with the project mitigation program outlined in EIR No. 95-0173 and approved by the Director of the Development Services Department shall be instituted for the affected sites. A qualified archeologist shall monitor clearing activities and be authorized to temporarily halt clearing activities should any cultural materials be uncovered. The monitor shall attend a pre-clearing meeting with the clearing supervisor to describe all areas to be avoided and avoidance techniques as well as procedures in the event that cultural materials are uncovered in the course of clearing activities.

C-204

7. All cleared areas shall be hydroseeded with appropriate non-invasive, erosion-resistant ground cover within 30 days of completion of clearing activities.
8. Artificial ground cover, sterilized hay bales and catch basins to retard the rate of runoff from cleared areas shall be installed if clearing occurs between November 1 and April 1.
9. Sandbagging, silt fences and temporary detention basins shall be as called for by the City Engineer on the Permit plans.
10. Owner shall bond for all erosion and sedimentation control measures called for in the Clearing Permit.

(O-96-66 REVISED)

ORDINANCE NUMBER O- 18230 (NEW SERIES)ADOPTED ON NOV 23 1996

AN ORDINANCE APPROVING THE FIRST AMENDED AND RESTATED DEVELOPMENT AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND BLACK MOUNTAIN RANCH SPORTS PROPERTIES, INC. AND PGA TOUR, INC.

WHEREAS, Black Mountain Ranch Sports Properties, Inc. ("Owner") is the owner or equitable owner of that certain real property consisting of approximately 4,677 acres located within the North City Future Urbanizing Area (NCFUA); and

WHEREAS, The City of San Diego, a charter city, is authorized pursuant to Government Code Sections 65864 - 65869.5 to enter into binding development agreements with persons having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process. The City further enters into this First Amended and Restated Development Agreement pursuant to its Charter and self-rule powers and San Diego Municipal Code section 111.0901 et seq.; and

WHEREAS, the parties desire to enter into this First Amended and Restated Development Agreement relating to the above-described real property in conformance with the provisions of the Government Code in order to achieve the development of private land uses together with the provision of public services, public uses, and public infrastructure all in the promotion of the health, safety, and general welfare of the City of San Diego; and

WHEREAS, the property is located within the geographic boundaries of the NCFUA Framework Plan. The NCFUA Framework Plan was adopted by the Council on October 1, 1992, by Resolution No. R-280787. In conjunction with the adoption of the NCFUA Framework Plan, the Council certified the information contained in the Environmental Impact Report and approved the findings of the environmental document in compliance with the California Environmental Quality Act of 1970; and

WHEREAS, development of the subject property will be in conformance with the NCFUA Framework Plan, the A-1-10 and R1-5000 Zones, Planned Residential Development Permit No. 95-0173, Tentative Map No. 95-0173 and, Resource Protection Ordinance No. 95-0173. The environmental effects of development permitted pursuant to the agreement were addressed in Final Environmental Impact Report No. 95-0173, which has been certified by the City; and

WHEREAS, because of the complexities of financing the urban infrastructure, certainty in the development process is desirable. The phasing, timing and development of the public infrastructure including, but not limited to, parks, libraries, fire stations, transportation facilities, sewer and water facilities, other utilities, and open space maintenance necessitates a significant commitment of resources, planning and effort by property owners and the City in order for the public facilities financing to be successfully completed. Accordingly, in return for the participation and commitment to provide a pro rata share of public facilities and the significant contribution

of private resources for public purposes, the City in return desires to make a commitment for certainty in the development process; and

WHEREAS, pursuant to the terms of the First Amended and Restated Development Agreement, Owner will provide substantial public improvements and benefits to the City including participation in the public facilities financing plan for the North City Future Urbanizing Area. In consideration of the public improvements and benefits to be provided by Owner pursuant to the First Amended and Restated Development Agreement, in consideration of Owner's agreement to finance public facilities, and in order to strengthen the public planning process and reduce the economic costs of development, by the First Amended and Restated Development Agreement the City intends to give Owner assurance that Owner can proceed with the development of the subject property for the term of the First Amended and Restated Development Agreement pursuant to the First Amended and Restated Development Agreement; and

WHEREAS, on October 5, 1995, the Planning Commission of The City of San Diego, after giving notice pursuant to Government Code sections 65854, 65854.5, 65856, and section 111.0904 of the San Diego Municipal Code held a public hearing on the application for the First Amended and Restated Development Agreement; and

WHEREAS, the Council of The City of San Diego, after providing public notice as required by law, held a public hearing on Owner's application, wherein all persons desiring to be heard were heard, and pursuant to said public hearing the Council

recommended approval of the First Amended and Restated Development Agreement; and

WHEREAS, the Council finds that the First Amended and Restated Development Agreement is consistent with the Progress Guide and General Plan and the NCFUA Framework Plan, as well as all other applicable policies and regulations of The City of San Diego; and

WHEREAS, the Council has reviewed and considered the First Amended and Restated Development Agreement and determined the content of the First Amended and Restated Development Agreement to be complete and correct; NOW, THEREFORE,

BE IT ORDAINED, by the Council of The City of San Diego, as follows:

Section 1. The Council finds and determines the facts stated above to be true.

Section 2. The Council further finds with respect to the First Amended and Restated Development Agreement that:

A. It is consistent with the objectives, policies, programs and uses specified in the Progress Guide and General Plan and the NCFUA Framework Plan.

B. It will not be detrimental to the public health, safety and general welfare.

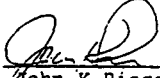
C. It will promote the orderly development of property or the preservation of property values in accordance with good land use practice.

Section 3. The Council hereby approves the First Amended and Restated Development Agreement, Case No. 95-0173, a copy of

which is on file in the office of the City Clerk as Document No. OO-18230, and authorizes and directs the City Manager to * execute said First Amended and Restated Development Agreement in the name of The City of San Diego not later than 15 days following the effective date of this ordinance. Failure of Owner to execute the First Amended and Restated Development Agreement within 90 days, shall render this action null and void. The City Clerk is directed to record said First Amended and Restated Development Agreement and this ordinance with the County Recorder of San Diego County within ten (10) days after its execution.

Section 4. This ordinance shall take effect and be in force on the thirtieth day from and after its passage.

APPROVED: JOHN W. WITT, City Attorney

By 
John K. Riess
Senior Deputy City Attorney

JKR:pev
10/20/95
11/06/95 REV.1
Or.Dept:DSD
0-95-66
Form=o.devagr

Passed and adopted by the Council of The City of San Diego on Nov 23, 1995 by the following vote:

YEAS: MATHIS, HARVEY, KEHOE, STEVENS, WARDEN, McCARTY, VARGAS, AND MAYOR GOLDING

NAYS: NONE

NOT PRESENT: NONE

AUTHENTICATED BY:

SUSAN GOLDING
Mayor of The City of San Diego, California

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California

(Seal)

By: MYRNA SKELLEY, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of ORDINANCE NO. O- 18230 (New Series) of The City of San Diego, California.

I FURTHER CERTIFY that said ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on October 31, 1995 and on November 20, 1995.

I FURTHER CERTIFY that the reading of said ordinance in full was dispensed with by a vote of not less than a majority of the members elected to the Council, and that there was available for the consideration of each member of the Council and the public prior to the day of its passage a written or printed copy of said ordinance.

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California

(Seal)

By: *Myrna Skelley*, Deputy

EXHIBIT H

AGREEMENT REGARDING CONSENT TO REPLACEMENT OF FIRST AMENDED AND RESTATED DEVELOPMENT AGREEMENT AND REMOVAL OF PGA TOUR, INC. AS SIGNATORY TO SUCH AGREEMENT

1594

**AGREEMENT REGARDING CONSENT TO REPLACEMENT OF
FIRST AMENDED AND RESTATED DEVELOPMENT AGREEMENT
AND REMOVAL OF PGA TOUR, INC. AS SIGNATORY TO SUCH AGREEMENT**

This Consent to Replacement of the First Amended and Restated Development Agreement ("First Amended Agreement") with the Second Amended and Restated Development Agreement ("Second Amended Agreement") and Consent to Release of PGA TOUR, Inc., a Maryland non-profit corporation ("PGA TOUR") from its rights and obligations under, and removal of PGA TOUR as a party to, the Second Amended Agreement ("Consent"), is entered into this 31st day of January 1997, by Black Mountain Ranch Limited Partnership, a Maryland limited partnership ("Owner"), and PGA TOUR.

RECITALS

A. On October 29, 1992, the Planning Commission ("Planning Commission") of The City of San Diego a Municipal corporation ("City"), recommended to the City Council of City ("Council") that a Development Agreement between City, Owner, and PGA TOUR ("Original Agreement") be adopted to govern development of the Real Property described in Exhibit "A," which exhibit is attached hereto and incorporated herein (the "Property"). On July 26, 1993, the Council adopted Ordinance No. 0-17940, which became effective on August 25, 1993, and approved the Original Agreement. On October 5, 1995, the Planning Commission recommended to the Council that the First Amended Agreement be adopted to replace the Original Agreement in its entirety. On November 20, 1995, the Council adopted Ordinance No. 0-18230, which became effective on December 20, 1995 and approved the First Amended Agreement. The City and Owner, with the consent of PGA TOUR, now mutually desire that the Council adopt the Second Amended Agreement to replace the First Amended Agreement in its entirety.

B. At the time of the execution of the Original Agreement and the First Amended Agreement, Owner and PGA TOUR were seeking to reach an agreement under which PGA TOUR and its affiliates would become involved in various aspects of the design, development, construction, operation, licensing and/or the ultimate ownership of the golf facilities which are contemplated as part of the Project.

C. Owner and PGA TOUR have jointly concluded that it would be in their best interests to have PGA TOUR released from its rights and its obligations under, and removed as a signatory to, the First Amended Agreement regarding development of the Property. To accomplish this result, Owner and PGA TOUR seek to have the First Amended Agreement replaced in its entirety by the Second Amended Agreement, which, among other things, (1) removes all of the rights and obligations granted to and imposed on PGA TOUR by the Original Agreement and the First Amended Agreement; (2) eliminates as a condition of the development of the Project any obligation by Owner to construct a TPC or other licensed golf facility to host a Tour-sanctioned golf tournament; and (3) eliminates the PGA Tour's consent to further amendments.

D. Various terms used in this Consent are defined in the Second Amended Agreement. If not otherwise defined herein, such defined terms when used in this Consent shall have the respective meanings ascribed to them in the Second Amended Agreement.

NOW THEREFORE, in consideration of the recitals set forth above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. PGA TOUR hereby consents to replacement of the First Amended Agreement in its entirety with the Second Amended Agreement, which, among other things, (1) removes all of the rights and obligations granted to and imposed on PGA TOUR by the Original Agreement and the First Amended Agreement; (2) eliminates as a condition of the development of the Project any obligation by Owner to construct a TPC or other licensed golf facility to host a Tour-sanctioned golf tournament; and (3) eliminates the PGA Tour's consent to further amendments, all as more particularly set forth in the First Amended Agreement, as of the effective date of that Second Amended Agreement.

2. PGA TOUR hereby consents to being removed as a signatory to the Second Amended Agreement.

3. Owner hereby agrees to seek to amend the First Amended Agreement and replace it in its entirety with the Second Amended Agreement.

4. PGA TOUR hereby agrees not to oppose Owner in its efforts to seek the Planning Commission's and the Council's approval of the Second Amended Agreement.

5. Each party hereto agrees to perform such additional acts and to execute and deliver such additional documents as reasonably may be necessary to carry out promptly the intent of this Consent.

6. This Consent may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original and all of which taken together will be deemed to be one and the same instrument.

7. All Exhibits referred to in the body of this Consent are, as such Exhibits may hereafter be amended from time to time pursuant to terms set forth in the body of this Consent or in the Second Amended Agreement, hereby incorporated by reference.

8. This Consent shall be construed in accordance with and be governed by the laws of the State of California, determined without regard to the principles of conflicts of laws.

9. In addition to any other rights or remedies, Owner or PGA TOUR may institute a legal action to cure, correct, or remedy any default or breach, to specifically enforce any covenants or agreements set forth in this Consent, or to enjoin any threatened or attempted violation of the Consent, or to obtain any remedies consistent with the purpose of this Consent. The prevailing party in such legal action shall be entitled to recover attorneys' fees and costs. Legal actions shall be instituted in the Superior Court of the County of San Diego, State of California, or in the Federal District Court in the Southern District of California.

10. The individual or individuals signing this Consent on behalf of each party hereto represents to the other parties hereto that he or she has full authority to do so, has received all required consents, and that his or her signature (together with the signature or signatures of any other individual signing below on behalf of such party) is (are) the only signatures required to bind the party on whose behalf he or she is signing this Consent.

IN WITNESS WHEREOF, this Consent has been executed by Owner and PGA TOUR as of the date and year first above written, and upon such execution constitutes a binding agreement between Owner and PGA TOUR and their respective successors and assigns.

(O-97-83)

ORDINANCE NUMBER O- 18387 (NEW SERIES)

ADOPTED ON MAR 17 1997

"Owner"

BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP, a Maryland limited partnership

By: BMR Sports Properties, Inc., a Maryland corporation

By: Duane Danik
Name: DUANE DANIKSEN
Title: VICE PRESIDENT

AN ORDINANCE APPROVING THE SECOND AMENDED RESTATED DEVELOPMENT AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP.

"PGA TOUR"

PGA TOUR, Inc., a Maryland non-profit corporation

By: Arnold E. Price
Name: Arnold E. Price
Title: Senior Vice President

WHEREAS, BLACK MOUNTAIN RANCH LIMITED PARTNERSHIP ("Owner") is the owner or equitable owner of that certain real property consisting of approximately 4,677 acres located within the North City Future Urbanizing Area (NCFUA); and

WHEREAS, The City of San Diego, a charter city, is authorized pursuant to Government Code Sections 65864 - 65869.5 to enter into binding development agreements with persons having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process. The City further enters into this Second Amended and Restated Development Agreement pursuant to its Charter and self-rule powers and San Diego Municipal Code Sections 111 0901 et seq.; and

WHEREAS, the parties desire to enter into this Second Amended and Restated Development Agreement relating to the above-described real property in conformance with the provisions of the Government Code in order to achieve the development of private land uses together with the provision of public services, public uses, and urban infrastructure all in the promotion of the health, safety, and general welfare of the City of San Diego; and

WHEREAS, the property is located within the geographic boundaries of the NCFUA Framework Plan. This NCFUA Framework Plan was adopted by the Council on October 1,

1992, by Resolution No. R-280787. In conjunction with the adoption of the NCFUA Framework Plan, the Council certified the information contained in the Environmental Impact Report and approved the findings of the environmental document in compliance with the California Environmental Quality Act of 1970; and

WHEREAS, development of the subject property will be in conformance with the NCFUA Framework Plan, the A-1-10 and R1-5000 Zones, Planned Residential Development Permit No. 95-0173 and Resource Protection Ordinance No. 95-0173. The environmental effects of development permitted pursuant to the agreement were addressed in Final Environmental Impact Report No. 95-0173, which has been certified by the City; and

WHEREAS, because of the complexities of financing the urban infrastructure, certainty in the development process is desirable. The phasing, timing and development of the public infrastructure including, but not limited to, parks, libraries, fire stations, transportation facilities, sewer and water facilities, other utilities, and open space maintenance necessitates a significant commitment of resources, planning and effort by property owners and the City in order for the public facilities financing to be successfully completed. Accordingly, in return for the participation and commitment to provide a pro rata share of public facilities and the significant contribution of private resources for public purposes, the City in return desires to make a commitment for certainty in the development process; and

WHEREAS, pursuant to the terms of the Second Amended and Restated Development Agreement, Owner will provide substantial public improvements and benefits to the City including participation in the public facilities financing plan for the NCFUA Framework Plan. In consideration of the public improvements and benefits to be provided by Owner pursuant to the

C-217

0-18387

Second Amended and Restated Development Agreement, in consideration of Owner's agreement to finance public facilities, and in order to strengthen the public planning process and reduce the economic costs of development, by the Second Amended and Restated Development Agreement the City intends to give Owner assurance that Owner can proceed with the development of the subject property for the term of the Second Amended and Restated Development Agreement pursuant to the Second Amended and Restated Development Agreement; and

WHEREAS, on February 6, 1997, the Planning Commission of The City of San Diego, after giving notice pursuant to Government Code Sections 65854, 65854.5, 65856, and Section 111.0904 of the San Diego Municipal Code held a public hearing on the application for the Second Amended and Restated Development Agreement; and

WHEREAS, the Council of The City of San Diego, after providing public notice as required by law, held a public hearing on Owner's application, wherein all persons desiring to be heard were heard, and pursuant to said public hearing the Council recommended approval of the Second Amended and Restated Development Agreement; and

WHEREAS, the Council finds that the Second Amended and Restated Development Agreement is consistent with the Progress Guide and General Plan and the NCFUA Framework Plan, as well as all other applicable policies and regulations of The City of San Diego; and

WHEREAS, the Council has reviewed and considered the Second Amended and Restated Development Agreement and determined the content of the Second Amended and Restated Development Agreement to be complete and correct; NOW, THEREFORE,

BE IT ORDAINED, by the Council of The City of San Diego, as follows:

Section 1. The Council finds and determines the facts stated above to be true.

C-218

0-18387

Section 2. The Council further finds with respect to the Second Amended and Restated Development Agreement that:

A. It is consistent with the objectives, policies, programs and uses specified in the Progress Guide and General Plan and the NCFUA Framework Plan.

B. It will not be detrimental to the public health, safety and general welfare.

C. It will promote the orderly development of property or the preservation of property values in accordance with good land use practice.

Section 3. The Council hereby approves the Second Amended and Restated Development Agreement, Case No. 95-0173.1, a copy of which is on file in the office of the City Clerk as Document No OO-18387, and authorizes and directs the City Manager to execute said Second Amended and Restated Development Agreement in the name of The City of San Diego not later than 15 days following the effective date of this ordinance. Failure of Owner to execute the Second Amended and Restated Development Agreement within 30 days, shall render this action null and void. The City Clerk is directed to record said Second Amended and Restated Development Agreement and this ordinance with the County Recorder of San Diego County within ten days after its execution.

Section 4. This ordinance shall take effect and be in force on the thirtieth day from and after its passage.

APPROVED: CASEY GWINN, City Attorney

By Prescilla Dugard
Prescilla Dugard
Deputy City Attorney

PD:cdk

02/11/97
Or.Dept:C&E Dev.
O-97-83
Form=devagro.frm

Passed and adopted by the Council of The City of San Diego on
March 17, 1997 by the following vote:

YEAS: MATHIS, WEAR, KEHOE, WARDEN, STALLINGS, MCCARTY,

VARGAS, MAYOR GOLDING,

NAYS: NONE.

NOT PRESENT: STEVENS.

AUTHENTICATED BY:

SUSAN GOLDING
Mayor of The City of San Diego, California

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California

(Seal)

By: Peggy Rogers, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy
of ORDINANCE NO. O-18387 (New Series) of The City of San Diego,
California.

I FURTHER CERTIFY that said ordinance was not finally passed until twelve
calendar days had elapsed between the day of its introduction and the day of
its final passage, to wit, on
February 25, 1997 and on MAR 17, 1997.

I FURTHER CERTIFY that the reading of said ordinance in full was dispensed
with by a vote of not less than a majority of the members elected to the
Council, and that there was available for the consideration of each member of
the Council and the public prior to the day of its passage a written or
printed copy of said ordinance

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California

(Seal)

By: Peggy Rogers, Deputy

C-221

DOCUMENT NO. OO-18387

FILED - MARCH 17, 1997

(DEVELOPMENT AGREEMENT - BLACK
MOUNTAIN RANCH LIMITED
PARTNERSHIP)

Second amended and restated
development agreement with Black
Mountain Ranch LIMITED
PARTNERSHIP to develop approx.
4,677 acres located within the
North City Future Urbanizing
Area (NECUA).

CC: Planning Dept.
E & D
Auditor

cfq 6/24/97

C-222

EXHIBIT C



**City of San Diego
Community Facility District No. 2 (Santaluz)
Improvement Area One
Market Absorption Analysis**

Executive Summary

I. Study Objectives, Methodology & Development Concepts

- * The objective of this assignment was to determine the most likely potential market absorption of the land uses to be covered by Community Facility District (CFD) No. 2 (Santaluz), Improvement Area One, in the City of San Diego. The CFD includes the "southern portion" of the proposed Santaluz community.
- * To achieve the objective of this assignment, a thorough market evaluation was undertaken for each of the land uses in the CFD. Research included: an inspection of the subject site, analysis of demographic and economic data, analysis of historical market trend data, analysis of active competitive projects, analysis of planned and proposed projects, and preparation of projections of future market supply and demand conditions. All research and analysis was conducted in March and April, 2000.
- * This executive summary was originally prepared in April 2000, and was subsequently revised in July 2000, to reflect changes to CFD No. 2 and Santaluz. The full original back-up report was not revised, and still reflects CFD No. 2 and Santaluz as originally proposed.
- * Santaluz is located in the northern area of the City of San Diego, roughly halfway between Interstate 5 and Interstate 15. Santaluz is located in what has been known as the "Future Urbanizing Area" (Sub-Area I) of the City of San Diego. According to the developer, the projects covered under CFD No. 2 have the necessary approvals to proceed with development as proposed.
- * The portion of Santaluz covered by CFD No. 2 has been approved for 1,121 residential units (942 single family homes and lots, and 179 "affordable" units), and an 18-hole golf course. At this time, a total of only 1,093 residential units are planned in CFD No. 2 spread amongst 11 single family product lines and five custom lot areas. Average prices (with premiums) for the 11 single family product lines will range from \$570,000 to \$1.295 million, with an overall average price of about \$770,000. The custom lots have average projected prices ranging from \$429,000 to \$799,000. The golf course will be a private equity membership club.

- * This analysis assumes that homes in Santaluz will have a base property tax rate of 1.0179%, a Poway Unified School District CFD tax assessment of 0.1267%, a landscape and lighting maintenance district obligation of \$600 per year, and the City of San Diego CFD No. 2 tax assessment of from \$2,332 to \$9,062 per year, depending on home size. Total effective tax rates will vary by product, ranging from 1.68% to 1.94%, averaging 1.76%. Santaluz will have a master HOA of about \$325 per lot per month. The total combined HOA dues, fees, and CFD obligations at Santaluz are higher than most every other new home project on the market today in San Diego County.

II. Demographic & Economic Trends

- * According to the San Diego Association of Governments (SANDAG), San Diego County is expected to grow by 17,780 households per year over the next five years. Households earning over \$150,000 per year (the primary target market for homes and lots at Santaluz) are expected to grow by almost 6,200 households per year in San Diego County as a whole over the next five years, and by over 1,550 households per year in the Central county area (location of Santaluz).
- * The Central market area has a much higher proportion of home owners than the county as a whole (Central - 68.5%, County - 54.3%). This is a reflection of a number of positive attributes of the Central area such as excellent proximity to employment, proximity to the Pacific Ocean, the presence of two of the best school districts in the county (San Dieguito and Poway), and good proximity to the main cultural and recreational resources of the county.
- * Since the beginning of the latest economic recovery in 1994, San Diego County has added over 203,000 new jobs. Job growth peaked in 1998 at 51,200 new jobs, declining to still strong job growth of 44,800 new jobs in 1999. Initial figures indicate that job growth has continued at an annual pace of over 30,000 new jobs so far in 2000. Typical economic expansions in San Diego County in the past lasted at most from five to seven years. San Diego is now in the seventh year of the latest up cycle, indicating that, from a historical perspective, an economic slowdown could be on the horizon.
- * Rising gas prices, rising interest rates, and instability in the stock market all could trigger a slowdown in the local economy. A slowdown in job growth would translate into a drop in the demand for new housing in the region, which in turn would translate into slower absorption rates for projects coming on the market in the years ahead compared to projects that opened in 1997, 1998 or even 1999, when job growth was rising, interest rates were lower, the stock market was rising, and home prices were lower than they are today.

- * Employment growth for the county as a whole has been projected by SANDAG at 28,020 new jobs per year through the year 2005. While this rate of growth is below levels achieved over the past few years, San Diego most likely will continue to face a new home supply versus demand imbalance, as developable residential sites continue to become more and more scarce. Growth of 28,020 jobs per year would translate into the demand for at least 14,000 to 19,000 new homes per year over the next five years. In comparison, there were an average of only about 13,300 building permits issued each year over the past three years.

III. Housing Market Trends

- * After several years of rising new home sales activity from 1996 through 1998, new single family home sales activity stabilized in 1999. The stabilization in sales was primarily a result of: higher new home prices, rising interest rates, and slowing job growth. A total of 7,235 new single family homes were sold in San Diego County in 1999. Among the units sold in 1999, 3,889 were priced under \$299,999 (53.8%) and 2,606 were priced from \$300,000 to \$499,999 (36.0%). In the price ranges planned at Santaluz, there were 627 sales countywide from \$500,000 to \$749,999 (8.7%), 69 sales from \$750,000 to \$999,999 (1.0%), and 44 sales over \$1.0 million (0.6%).
- * A combination of flat overall sales and an increase in the number actively selling projects caused project-by-project absorption rates in San Diego County to drop to 0.82 sales per project per week in 1999 from 0.95 sales per project per week in 1998. The median price of all new single family homes sold in San Diego County in 1999 was \$288,749, or about half the price of the projected average price of the least expensive project at Santaluz (\$570,000).
- * New single family home sales totaled 3,134 units in the Central market in 1999, representing 43.3% of all new home sales in San Diego County. Thanks to the positive attributes of the area, the Central market captures by far the highest proportion of high-end new home sales of any portion of San Diego County. In 1999, the Central market accounted for 84.4% of all sales from \$500,000 to \$749,999 (451 sales), 95.7% of all sales from \$750,000 to \$999,999 (54 sales), and 100% of all sales over \$1.0 million (44 sales).
- * The median price of all new single family homes sold in the Coastal Central market area in 1999 was \$459,717, while the median in the Inland Central market area was \$363,493. Santaluz is in the right part of the county from a locational standpoint to be developed as one of the highest priced communities in the region.
- * Resales of single family homes priced over \$500,000 accounted for only 7.6% of county-wide resales in 1999 (2,324 sales), but accounted for 22.0% of sales in the Central County area (1,228 sales). The Central market accounted for about 53% of all \$500,000+ homes resold in the county in 1999, despite representing only 8.5% of all existing households.

- * While new home market trends in general are fairly positive, it is worth reiterating that only 10.3% of all new home sales county-wide in 1999 were in the \$500,000+ price range (740 sales), indicating that despite recent increases in economic prosperity in the region, that the high-end of the market in San Diego County represents a relatively small proportion of the total market at this time.

IV. Residential Market Analysis

- * The largest master planned communities throughout all of San Diego County have averaged sales of about 300 new single family homes per community per year since the latest recovery began in 1996. Among communities in close proximity to Santaluz, Carmel Valley has averaged 345 sales per year since 1996 (average price in the 4th Quarter of 1999 of \$540,000), while Scripps Ranch Villages has averaged sales of 417 units per year since 1996 (average price in the 4th Quarter of 1999 of \$425,000). With an average price projected at almost \$770,000, it is doubtful that Santaluz could achieve aggregated sales rates similar to Carmel Valley or Scripps Ranch which have much lower average prices.
- * There is a very close correlation in San Diego County between average home price and project-by-project sales rates. Generally the higher the home price, the lower the sales rate. In the 4th Quarter of 1999, projects with an average price under \$299,999 averaged 1.51 sales per project per week, while projects from \$300,000 to \$499,999 averaged 0.93 sales per project per week. Projects with prices most closely matching planned prices at Santaluz (\$500,000 to \$999,999) averaged only 0.52 sales per project per week, while projects over \$1.0 million averaged only 0.19 sales per week in the 4th Quarter of 1999. It should be noted that sales rates in the Central area are higher than in the county as a whole in the \$500,000 to \$999,999 range, averaging 0.72 sales per week at this time.
- * The proposed home prices for Santaluz position homes in the community at, or above, the top of the Central market at this time on an absolute price basis relative to comparable size homes on comparable size lots. With projected home owners association dues and CFD costs, the cost of owning a home in Santaluz will be well above most of the rest of the market in the area today, particularly for most of the lower priced projects at in the community. Given the aggressive pricing of the single family product lines at Santaluz, it is doubtful that projects in Santaluz will be able to achieve project-by-project absorption rates similar to projects on the market today. This is particularly true since most of the projects on the market today opened at a time when there was higher job growth, lower interest rates, and less competition than there will be when Santaluz opens for sales.
- * New custom lot projects in the Central market area are performing quite well at this time. The most popular lots on the market today are lots located on a golf course, although it is worth noting that projects with strong view orientations have also sold well. As planned, Santaluz will offer a good mix of golf and non-golf oriented lots, however the proposed prices are moderately aggressive. This could have a moderate dampening effect on absorption rates at Santaluz.

- * There are seven active large-scale communities in the Central market area that may be competitive in one way or another with Santaluz. There are about 14,265 residential units of all types left to be developed in those communities (although only about 50% of the units are likely to be priced over \$500,000), indicating that Santaluz will face competition from existing communities. There are also four proposed developments in the Central area that are likely to provide additional competition to Santaluz in the future. The four proposed communities have the potential for over another 11,900 units, although only about half of those units are expected to be priced over \$500,000.
 - * The demand for new single family homes priced over \$500,000 in the Central market has been projected at from 831 ("conservative") to 1,209 ("optimistic") units per year over the next five years. In comparison, the actual number of new single family homes sold in the Central area priced over \$500,000 totaled 520 units in 1998 and 639 units in 1999. In light of historical sales, even the "conservative" projected demand should be considered somewhat aggressive.
 - * If all of the existing communities in the Central area continue to bring new product to the market as expected, if all of the planned and proposed communities come on line as expected, and if the developer's projections for sales at Santaluz are utilized, the \$500,000+ market in the Central area will start becoming over-built in 2001. If every project comes on-line as expected, total sales will need to reach 1,348 units in 2001 and 1,776 units in 2002 to accommodate all of the projects planned (compared to conservative demand projections of 831 units per year, and optimistic demand projections of 1,209 units per year).
 - * There are three likely consequences if the \$500,000+ market becomes over-supplied as is projected starting in the year 2001: 1) home prices will decline and/or the use of incentives will increase dramatically, 2) absorption rates will slow, and/or 3) projects will be delayed in coming on the market. Given the positive attributes of Santaluz, and given the developer's plan to bring every project in the community on-line from day one, the most likely outcome of an over-supply of high-end housing in the Central market area relative to Santaluz would be decreased absorption rates. Given expected macro level supply and demand conditions, it appears unlikely that projects in Santaluz will be able to achieve the same project-by-project absorption rates exhibited by projects in the area in the recent past.
- #### V. Golf Market Analysis
- * There are currently 78 golf courses in San Diego County (not including military courses), representing a total of 1,379 holes of golf. The 78 courses include 48 public courses (62%), 12 semi-private courses (15%), and 18 private courses (23%). These ratios are fairly close to nation-wide averages (80% public and semi-private, 20% private). A total of 13 new courses were built in San Diego in the 1990s (nine public (69%), two semi-private (22%), and two private (15%)).

- * Although the total number of rounds of golf played at the 25 busiest courses in San Diego dropped in 1998 and 1999 compared to the peak in 1997, part of the drop-off can be explained by the opening of four new courses in the county in 1998 and 1999. Given the number of rounds played at the new courses, it appears that county-wide rounds played have continued to increase, at the same time that play slowed at some of the busiest courses. Greens fees hit an all-time high in 1999 at the 25 busiest courses, hitting an average of almost \$50 per round.
- * Prior to the opening of The Bridges in October of 1999, no new private equity golf clubs had been built in San Diego County since 1984. The Crosby Estate, another private equity golf club, is now under construction, and is expected to open for play in early 2001. Membership sales at The Bridges have been averaging a brisk 20 per month, despite a membership fee of \$125,000 (reportedly increasing to \$160,000 as of April of 2000).
- * Private equity clubs averaged 43,000 rounds of golf each in 1999, while courses open to the public averaged 62,500 rounds each. Golf courses associated with a hotel averaged 58,600 rounds each in 1999, while golf courses not associated with a hotel that averaged 52,800 rounds per course, indicating that courses associated with a hotel got an 11% boost in rounds played from hotel guests.
- * There are currently 17 planned and proposed golf courses in the county (including two 9-hole courses), representing the potential for 288 holes of golf. The proposed courses include 14 public courses (including one "undecided" course), no semi-private courses, and three private courses (including the proposed Santaluz course, and the Crosby Estate which is now under construction).
- * Based on a statistical analysis of the market, it is estimated that there is an under-supply of six golf courses in San Diego at this time, and that there will be demand for an additional 14 more courses over the next ten years. Combined, there should be market support for as many as 20 new golf courses over the next ten years, including five private courses (versus three planned), three semi-private courses (none currently planned), and 12 public courses (14 planned). In general, the golf market is expected to be roughly in equilibrium over the next ten years.
- * Although one new private equity course opened in 1999 and another is scheduled to open in 2001, there should be adequate demand in the market to support the opening of the private southern course at Santaluz as proposed in 2002. Support for this can be seen in the strong membership sales already occurring at The Bridges, and the fact that no new private equity courses had been built in the county since 1984, creating pent-up demand in the market. In addition, the proposed membership fee at Santaluz (\$75,000), is far below membership fees at The Bridges (\$125,000), or projected for the Crosby Estate (\$120,000), which should allow Santaluz to serve a niche for lower-priced memberships.

VI. Absorption Conclusions

- * More so than any other part of San Diego County, the Central market area is appropriate for the development of a high-end golf course community such as is proposed at Santaluz. Thanks to a rare combination of attributes (proximity to jobs, proximity to the ocean, two of the best school districts in the county, etc.) the Central market area captures far more \$500,000+ sales than any other part of the county. As such, the development of Santaluz as a high-end community makes sense from a locational perspective.
- * Despite the positive location, attractive setting, and market justification for high-end housing at Santaluz, there are a number of factors which are expected to impact the demand for housing at Santaluz, the corresponding absorption potential of individual projects within the community, and the overall annual absorption potential of residential units in the community as a whole as follows:
 1. The possibility of an economic downturn in the near future. San Diego is now in the seventh year of an economic expansion. Past expansions have tended to last at most five to seven years. Employment growth in San Diego County so far in 2000 is down compared to the same time last year. Rising gas prices, rising interest rates and stock market instability all have the potential to trigger a slowdown in the local economy. A slowdown in the economy would translate into less demand for new housing.
 2. A projected over-supply of \$500,000+ homes in the Central market. Even based on relatively optimistic projections of the future demand for \$500,000+ housing, it appears that there will be an over-supply of new \$500,000+ homes in the Central area starting in 2001. An over-supply of high-end housing will result in: 1) declining prices (and/or dramatically increased incentives), 2) slower absorption rates, and/or 3) delays in projects coming on the market. Our best estimate is that the most likely impact on Santaluz will be decreased absorption rates relative to projects on the market today.
 3. The above the top-of-the-market prices projected at Santaluz. Although Santaluz can justifiably be priced at the top of the local market given all the positive attributes of the community, the prices for some product lines are significantly above comparable size homes on comparable size lots in the local area, particularly when view premiums, HOA dues, fees, and CFD obligations are factored in. For this reason, it will be very difficult for projects in Santaluz to achieve absorption rates similar to comparable projects on the market today.
 4. The number of concurrently selling projects at Santaluz. As planned, Santaluz will have 11 simultaneously selling single family home projects, all of which will have average prices well over \$500,000. Even the most aggressive master plans in San Diego in the recent past have typically not had more than eight, and at most ten, concurrently selling projects, and those communities typically offered a significant amount of product under \$500,000, and even under \$400,000. Despite planned market segmentation among the 11 projects, we believe that Santaluz projects will face a significant amount of cross-competition within the community, thus decreasing project-by-project absorption rates.

5. **The overall absorption potential of the community.** While increasing the number of concurrently selling projects has the potential to increase aggregated sales at Santaluz, there is a point when aggregated sales activity in the community will represent an unreasonably high proportion of total demand in the Central market area, and project-by-project sales rates will drop as a result. Most master plans in San Diego historically have captured from 20% to 30% of the total demand for new housing in their respective market areas. Based on projected future demand, Santaluz would need to capture from 39% to 57% of the total demand for all new \$500,000+ homes in the Central area to meet the developer's projected sales in the year 2002. Given the expected availability of new home alternatives, a 20% to 30% capture rate of total projected \$500,000+ sales in the Central area would be a far more reasonable expectation for Santaluz (166 to 249 sales/year based on conservative demand projections, or 242 to 362 sales per year based on optimistic projections).
6. **Home delivery issues.** Santaluz has an innovative community design with different product types interspersed amongst each other so that different builders will be building homes side by side within the same neighborhood. While this approach will create more varied street scenes and more interesting looking neighborhoods, it most likely will create logistical problems and construction inefficiencies. Coupled with plans to have 11 projects all open and selling at the same time, the likely outcome will be home delivery problems which have the potential to have a backlash on sales, as some buyers will not be willing or able to wait the extra time that will be necessary to close on a home due to construction delays. Home delivery issues could be compounded if a high proportion of builders in Santaluz are not based in San Diego County due to a potential lack of local supplier and subcontractor connections, lack of local market expertise, and lack of local personnel to deal with the day-to-day issues that inevitably crop up with the construction of a new home project.

- * For all of the reasons outlined above, projects in Santaluz will not be able to achieve absorption rates comparable to projects on the market today in the Central market area, nor will Santaluz be able to achieve aggregated sales at levels projected by the developer. Although we do believe that Santaluz will become one of the premier new home communities in San Diego County, that will not translate into absorption rates comparable to projects that are on the market today. Based on our evaluation of the market, the following represents our best estimates as to the absorption potential of the single family home projects planned at Santaluz:

Projected Single Family Home Sales at Santaluz - "Future Market Trends" Scenario*

Product Line	# of Lots	Average Price	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Sentinels	80	\$575,000	27	27	26		
Castles	80	\$570,000	27	27	26		
Spanish Bungalows	64	\$585,000	23	23	18		
Ranch Cottages	80	\$635,000	28	28	24		
Garden Homes	63	\$622,500	44	19			
Haciendas Sur	50	\$775,000	17	17	16		
Court Homes	71	\$725,000	34	34	3		
Country Homes	65	\$730,000	27	27	11		
Villas	32	\$885,000	18	14			
Estancias	39	\$1,070,000	20	19			
Ranch Homes	66	\$1,295,000	15	15	15	15	6
Annual Total	690	\$769,773	280	250	139	15	6
Capture of "Conservative" Demand	--	--	33.7%	30.1%	16.7%	1.8%	0.7%
Capture of "Optimistic" Demand	--	--	23.2%	20.7%	11.5%	1.2%	0.5%

*Absorption figures are for the fiscal year from June 1st to May 31st. Figures represent projected home sales

- * Aggregated projected annual new home sales at Santaluz appear to be reasonable based on the performance of existing master plans in San Diego County. With projected "conservative" demand capture rates of 30.1% to 33.7% in peak years, and projected "optimistic" demand capture rates of 20.7% to 23.2% in peak years, the aggregated projected sales figures for Santaluz fall within the parameters of capture rates exhibited by other master plans in San Diego County over the past few years (individual master plans typically have captured 20% to 30% of local demand in any particular area).
- * It should be noted that the projected absorption figures are predicated upon the community being developed as proposed, and assume that all 11 product lines start home sales at the same time as projected by the developer. If all the product lines do not come on-line at the same time as proposed, the absorption figures would need to be adjusted accordingly.
- * Based on our review of Santaluz itself, and our analysis of the custom lot market in the Central San Diego County market area, the following are our projections for the sale of custom lots at Santaluz.

Projected Custom Lot Sales at Santaluz - "Future Market Trends" Scenario*

Product Line	# of Lots	Average Price	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Northern Lights (non-golf)	96	\$625,000	38	19	17	17	5
Village Green (golf)	20	\$799,000	4	4	4	4	4
Hacienda Norte (mostly non-golf)	28	\$725,000	17	11			
Estancias (golf)	36	\$725,000	8	8	8	8	4
Villas (golf)	44	\$429,000	9	9	9	9	8
Annual Total	224	\$660,600	76	51	38	38	21

*Absorption figures are for the fiscal year from June 1st to May 31st. Figures represent projected individual lot sales.

(Please note: Northern Lights includes 73 lots with 0.50 acre pads and 23 lots with 0.25 acre pads – the two lot sizes were treated as two different "products" within the Northern Lights area, thus increasing the overall absorption potential of the Northern Lights lots while both sizes are available (2001 & 2002). The Northern Lights lots are located to the west of the bulk of Santaluz, while all the remaining custom lot areas are within the main golf-oriented portion of the community. As such, it was determined that the market for the Northern Lights lots would be different from the market for the Hacienda Norte lots ("interior" non-golf oriented lots), and would be different from the market for golf oriented lots (Village Green, Estancias, Villas); hence our conclusion is that there could be three concurrently selling custom lot "products" at Santaluz. 1) "exterior" non-golf lots (Northern Lights), 2) "interior" non-golf lots (Hacienda Norte), and 3) golf-oriented lots (Village Green, Estancias, Villas). The annual total projected demand potential for golf-oriented lots (21 lots/year) was split proportionally amongst the three golf-oriented projects (Village Green, Estancias, Villas).)

- * The demand in San Diego County at this time is so great for "affordably" priced apartments that the 179 affordable units planned in Santaluz could be brought on-line at any time during the development of the community, and the units most likely would be able to lease up at a rate of at least 25 to 30 units per month, and most likely would lease up significantly faster. This should hold true whether the affordable units are targeted to seniors or the market as a whole, and for the projected opening date of Summer, 2001. As such, the affordable component should take far less than one year to reach stabilized occupancy.

- * Golf course market supply and demand conditions are expected to be roughly in equilibrium over the next decade. Despite the opening of one new private equity golf course in 1999, and the expected opening of another private equity course in 2001, there should be sufficient demand for the Santaluz private equity course to open as planned in the 1st Quarter of 2002.

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EXHIBIT D

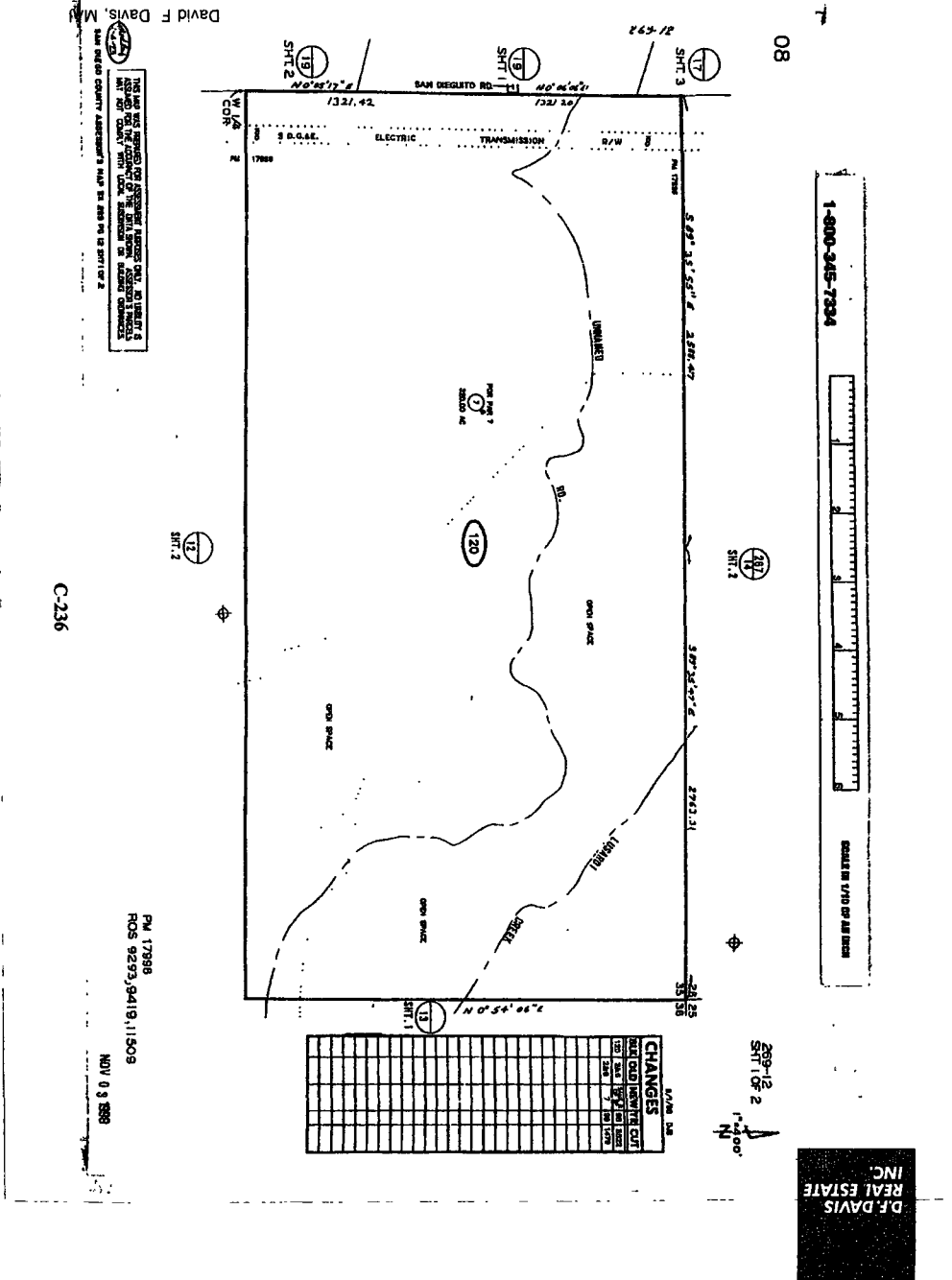


**Santaluz—Improvement Area 1
Summary of Assessor's Maps**

Assessor's Parcel No.	Acres
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269 - 121 - 04	10.00
269 - 121 - 05	300.95
269 - 130 - 06	175.91
269 - 131 - 03	244.11
269 - 131 - 04	1.98
269 - 070 - 25	38.23
303 - 070 - 26	18.46
303 - 070 - 28	17.06
303 - 070 - 29	756.81
303 - 070 - 30	242.01
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678 - 230 - 07	11.54
Total	2,541.35

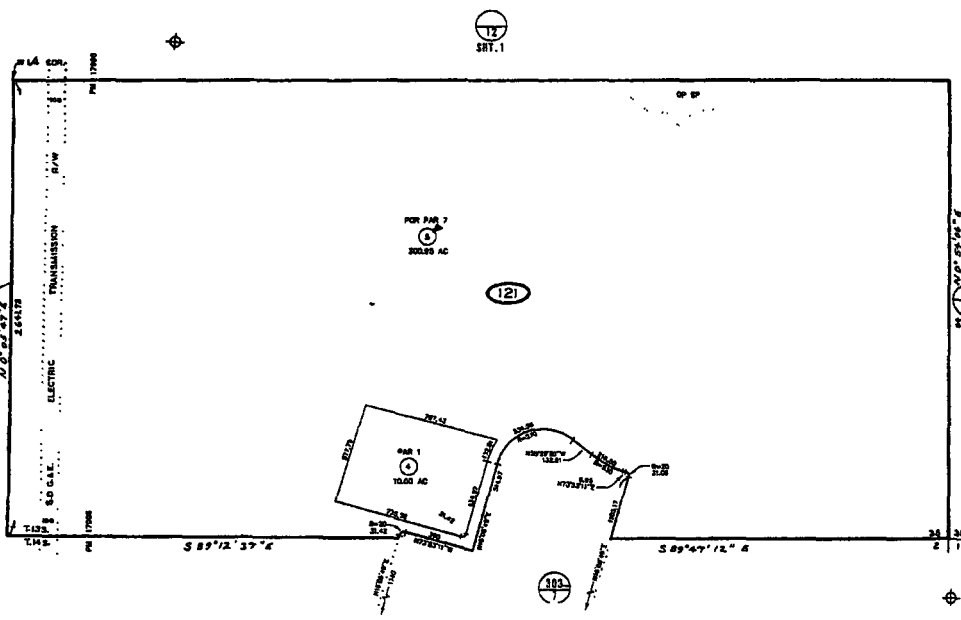
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David F. Davis, MAI



08

289-12
SHT 2 OF 2



8/14/88 DB

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19
SHT 2

19
SHT 3

19
SHT 2

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SAN DIEGO COUNTY ASSESSOR'S MAP NO. 289 PG 12 SHT 2 OF 2

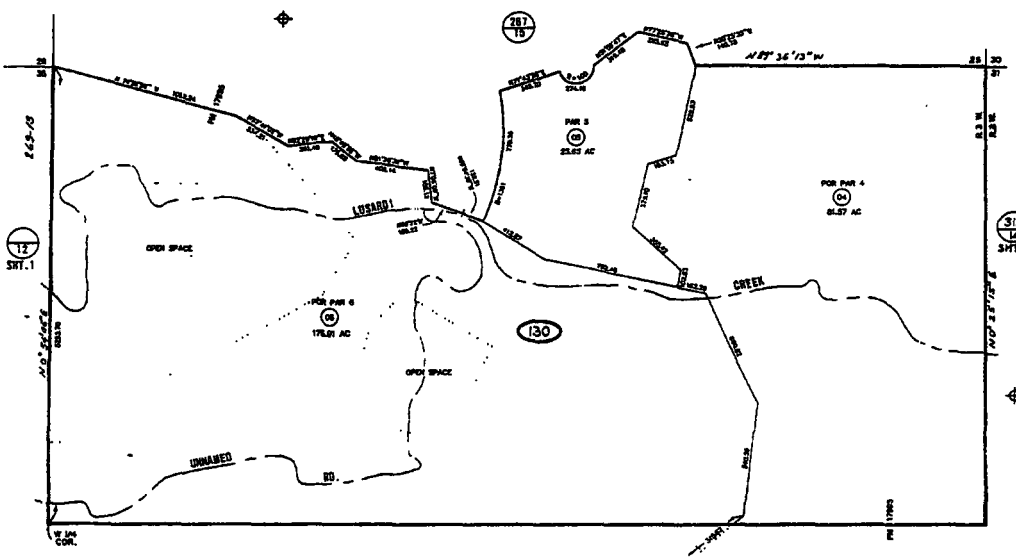
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NOV 03 1988

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7

289-13
SHT 1 OF 2



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12
SHT 1

312
SHT 1

13
SHT 2

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SAN DIEGO COUNTY ASSESSOR'S MAP NO. 289 PG 13 SHT 1 OF 2

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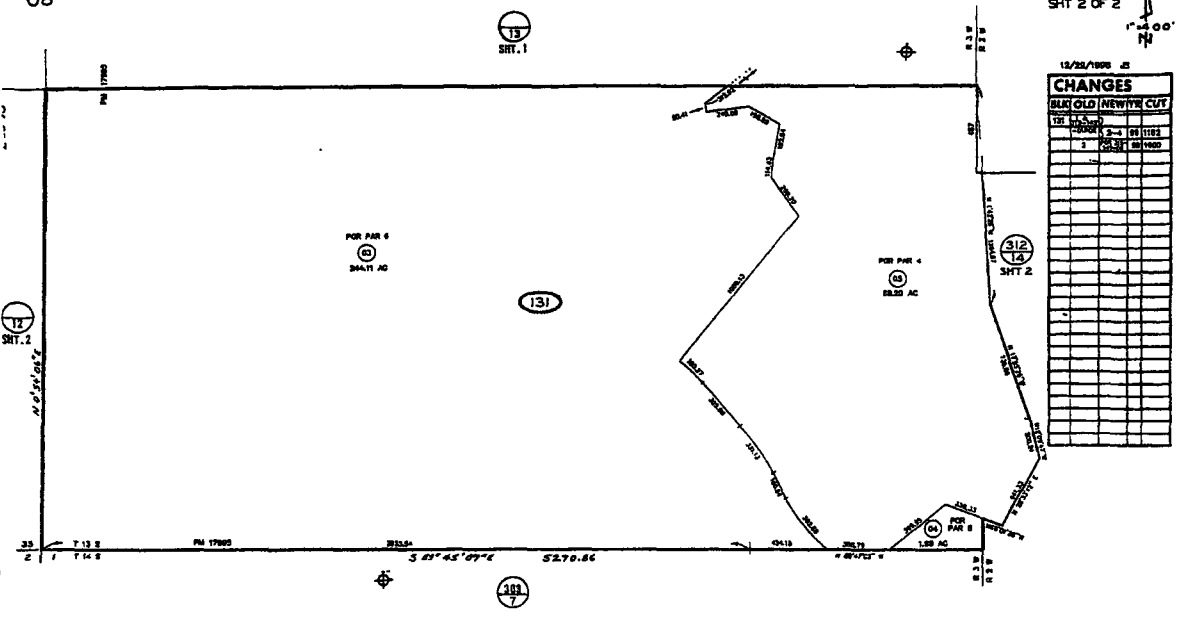
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C-238

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289-13
SHT 2 OF 2



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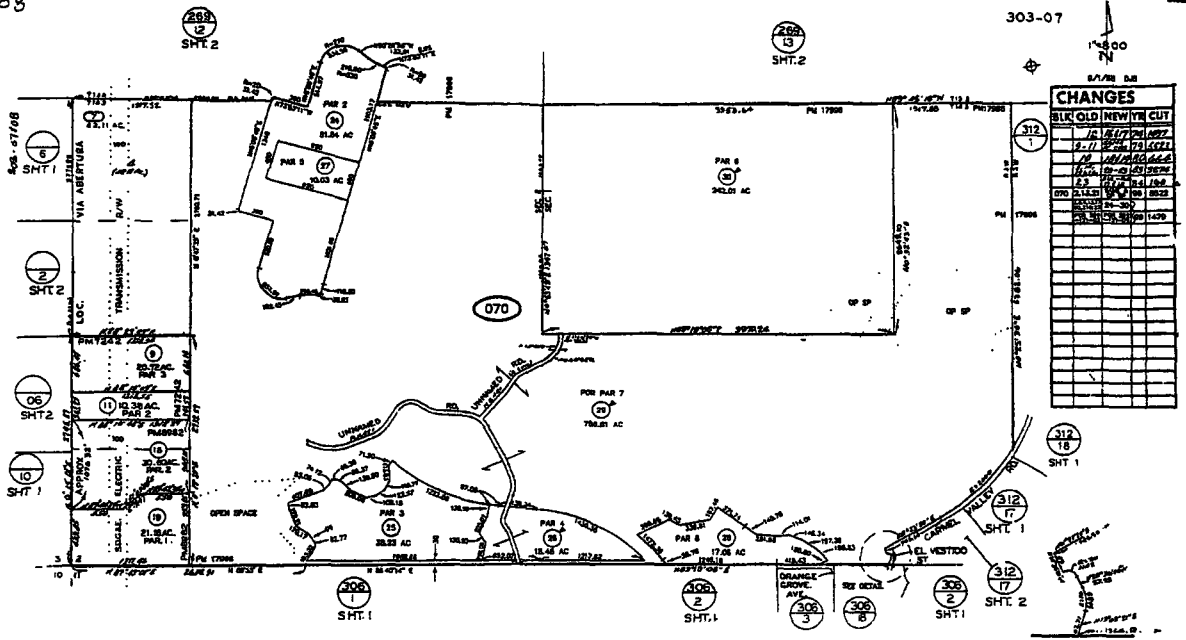
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David F. Davis, M.A.

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303-07



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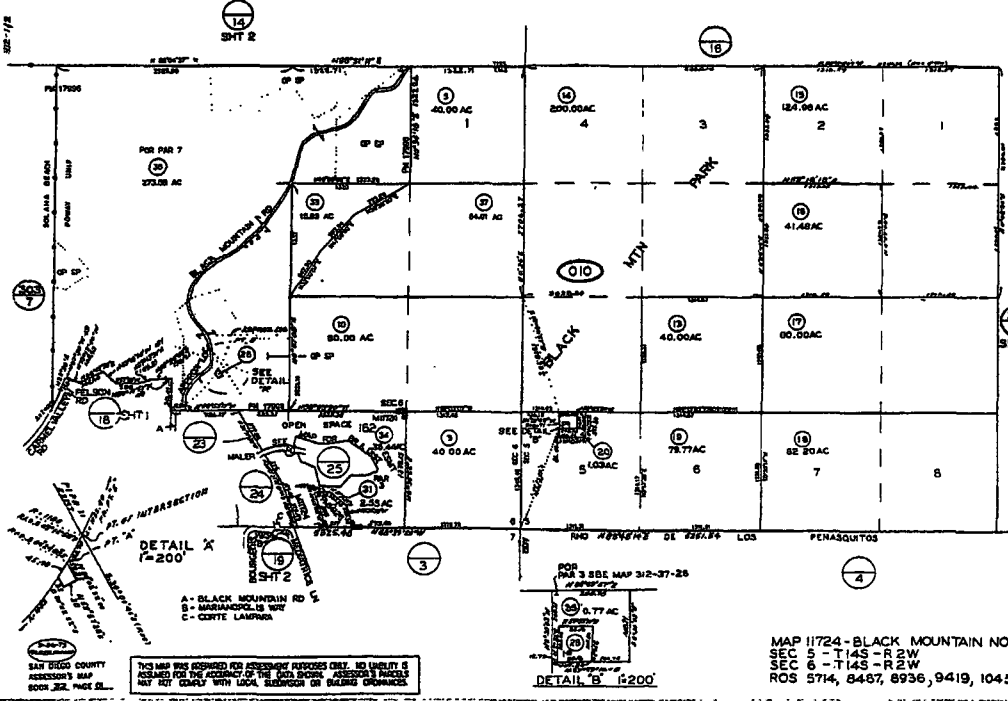
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David F. Davis, M.A.

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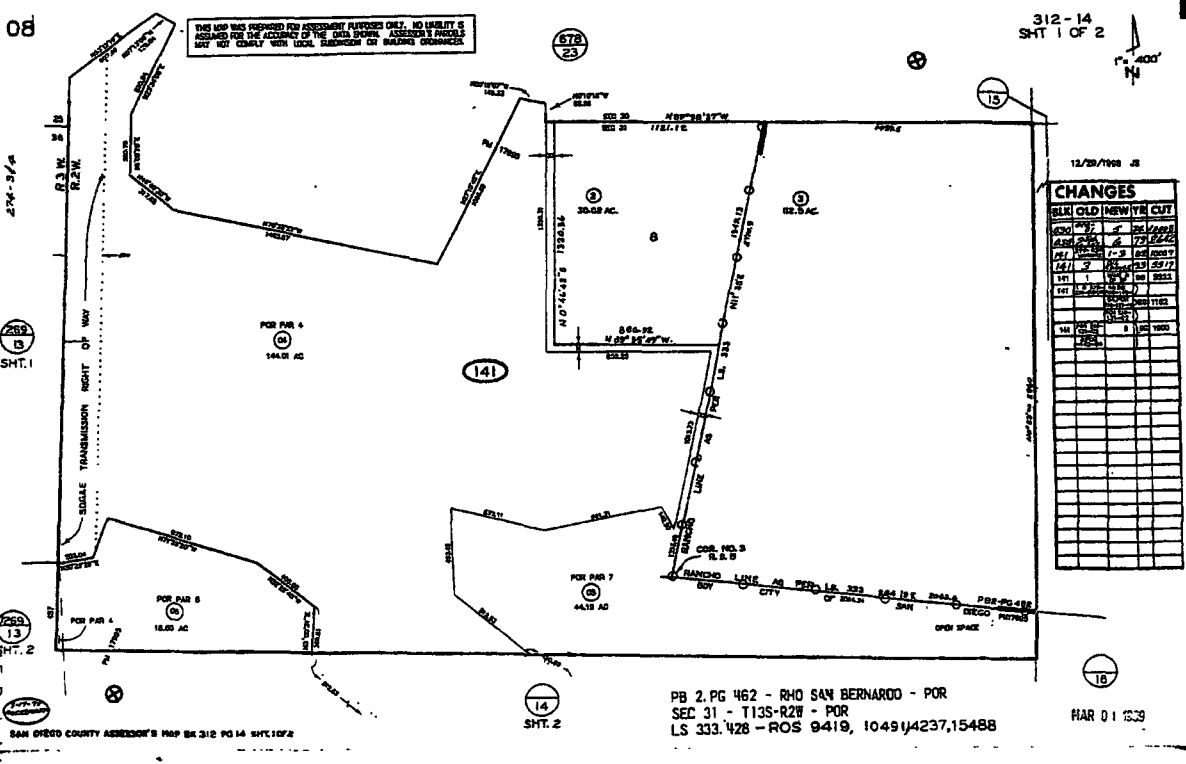
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C-241

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C-242

1-800-345-7334

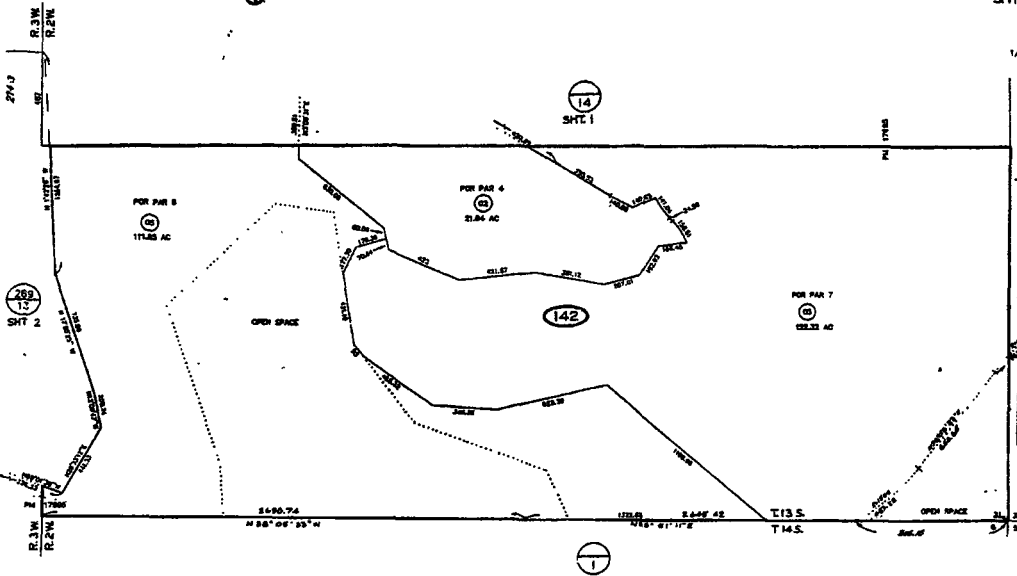
SCALE IN 1/16 OF AN INCH

Apr 8 1998

312-14
SHT 2 OF 2

D.F. DAVIS
REAL ESTATE
INC.

08



CHANGES			
BLK	OLD	NEW	CUT
142	1	2	1
142	3	4	1
142	5	6	1
142	7	8	1
142	9	10	1
142	11	12	1
142	13	14	1
142	15	16	1
142	17	18	1
142	19	20	1
142	21	22	1
142	23	24	1
142	25	26	1
142	27	28	1
142	29	30	1
142	31	32	1
142	33	34	1
142	35	36	1
142	37	38	1
142	39	40	1
142	41	42	1
142	43	44	1
142	45	46	1
142	47	48	1
142	49	50	1
142	51	52	1
142	53	54	1
142	55	56	1
142	57	58	1
142	59	60	1
142	61	62	1
142	63	64	1
142	65	66	1
142	67	68	1
142	69	70	1
142	71	72	1
142	73	74	1
142	75	76	1
142	77	78	1
142	79	80	1
142	81	82	1
142	83	84	1
142	85	86	1
142	87	88	1
142	89	90	1
142	91	92	1
142	93	94	1
142	95	96	1
142	97	98	1
142	99	100	1

SAN DIEGO COUNTY ASSESSOR'S MAP IN 312 PG 14 SHT. 2 OF 2

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S ROLLERS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

PM 17995 - POR
LS 333 - ROS 9419

C-243

1-800-345-7334

SCALE IN 1/16 OF AN INCH

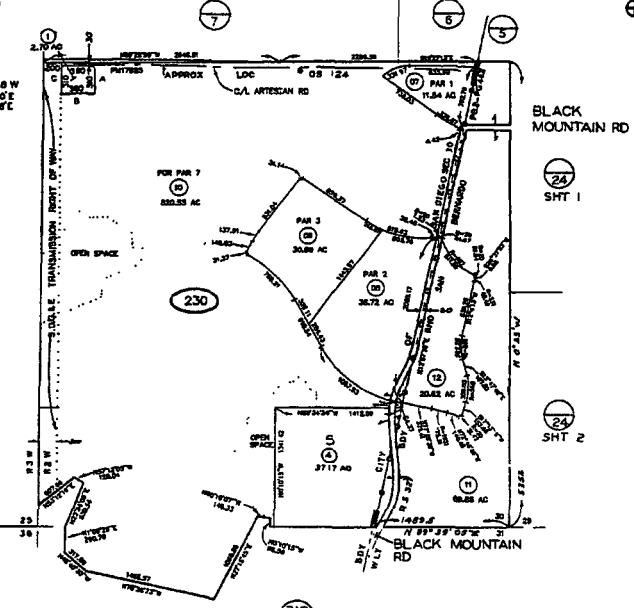
678 - 23

D.F. DAVIS
REAL ESTATE
INC.

* OLD SURVEY 124 IN ITS PRESENT LOCATION & WIDTH DECLARED PUBLIC RD. BY DCC 77-378537

A-140°04'00" W
B-8°58'58" S
C-37°04'00" E

274-07/02



CHANGES			
BLK	OLD	NEW	CUT
230	1	2	1
230	3	4	1
230	5	6	1
230	7	8	1
230	9	10	1
230	11	12	1
230	13	14	1
230	15	16	1
230	17	18	1
230	19	20	1
230	21	22	1
230	23	24	1
230	25	26	1
230	27	28	1
230	29	30	1
230	31	32	1
230	33	34	1
230	35	36	1
230	37	38	1
230	39	40	1
230	41	42	1
230	43	44	1
230	45	46	1
230	47	48	1
230	49	50	1
230	51	52	1
230	53	54	1
230	55	56	1
230	57	58	1
230	59	60	1
230	61	62	1
230	63	64	1
230	65	66	1
230	67	68	1
230	69	70	1
230	71	72	1
230	73	74	1
230	75	76	1
230	77	78	1
230	79	80	1
230	81	82	1
230	83	84	1
230	85	86	1
230	87	88	1
230	89	90	1
230	91	92	1
230	93	94	1
230	95	96	1
230	97	98	1
230	99	100	1

SAN DIEGO COUNTY ASSESSOR'S MAP IN 678 PG 23

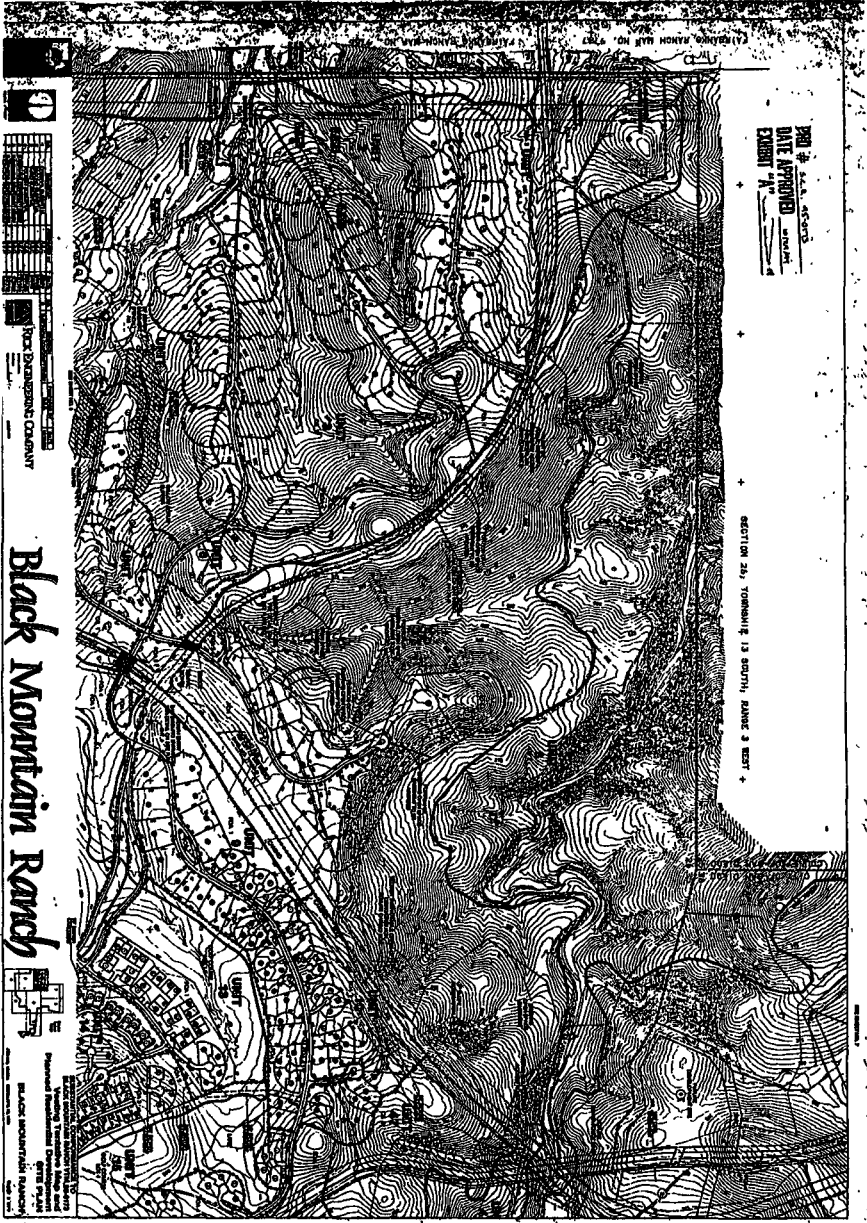
THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S ROLLERS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

PB2 PG 462 - RHD SAN BERNARDO - POR
SEC 30 - T13S-R2W
ROS 9419, 1049 [4237,15488 AUG 0 3 1998

C-244

David F. Davis, MAI

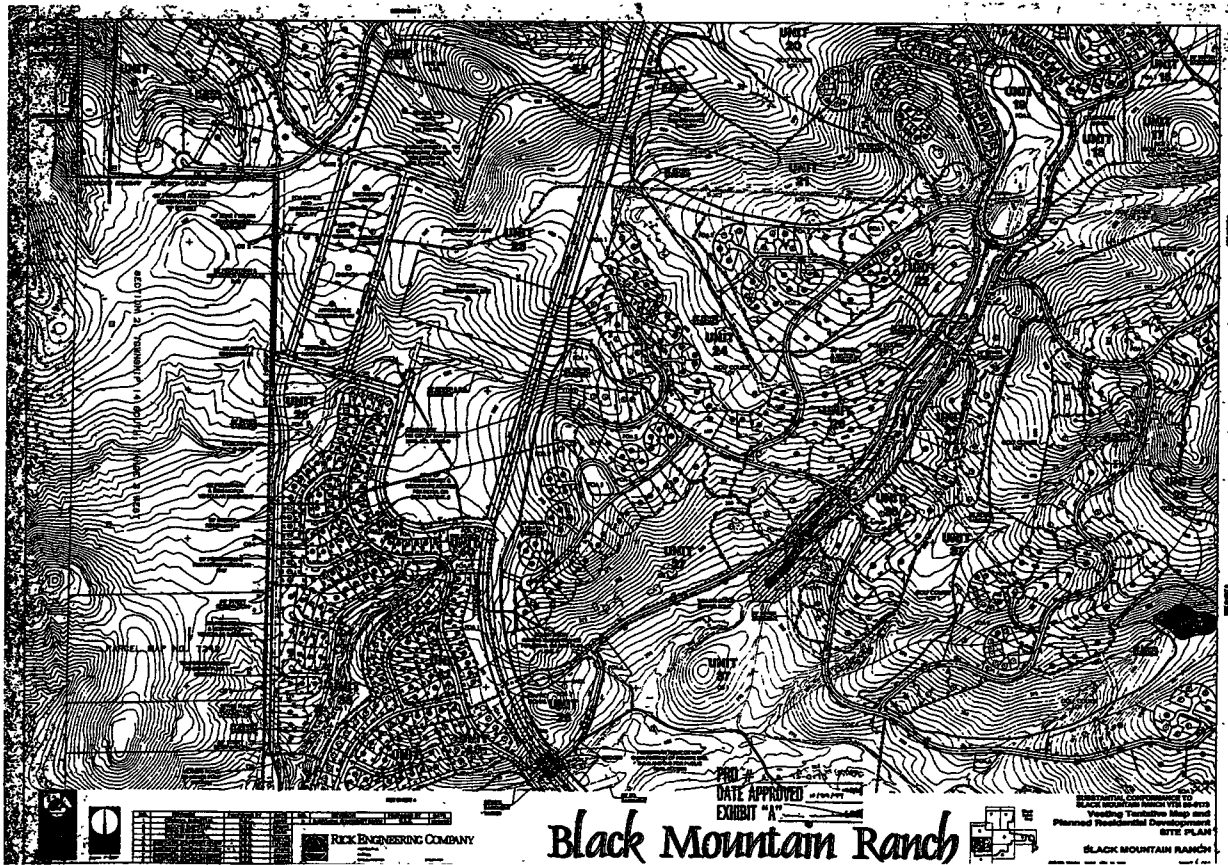
David F. Davis, MAI



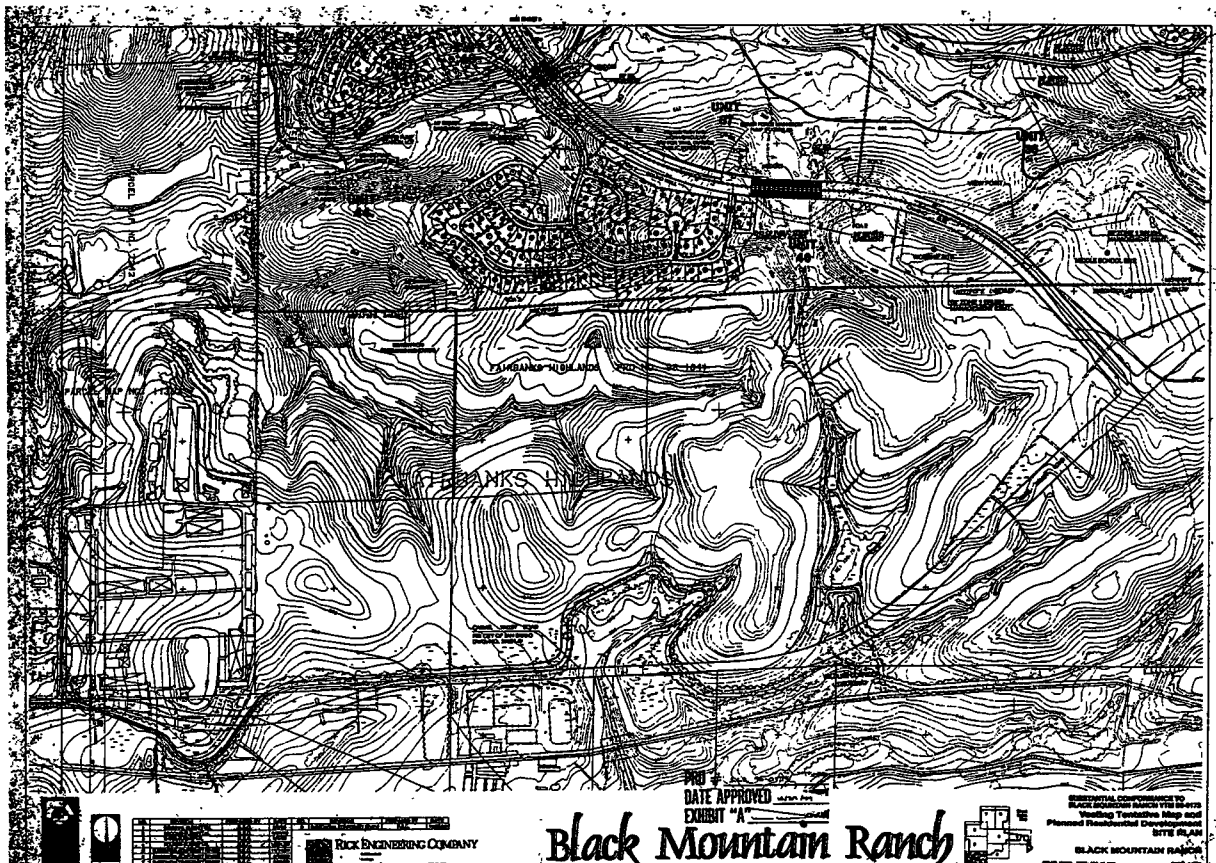
C-246

EXHIBIT E

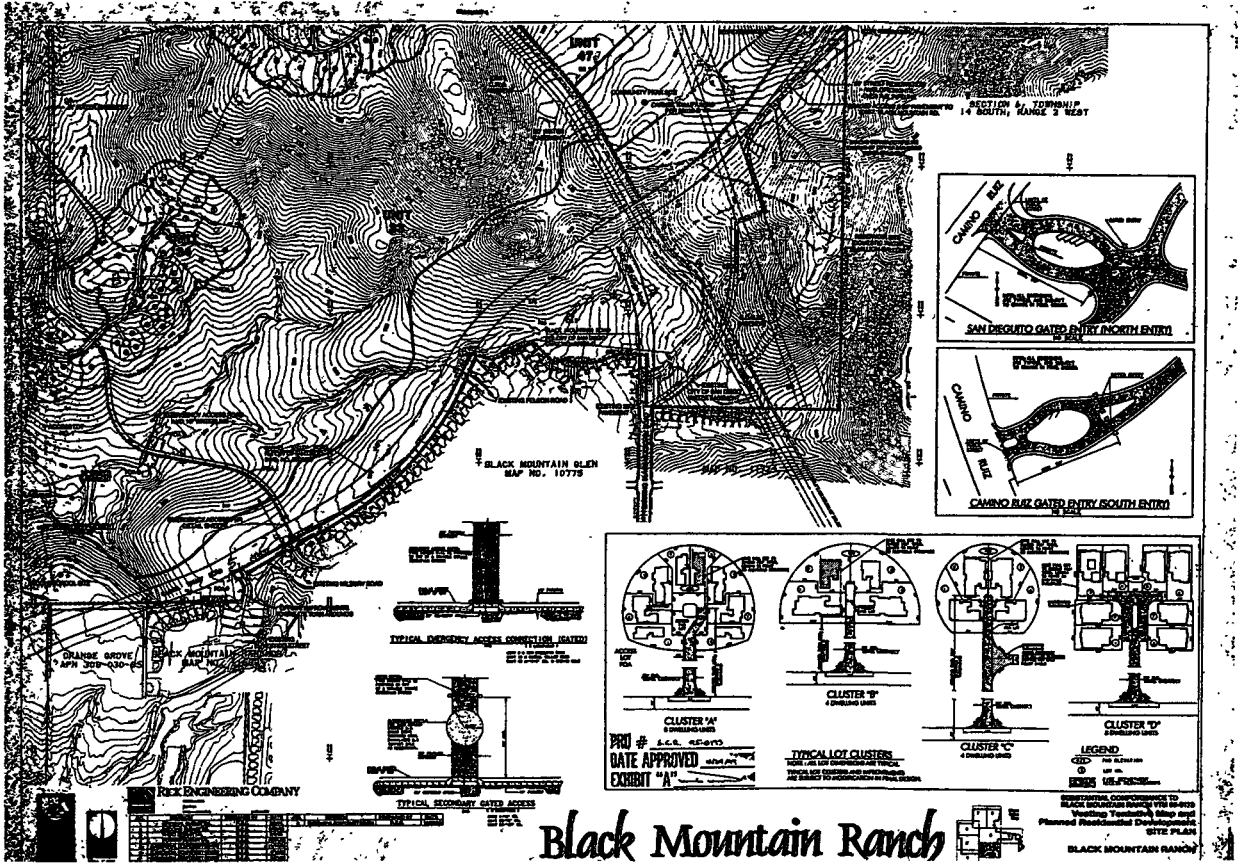
C-245



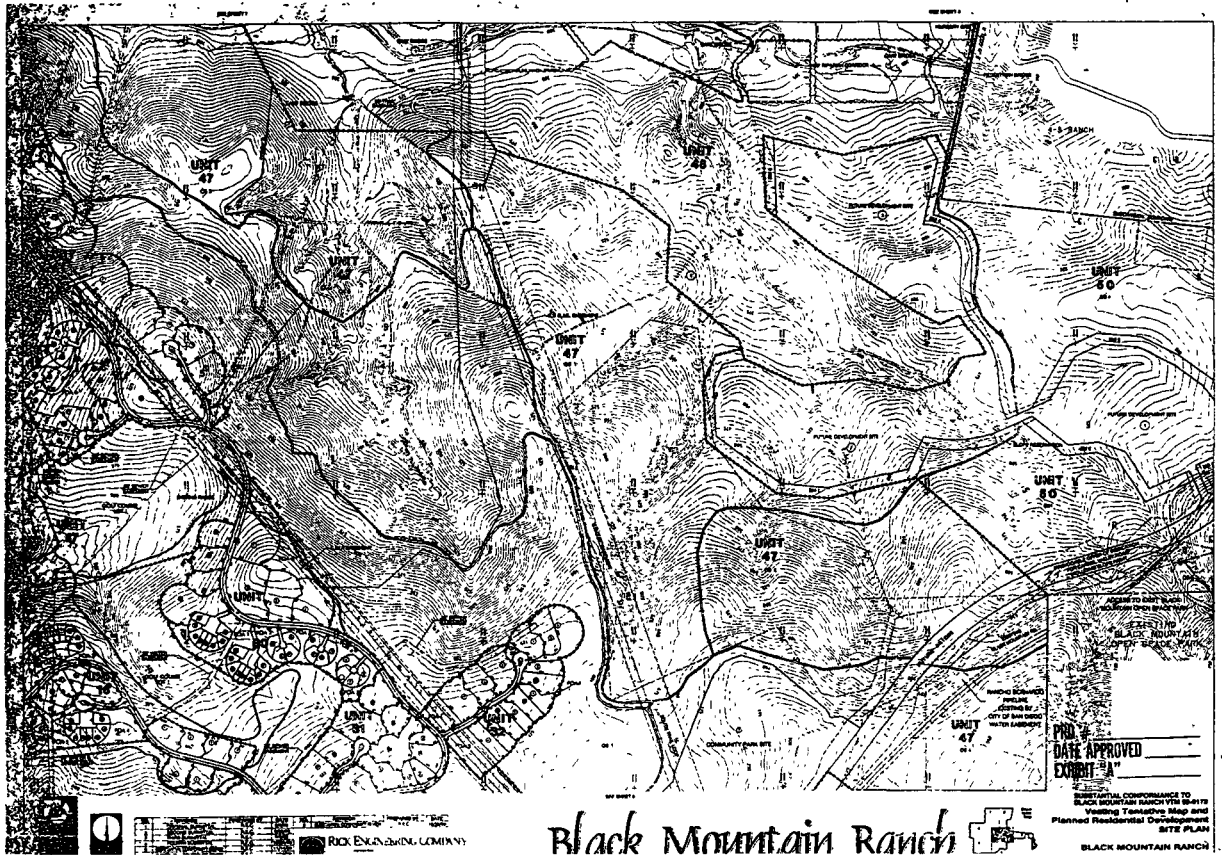
C-247



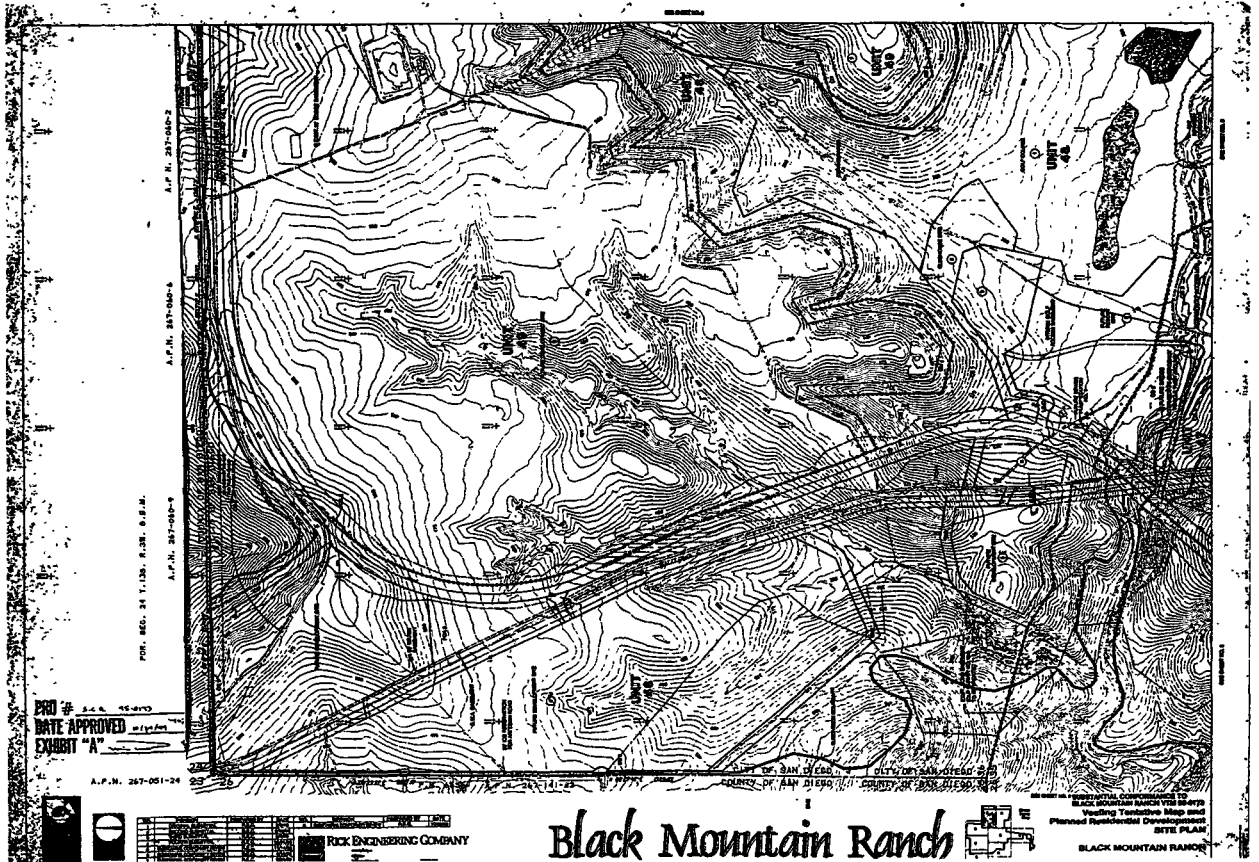
C-248



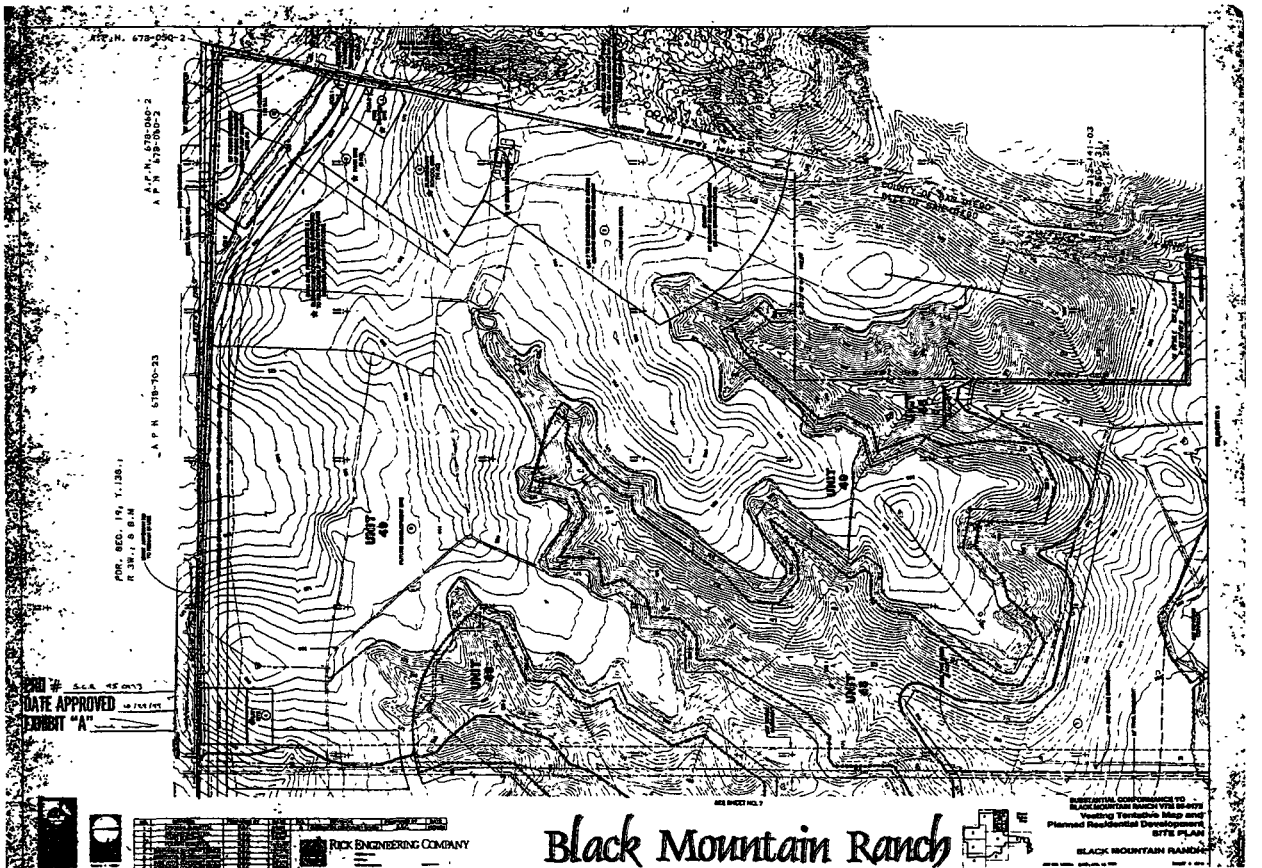
C-249



C-250



C-251

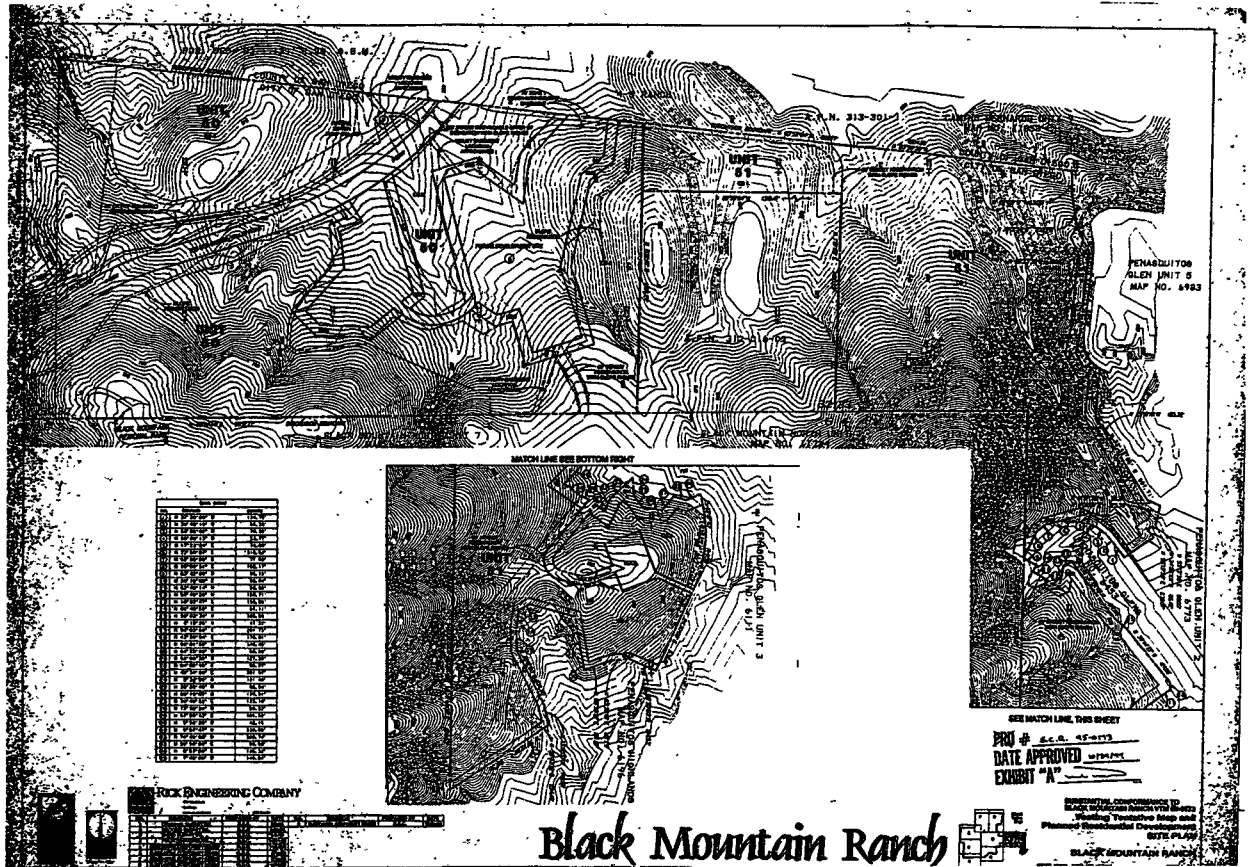


C-252

EXHIBIT F

C-254

C-253



C-253

SANTALUZ UNIT NO. 1 & 2

BEING A SUBDIVISION OF A PORTION OF PARCEL 7 OF PARCEL MAP NO. 17996, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.
SUBDIVISION GUARANTEE PREPARED BY FIRST AMERICAN TITLE INSURANCE COMPANY ORDER NO. 1200040-13

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF THE LAND DESCRIBED HEREIN AND THAT WE HAVE THE RIGHT TO MAKE THE SUBDIVISION AND TO CONVEY THE SAME TO THE PURCHASERS AND RECORDATION OF THIS MAP CONFORMS TO THE REQUIREMENTS OF THE CALIFORNIA PUBLIC LAND ACT AND THE PUBLIC LANDS ACT.

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT BY REGULATION NO. _____ OF THE CITY OF SAN DIEGO I HAVE APPROVED THIS MAP AND THAT I HAVE CAUSED THIS MAP TO BE RECORDED IN THE OFFICE OF THE COUNTY CLERK OF SAN DIEGO COUNTY, CALIFORNIA.

I, ROBERT E. HANNAH, A REGISTERED CIVIL ENGINEER OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE SURVEY OF THIS SUBDIVISION WAS MADE BY ME OR UNDER MY DIRECT SUPERVISION AND THAT THE SURVEY IS TRUE AND CORRECT AS SHOWN ON THIS MAP. I HAVE CAUSED THIS MAP TO BE RECORDED IN THE OFFICE OF THE COUNTY CLERK OF SAN DIEGO COUNTY, CALIFORNIA.

FOR USE AS PUBLIC STREETS AND APPURTENANCES HEREON AS SHOWN ON THIS MAP UNDER THE SUBDIVISION.

IN WITNESS WHEREOF, SAID COUNCIL HAS CAUSED THESE PRESENTS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY ITS SEAL THIS _____ DAY OF _____, 2000.

DATE: _____/_____/2000

CHARLES D. ARBONIAU
CITY CLERK

BY _____
DEPUTY

SANTALUZ, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMERLY KNOWN AS BLAISE MOUNTAIN RANCH DEVELOPMENT, LLC, A DELAWARE LIMITED LIABILITY COMPANY AS OWNER.

I HEREBY STATE THAT THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND THAT I HAVE CAUSED THIS MAP TO BE RECORDED IN THE OFFICE OF THE COUNTY CLERK OF SAN DIEGO COUNTY, CALIFORNIA.

I ALSO CERTIFY THAT THERE ARE NO UNPAID TAXES OR OTHER LIABILITIES AGAINST THE TRACT OR SUBDIVISION OF ANY PART HEREON.

FRANK BELLECK, JR., CIVIL ENGINEER
BY _____
LEONARD E. HERRICK, DEPUTY
L.S. 0001

STATE OF CALIFORNIA) SS
COUNTY OF _____)
I, _____, COUNTY CLERK OF SAID COUNTY, DO HEREBY CERTIFY THAT THE ABOVE DESCRIBED MAP WAS RECORDED IN THE OFFICE OF THE COUNTY CLERK OF SAID COUNTY ON THE _____ DAY OF _____, 2000.

I, THOMAS J. BACALAN, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY THAT THE ABOVE DESCRIBED MAP ACT (DIVISION 5 OF TITLE 7 OF THE CALIFORNIA GOVERNMENT CODE) IS IN FULL COMPLIANCE WITH THE PROVISIONS OF THE ACT AND THAT ALL SPECIAL ASSESSMENTS COLLECTED AS TAKES HEREON HAVE BEEN PAIDABLE, HAVE BEEN COLLECTED OR WILL BE COLLECTED BY THE COUNTY OF SAN DIEGO.

THOMAS J. BACALAN
CLERK OF THE BOARD OF SUPERVISORS

APPROVED THIS _____ DAY OF _____, 2000
AT THE COMMUNION OF MAP AND CERTIFICATE RECORD.

CAROL A. COOPER
CITY ATTORNEY

FILE NO. _____

I, GREGORY A. SMITH, COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECORDATION THIS MAP AT THE REQUEST OF _____ ON THE _____ DAY OF _____, 2000, AT _____ O'CLOCK _____ P.M.

GREGORY A. SMITH
COUNTY RECORDER

BY _____
DEPUTY

THIS MAP GUARANTEES AGAINST DEVELOPMENT RIGHTS AND THE RIGHTS THAT WOULD BE WAIVED SHALL BE IN EFFECT FOR TWO YEARS FROM THE DATE OF RECORDATION. (CIVIL, MUNICIPAL, CODE SECTION 66421.1)

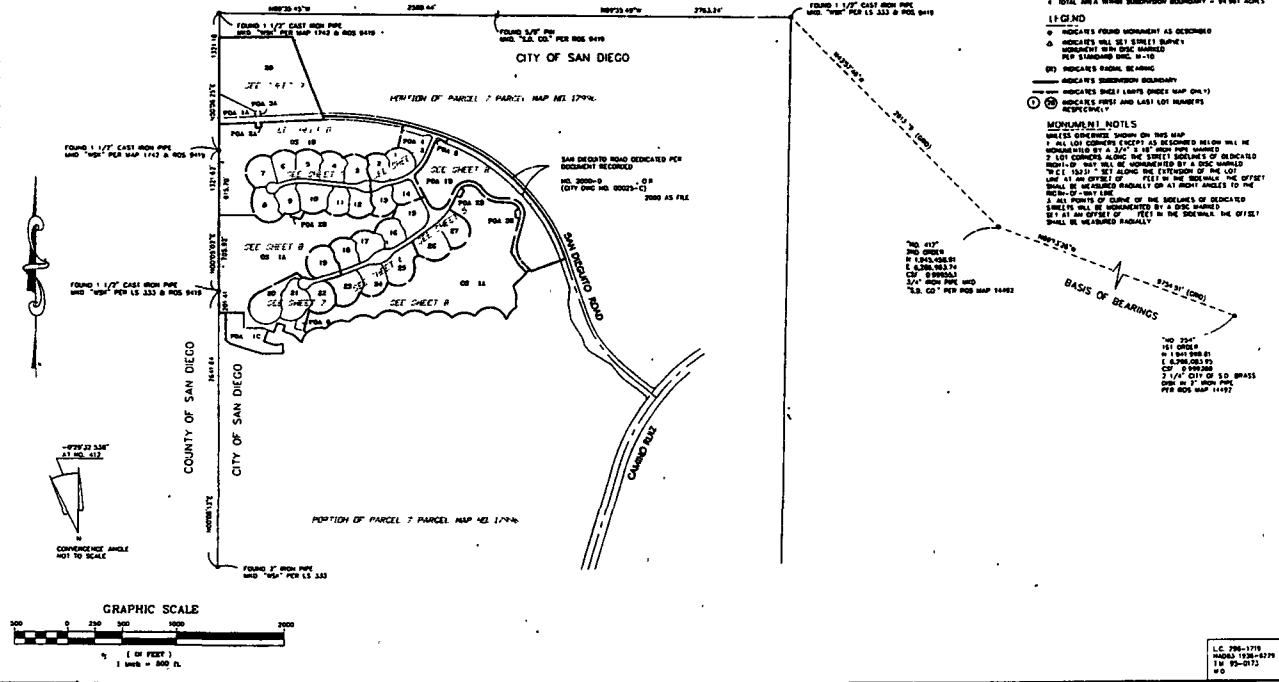
L.C. 290-1770
MUNDO 1200-0370
L.S. 10-0172
R.O. 10-0172

SANTALUZ UNIT NO. 1 & 2

PROCEDURE OF SURVEY AND INDEX MAP

COUNTY OF SAN DIEGO

CITY OF SAN DIEGO

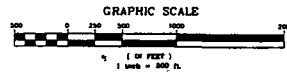


BASIS OF BEARINGS
THE BASIS OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA COORDINATE SYSTEM, AND ALL ZONE IS BEARING MEASUREMENTS ARE AS SHOWN ON PARCEL MAP NO. 17996 L.S. 100172.

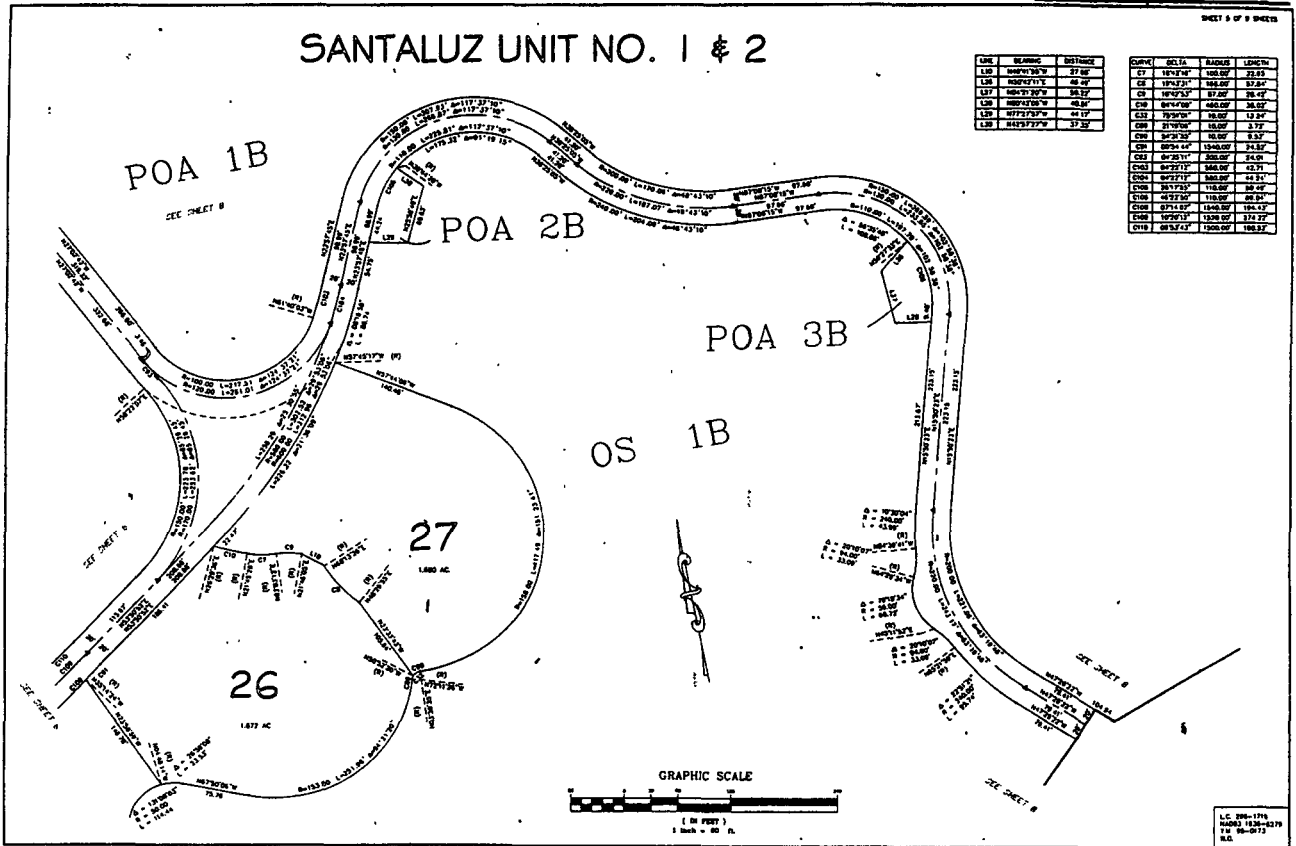
NOTES
1. ALL DISTANCES AND ANGLE MEASUREMENTS SHOWN HEREON SHALL BE IN FEET AND DECIMALS THEREOF.
2. TOTAL NUMBER OF NUMBERED LOTS = 30
3. TOTAL NUMBER OF LETTERED LOTS = 13
4. TOTAL AREA WITHIN SUBDIVISION AS DESCRIBED = 64.84 ACRES

LEGEND
- - - - - INDICATES FOUND MONUMENT AS DESCRIBED
- - - - - INDICATES WILL SET STREET SURVEY MONUMENT WITH SPEC. MARKED PER STANDARD SPEC. H-10
(M) INDICATES MONUMENT BEING
- - - - - INDICATES SUBDIVISION BOUNDARY
- - - - - INDICATES WHERE LOTS UNDER MAP (M-1)
① INDICATES FIRST AND LAST LOT NUMBERS RESPECTIVELY

MONUMENT NOTES
UNLESS OTHERWISE SHOWN ON THIS MAP:
1. ALL 1/4 CORNER POINTS AS DESCRIBED BELOW WILL BE MONUMENTED BY A 2 1/2" x 4" WOOD PIPE MARKER.
2. ALL CORNERS ALONG THE STREET BOUNDARY OF DECEASED PARTY MAY BE MONUMENTED BY A SPEC. MARKED "W.C. MARKER" SET ALONG THE EXTENSION OF THE OFFSET LINE AT AN OFFSET OF _____ FEET IN THE REVERSE OF THE OFFSET BEING MONUMENTED INSTEAD OF AT RIGHT ANGLES TO THE LINE.
3. ALL POINTS OF CURVE OF THE BOUNDARY OF DECEASED PARTY WILL BE MONUMENTED BY A SPEC. MARKED _____ FEET IN THE SIDEWALK OF THE OFFSET SHALL BE MARKED INSTEAD.

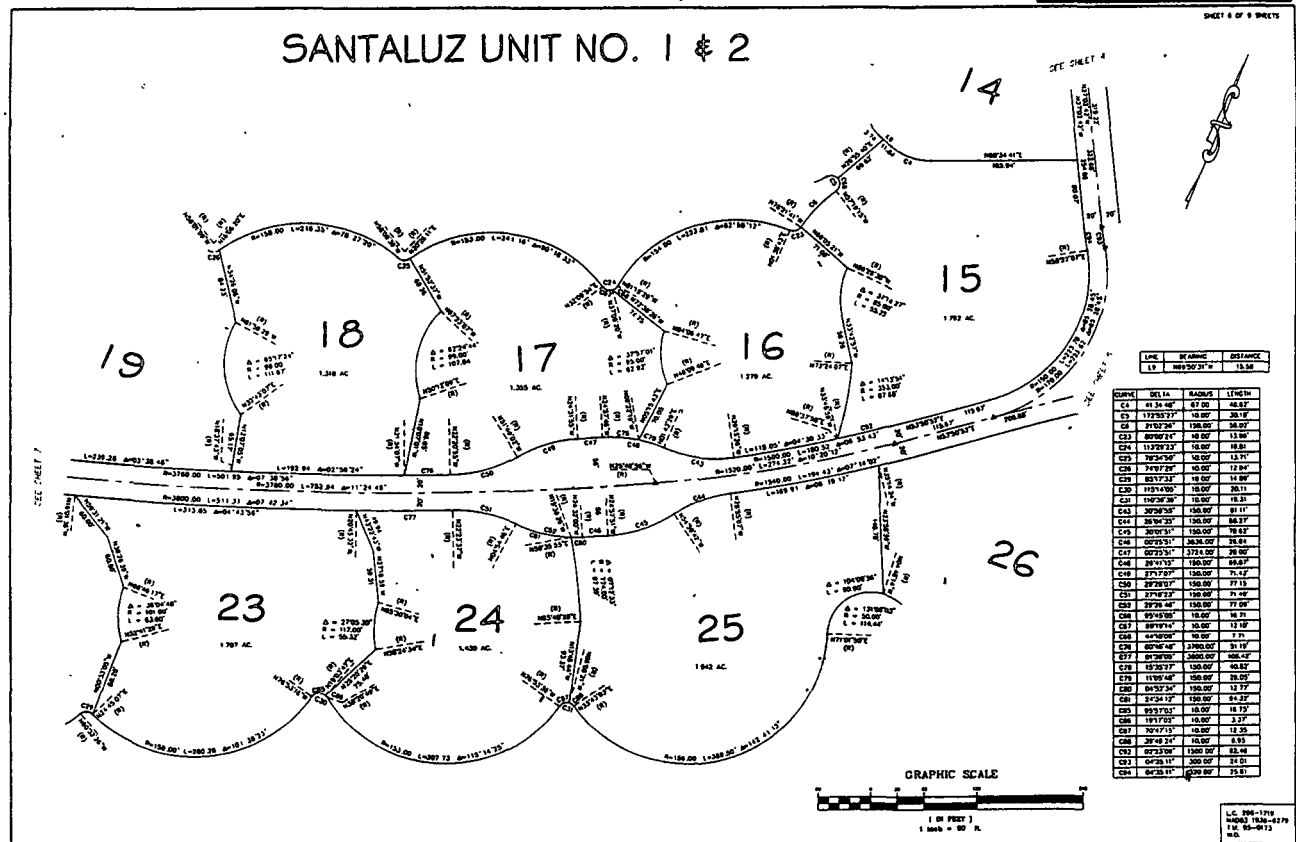


L.C. 290-1770
MUNDO 1200-0370
L.S. 10-0172
R.O. 10-0172



C-259

MAR 23 2000

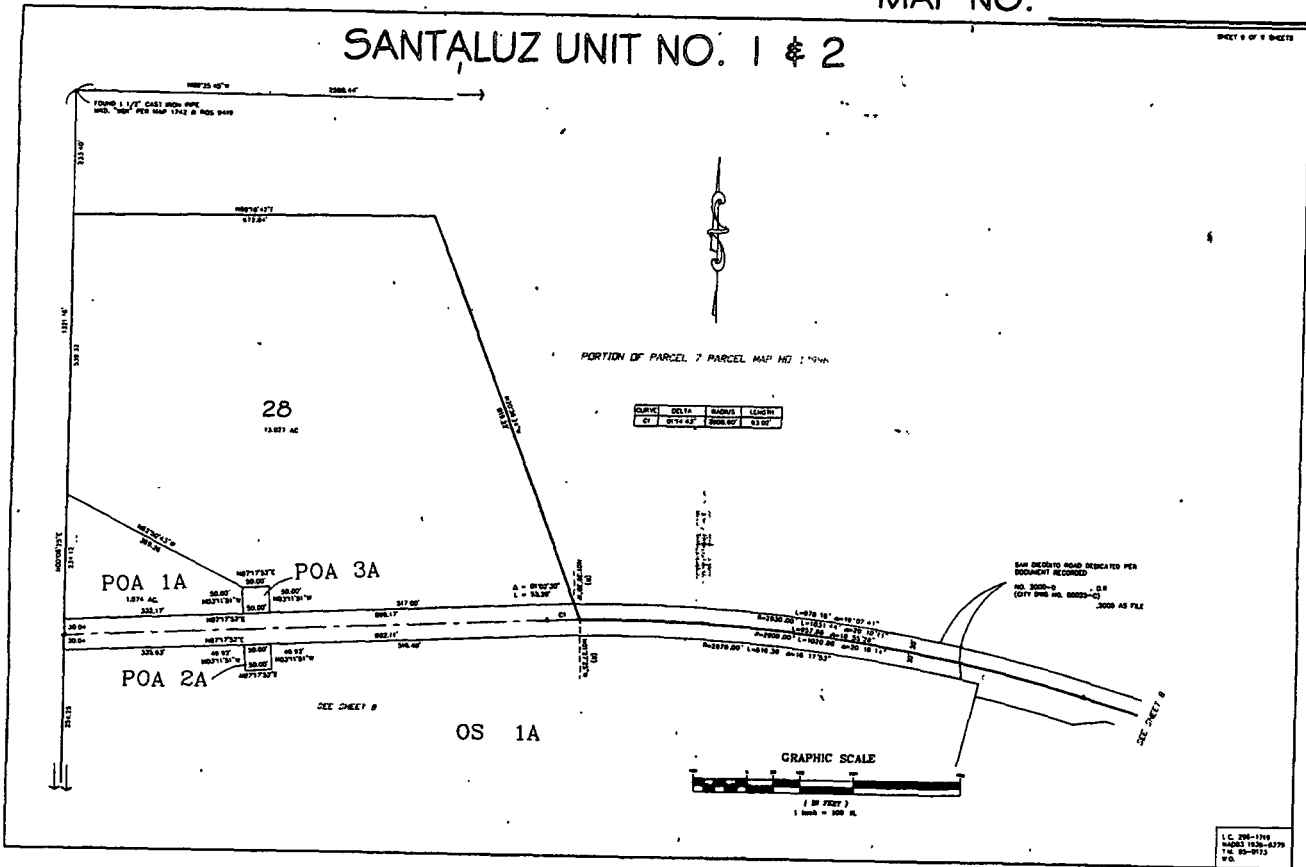


C-260

MAR 23 2000

SANTALUZ UNIT NO. 1 & 2

SHEET 8 OF 8 SHEETS



C-263

MAR 2 3 2000

SANTALUZ UNIT NO. 4 & 5

SHEET 1 OF 8 SHEETS

BEING A SUBDIVISION OF A PORTION OF PARCEL 7 OF PARCEL MAP NO. 1790A, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.
SURVEYOR GUARANTEE PROVIDED BY FIRST AMERICAN TITLE INSURANCE COMPANY ORDER NO. 108846-15

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF OR ARE HERETOBY IN THE LAND DESCRIBED
HEREIN AND THAT WE HAVE THE RIGHT TO MAKE THE SAME AND WE CONSENT
TO THE PREPARATION AND RECORDATION OF THIS MAP CONTAINED IN 8 SHEETS AND ORDERED
IN THE CAPTION HEREON.

WE HEREBY AGREE TO PUBLIC USE

FOR USE AS PUBLIC STREETS AND APPURTENANCES INDICATED, ALL AS SHOWN ON THIS MAP WITHIN
THIS SUBDIVISION.

SANTALUZ, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMALLY KNOWN AS BLACK MOUNTAIN
RANCH DEVELOPERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY AS OWNER

BY _____ BY _____

STATE OF CALIFORNIA)
COUNTY OF _____)

ON _____ BEFORE ME, _____ NOTARY PUBLIC IN AND FOR THE STATE OF CALIFORNIA, PERSONALLY APPEARED
_____ AND _____ AND
(TOGETHER TO BE ON THE BASIS OF SATISFACTORY EVIDENCE) TO BE THE PERSONS WHOSE
NAMES ARE SUBSCRIBED TO THE ABOVE INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY
EXECUTED THE SAID INSTRUMENT VOLUNTARILY AND WITHOUT COERCION, FRAUD, UNLAWFUL
INFLUENCE OR UNLAWFUL INFLUENCE, AND THAT BY SUCH SIGNATURES
ON THE INSTRUMENT OR INSTRUMENTS, OR THE ENTRY UPON RECORD OF WHICH THE PORTIONS
ACED, CREDITED THE INSTRUMENT.

WITNESSES MY HAND AND OFFICIAL SEAL

SIGNATURE _____
PRINT NAME _____
PRINCIPAL PLACE OF BUSINESS IS IN _____ COUNTY
BY COMMISSION EXPIRES _____

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY
CERTIFY THAT BY RECORDING THIS MAP, THE CITY CLERK OF
SAN DIEGO HAS APPROVED THIS MAP AND HAS ACCEPTED
THESE RECORDS IN THE OFFICIAL RECORDS OF THE
CITY OF SAN DIEGO.

IN WITNESS WHEREOF, SAID CITY CLERK HAS CAUSED THESE RECORDS
TO BE ENTERED IN THE CITY CLERK'S OFFICE AND ATTESTED BY HIS SEAL
THIS _____ DAY OF _____, 2000.

CHARLES S. ANDERSON
CITY CLERK

DATE _____/_____/2000

I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION
AND IS SUBSTANTIALLY CONFORMING TO THE RECORDING MAP, IF ANY, AND ANY AMENDMENTS
AND CORRECTIONS INDICATED THEREON. I HEREBY CERTIFY THAT I AM A LICENSED SURVEYOR
AND THAT I AM A MEMBER OF THE SURVEYING BOARD OF CALIFORNIA AND THAT I AM
A MEMBER OF THE SURVEYING BOARD OF CALIFORNIA AND THAT I AM A MEMBER OF THE
SURVEYING BOARD OF CALIFORNIA AND THAT I AM A MEMBER OF THE SURVEYING BOARD
OF CALIFORNIA.

I ALSO CERTIFY THAT THERE ARE NO UNPAID BOND CLAIMS UNDER THE SURVEY
INSTRUMENTS MADE BY THE STATE OF CALIFORNIA AGAINST THE TRACT OR
SUBDIVISION OR ANY PART THEREOF.

FRANK BEYER, JR., CITY ENGINEER

LEAHY C. HENNER, DEPUTY
CITY ENGINEER

DATE _____

I, THOMAS J. PASTRIZIA, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY
THE PROVISIONS OF THE SUBDIVISION MAP ACT (DIVISION 1 OF TITLE 18 OF THE
CALIFORNIA GOVERNMENT CODE) HAVE BEEN COMPLIED WITH AND THAT THE
SUBDIVISION MAP IS IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.
I HEREBY CERTIFY THAT I AM A MEMBER OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SAN DIEGO AND THAT I AM A MEMBER OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN DIEGO AND THAT I AM A MEMBER OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN DIEGO AND THAT I AM A MEMBER OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN DIEGO.

THOMAS J. PASTRIZIA
CLERK OF THE BOARD
OF SUPERVISORS

BY _____
DATE _____

APPROVED THIS _____ DAY OF _____, 2000
AFTER EXAMINATION OF MAP AND CERTIFICATE HEREON.

CASEY S. GIBBY
CITY ATTORNEY

BY _____
DEPUTY

FILE NO. _____

I, GREGORY A. SMITH, COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, CALIFORNIA,
HEREBY CERTIFY THAT I HAVE RECEIVED FOR RECORDATION THIS MAP FILED AT THE
OFFICE OF THE _____ COUNTY RECORDER AT _____, CALIFORNIA, ON
THIS _____ DAY OF _____, 2000.

GREGORY A. SMITH
COUNTY RECORDER

BY _____
DEPUTY

FILE NO. _____

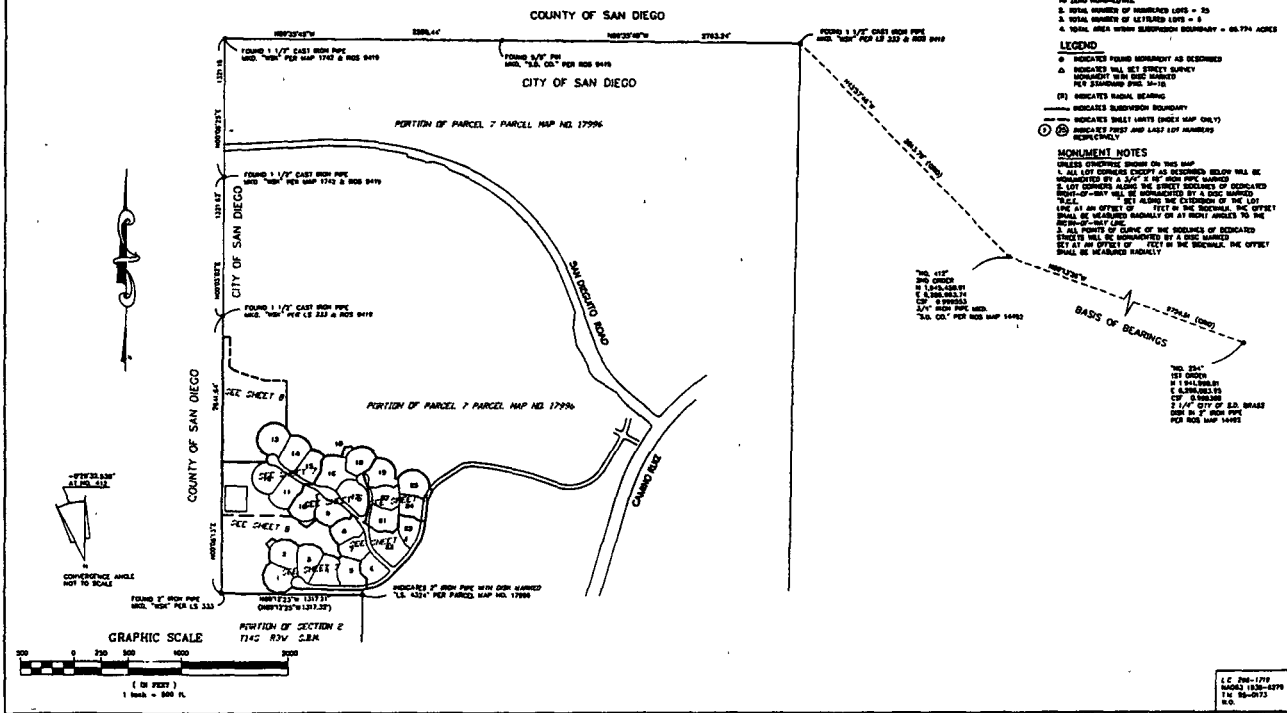
THIS MAP REQUIRES NEEDED DEVELOPMENT FEES AND THE
NEEDED FEES SHALL BE PAID IN EFFECT FOR THE
YEAR FROM THE DATE OF RECORDATION. (SEE MUNICIPAL
CODE SECTION 161.0271)

S.C. 200-1790
PAGE# 1826-1879
T.S. 00-0713
R.G.

SANTALUZ UNIT NO. 4 & 5

PROCEDURE OF SURVEY AND INDEX MAP

SHEET 1 OF 8 SHEETS



BASIS OF BEARINGS
 THE BASIS OF BEARINGS FOR THIS SURVEY IS THE NATIONAL CONGRESS OF 1911, AND ALL ANGLES ARE MEASURED FROM THE MERIDIAN OF THE PRIME MERIDIAN, 1884.

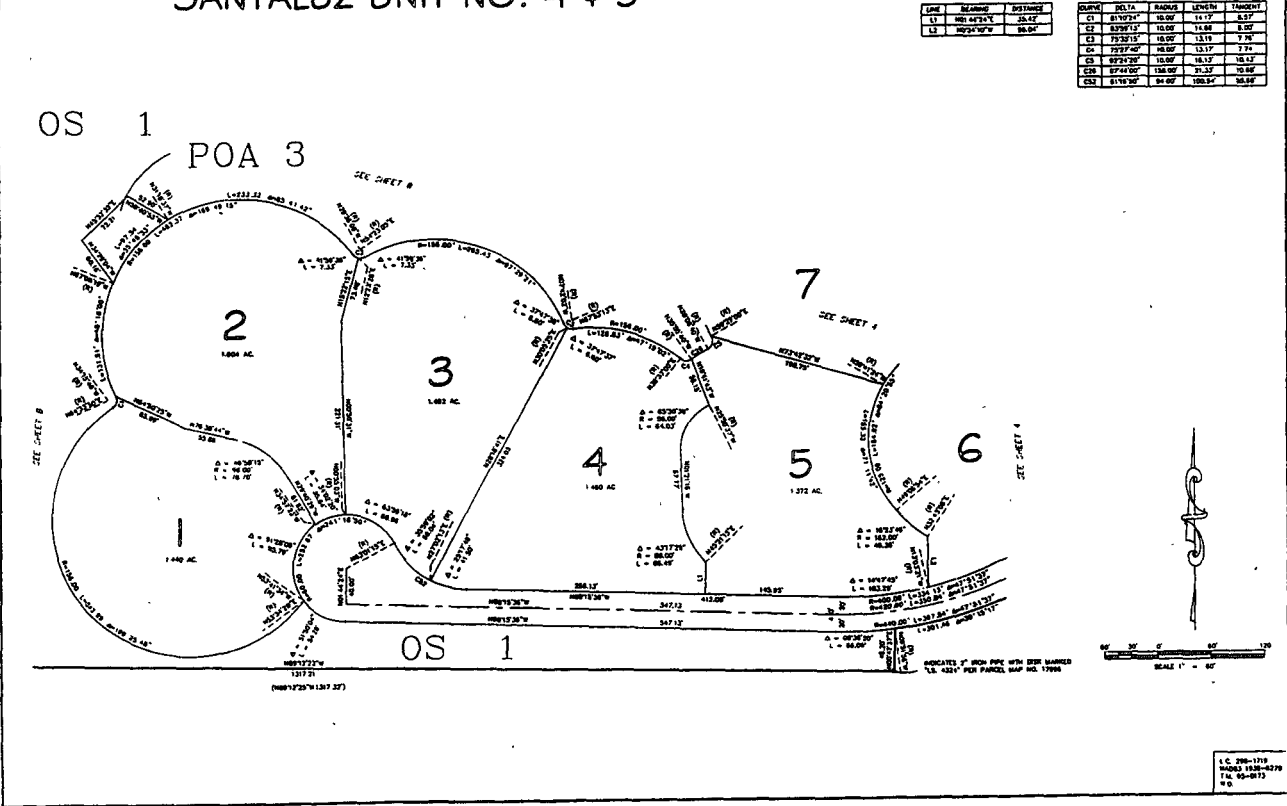
NOTES
 1. ALL BEARINGS AND OR STREET BEARINGS SHOWN HEREON ARE MEASURED FROM THE MERIDIAN OF THE PRIME MERIDIAN, 1884.
 2. TOTAL NUMBER OF HUNDREDS OF ACRES = 75
 3. TOTAL NUMBER OF ACRES = 65.774 ACRES
 4. TOTAL AREA WITH SUBDIVISION BOUNDARY = 65.774 ACRES

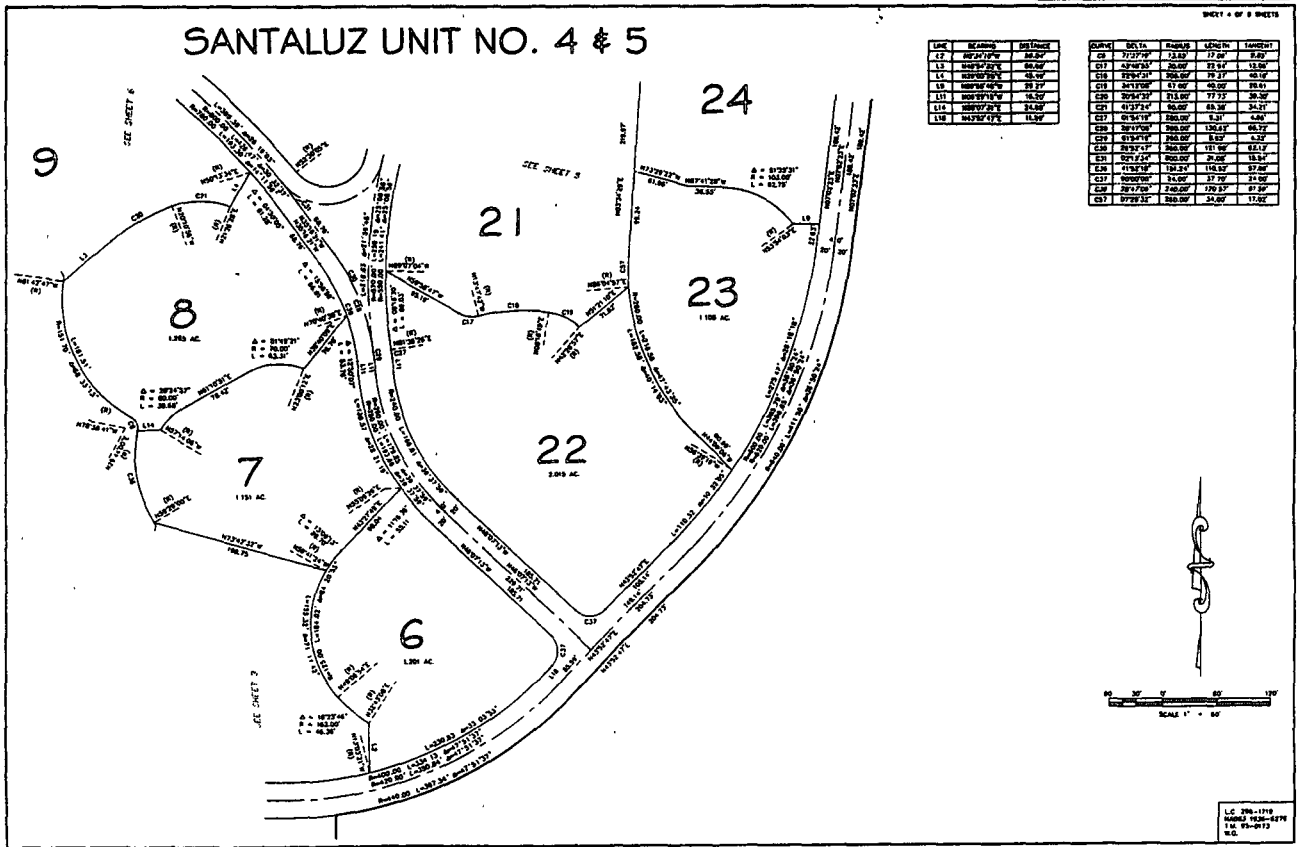
LEGEND
 ○ INDICATES POINT MONUMENTARY AS DESCRIBED
 ▲ INDICATES WELL SET STREET SURVEY MONUMENT IN THE SUBDIVISION
 (P) INDICATES RADIAL BEARING
 --- INDICATES SUBDIVISION BOUNDARY
 --- INDICATES SHEET BOUNDARY (SEE MAP ONLY)
 ⊙ INDICATES POINT AND LINE OF MONUMENTARY MONUMENTS

MONUMENT NOTES
 1. ALL LOT CORNERS EXCEPT AS DESCRIBED BELOW WILL BE MONUMENTED BY A 3" x 3" x 6" WOOD POLE BARRIED TO THE SURFACE OF THE GROUND BY A 1/2" IRON ROD, 18" LONG, SET AT AN ANGLE OF 45 DEGREES TO THE SURFACE OF THE GROUND.
 2. ALL POINTS OF MONUMENTARY MONUMENTS SHALL BE MONUMENTED BY A 3" x 3" x 6" WOOD POLE BARRIED TO THE SURFACE OF THE GROUND BY A 1/2" IRON ROD, 18" LONG, SET AT AN ANGLE OF 45 DEGREES TO THE SURFACE OF THE GROUND.
 3. ALL POINTS OF MONUMENTARY MONUMENTS SHALL BE MONUMENTED BY A 3" x 3" x 6" WOOD POLE BARRIED TO THE SURFACE OF THE GROUND BY A 1/2" IRON ROD, 18" LONG, SET AT AN ANGLE OF 45 DEGREES TO THE SURFACE OF THE GROUND.

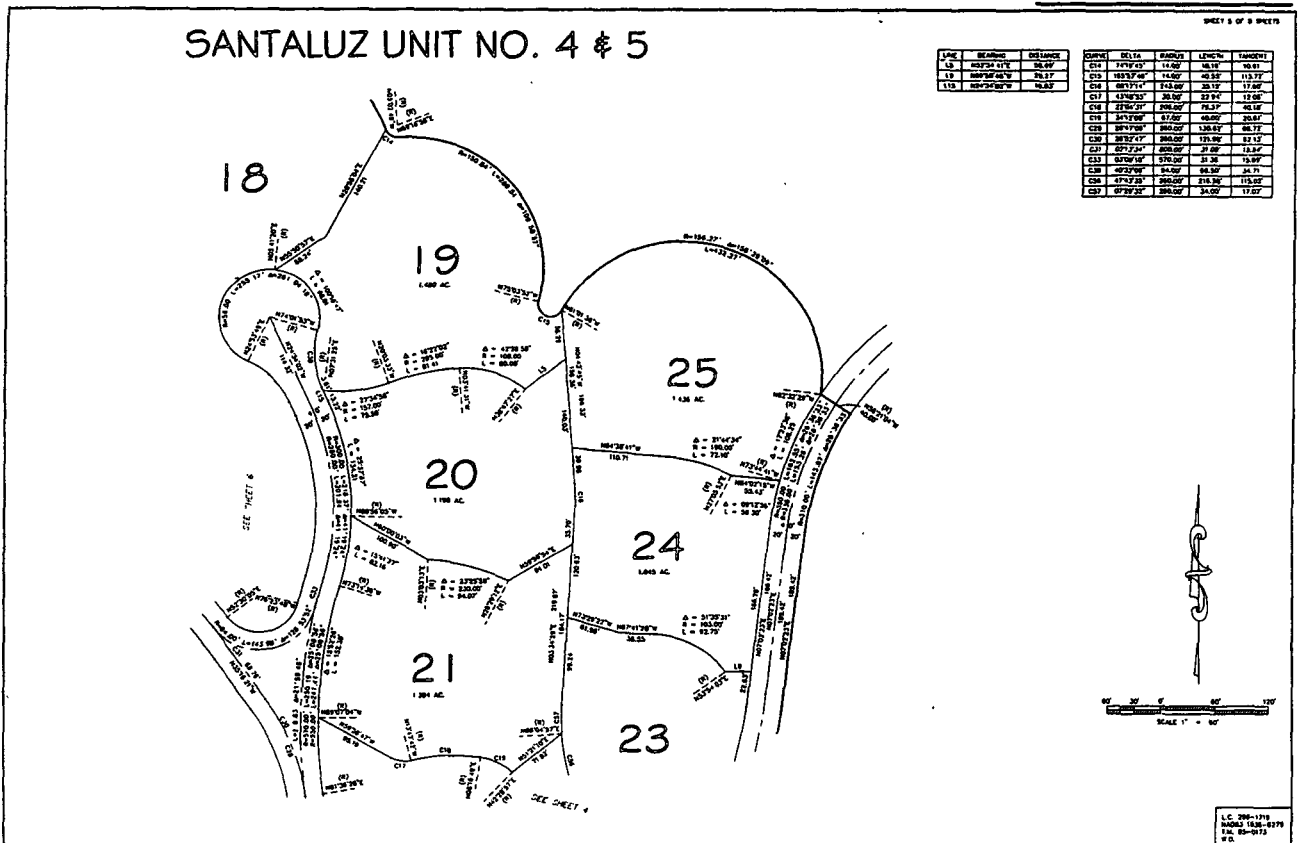
SANTALUZ UNIT NO. 4 & 5

SHEET 3 OF 8 SHEETS

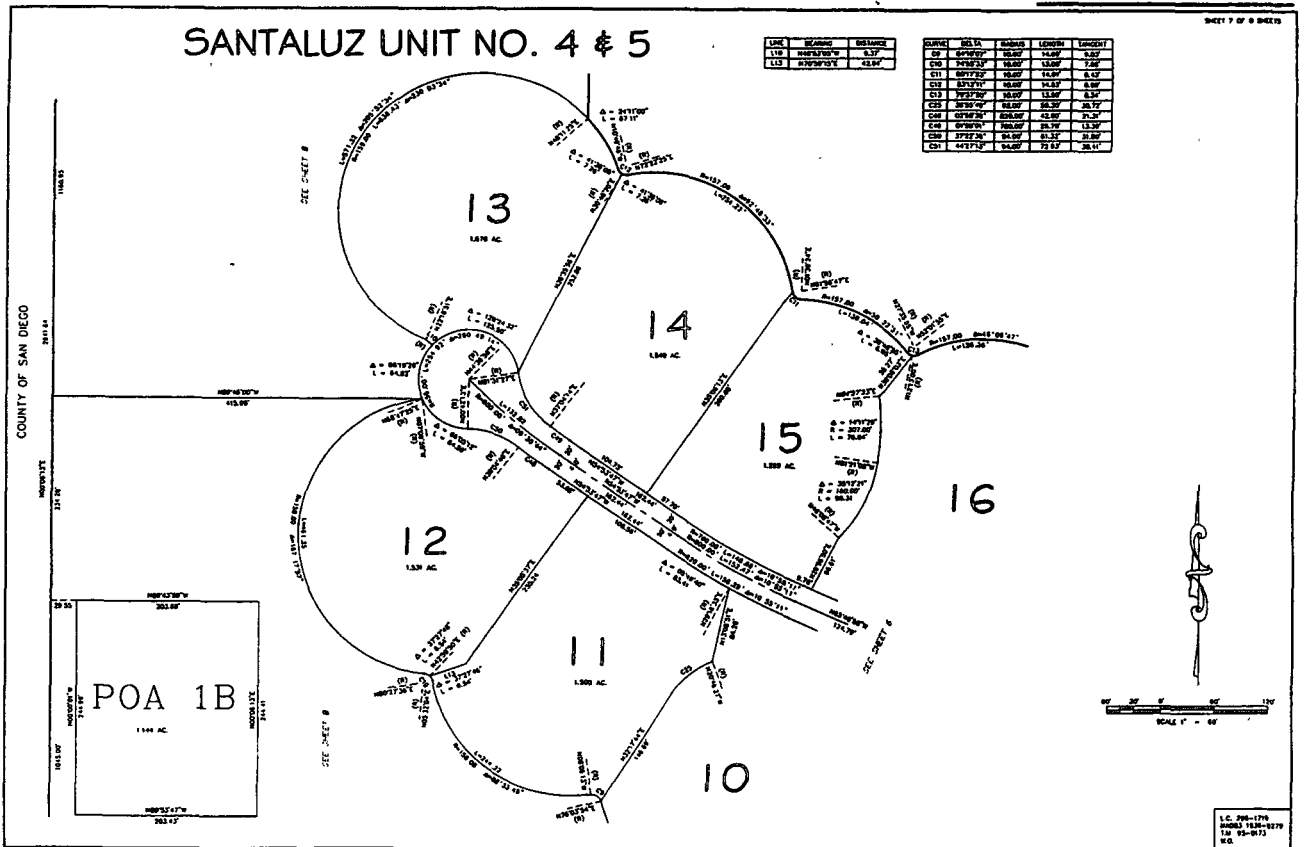
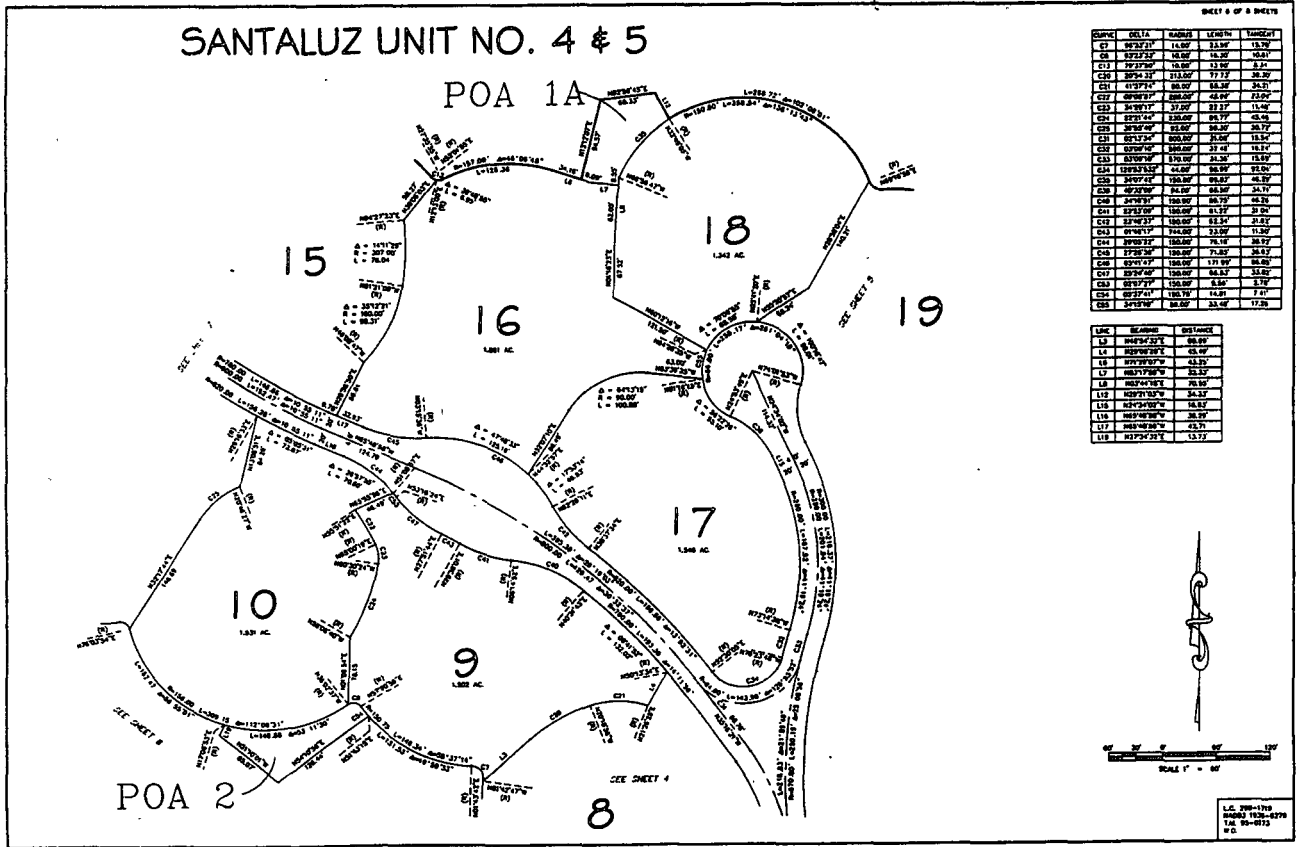




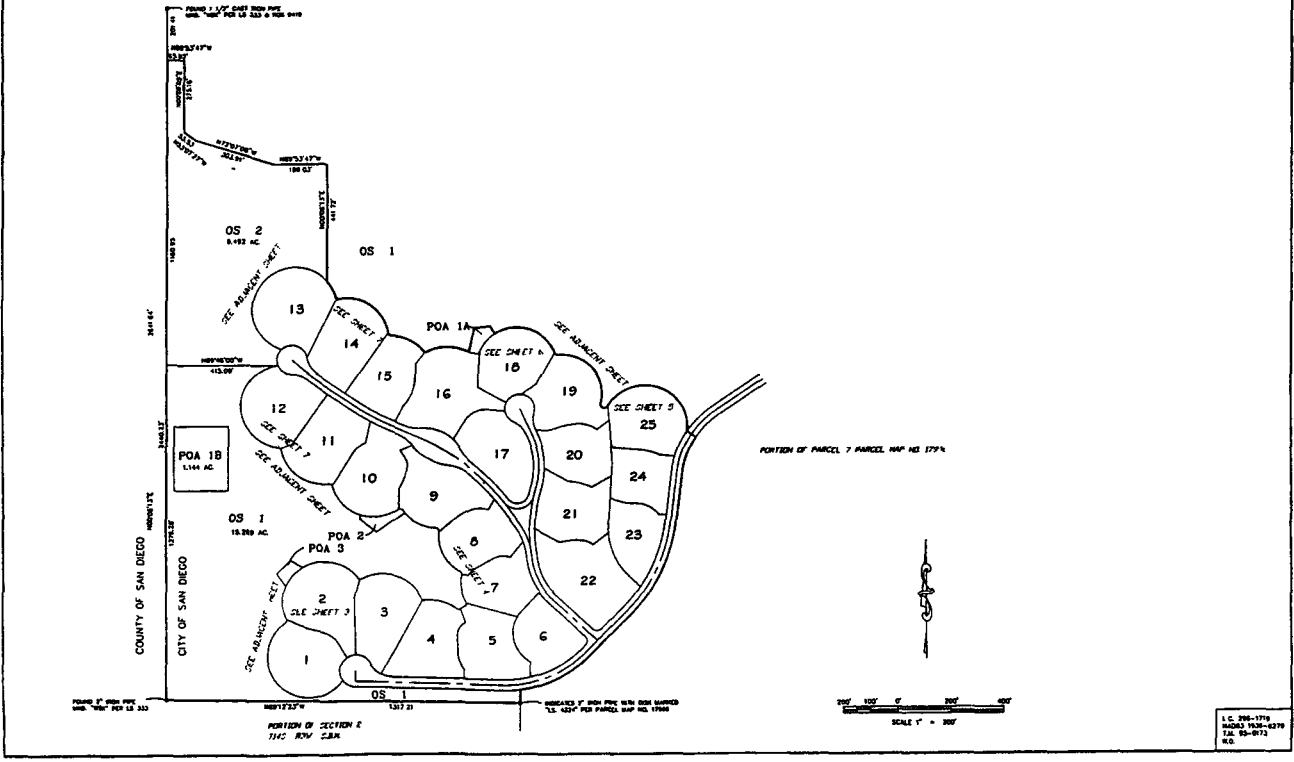
C-267



C-268



SANTALUZ UNIT NO. 4 & 5



C-271

SANTALUZ UNIT NO. 3, 6 & 7

BEING A SUBDIVISION OF A PORTION OF PARCEL 7 OF PARCEL MAP NO. 1768, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF OR ARE ENTITLED TO THE LAND ENCOMPASSED BY THIS SUBDIVISION TO BE SHOWN AS BLACK HIGHLIGHTED PARCEL UNIT NO. 6 AND WE CONSENT TO THE PREPARATION AND RECORDATION OF THIS MAP CONTAINING 3 SHEETS AND DESIGNATED BY THE CAPTION HEREOF.

WE HEREBY DEDICATE TO PUBLIC USE

FOR USE AS PUBLIC STREETS AND APPOINTMENTS HEREON, ALL AS SHOWN ON THIS MAP WITHIN THE SUBDIVISION.

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT BY RESOLUTION NO. 111077, PASSED BY THE BOARD OF SUPERVISORS OF SAN DIEGO COUNTY, CALIFORNIA, ON MAY 12, 2000, THE CITY HAS APPROVED THIS MAP AND THE CHANGES MADE THEREON AND THAT THE CHANGES LISTED IN THE CERTIFICATE SIGNED BY THE OWNERS UNDER THE CONDITIONS EXPRESSED THEREIN.

BY WRITING THEREOF, SAID BOARD HAS CAUSED THESE PRESENTS TO BE ENCLOSED BY THE CITY CLERK AND ATTESTED BY ITS SEAL THIS _____ DAY OF _____, 2000.

CHARLES C. ANDRUSOFF
CITY CLERK

SANTALUZ, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMALLY KNOWN AS BLACK HIGHLIGHT BANCOR DEVELOPERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AS OWNER

BY _____

STATE OF CALIFORNIA) SS.
COUNTY OF _____)

ON _____ BEFORE ME, a Notary Public in and for said State, personally appeared _____ and _____, known to me to be the persons whose names are subscribed to the instrument and acknowledged to me that they executed the same in their respective capacities, and that they are the persons named in the instrument, the contents of which they acknowledged to be true.

WITNESS MY HAND AND OFFICIAL SEAL.

Signature _____
Print Name _____
Principal Place of Business is _____ County _____
By Commission Expires _____

I, ROBERT S. HANLANS, A REGISTERED CIVIL ENGINEER OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE SURVEY OF THIS SUBDIVISION WAS MADE BY ME OR UNDER MY DIRECT SUPERVISION AND THAT THE SURVEY IS TRUE AND CORRECT AS SHOWN. THAT ALL STAKES, MONUMENTS AND MARKS FOUND, TOGETHER WITH MONUMENTS, ARE OF THE CHARACTER INDICATED AND CORRECTLY PLACED AND MARKED AS SET OUT IN THIS SURVEY INSTRUMENT. I HAVE BEEN ADVISED BY THE OWNERS OF THE LANDS SURVEYED THAT THEY HAVE BEEN ADVISED BY THE OWNERS OF THE ADJACENT LANDS THAT THE SURVEY IS TRUE AND CORRECT AS SHOWN. I HAVE BEEN ADVISED BY THE OWNERS OF THE ADJACENT LANDS THAT THE SURVEY IS TRUE AND CORRECT AS SHOWN. I HAVE BEEN ADVISED BY THE OWNERS OF THE ADJACENT LANDS THAT THE SURVEY IS TRUE AND CORRECT AS SHOWN.

DATE: _____, 2000

I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION, THAT IT SUBSTANTIALLY CONFORMS TO THE TEXTUAL MAP OF ANY AND ANY APPROVED REGULATIONS THEREOF, THAT IT CONFORMS WITH THE SUBDIVISION MAP ACT AND ANY LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVAL OF THE TEXTUAL MAP AND THAT IT IS TECHNICALLY CORRECT.

I ALSO CERTIFY THAT THERE ARE NO UNPAID BONDS ISSUED UNDER THE STREET IMPROVEMENT ACTS OF THE STATE OF CALIFORNIA AGAINST THE TRACT OF SUBDIVISION OF ANY PART SHOWN.

FRANK BLOCK, JR., CITY ENGINEER
BY: _____
LEWIS C. HENDEL, DEPUTY
L.S. 9949
DATE: _____

I, THOMAS J. PASARODIA, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT (SECTION 1 OF TITLE 7 OF THE GOVERNMENT CODE) REGARDING (A) REPORTS FOR TAXES AND (B) CERTIFICATION OF THE ADEQUACY OF LAND FOR UNIFORM STATE, COUNTY, MUNICIPAL, OR LOCAL TAXES OR SPECIAL ASSESSMENTS COLLECTED AS TAXES (EXCEPT THOSE NOT YET PAID) HAVE BEEN COMPLIED WITH.

THOMAS J. PASARODIA
CLERK OF THE BOARD OF SUPERVISORS
BY: _____
DEPUTY
DATE: _____

APPROVED THIS _____ DAY OF _____, 2000,
AFTER EXAMINATION OF MAP AND CERTIFICATES THEREON.

CASEY G. OWENS
CITY ATTORNEY
BY: _____
DEPUTY

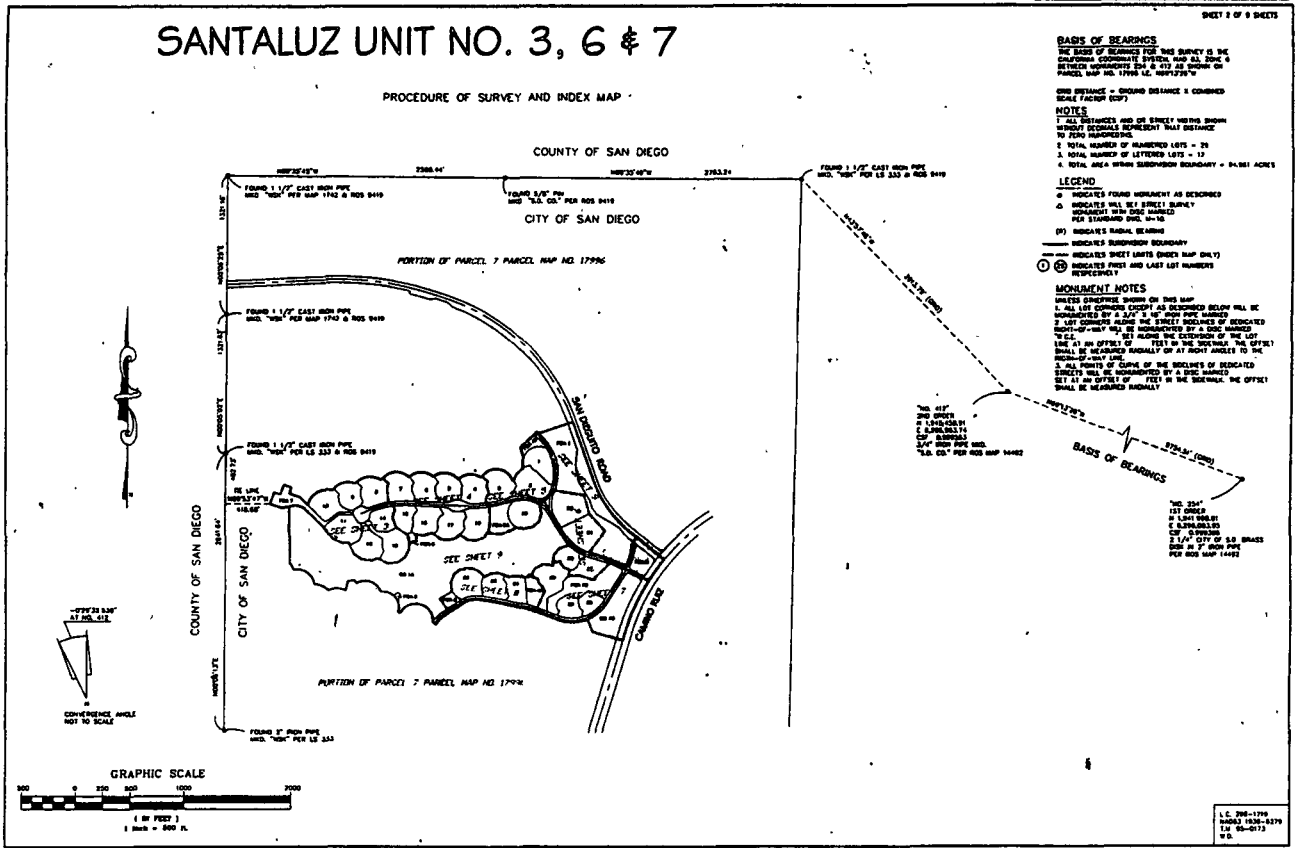
FILE NO. _____

I, GREGORY J. SMITH, COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECORDATION THIS MAP FILED AT THE RECORDS OF THE _____ DAY OF _____, 2000, AT _____ O'CLOCK, _____.

GREGORY J. SMITH
COUNTY RECORDER
BY: _____
DEPUTY

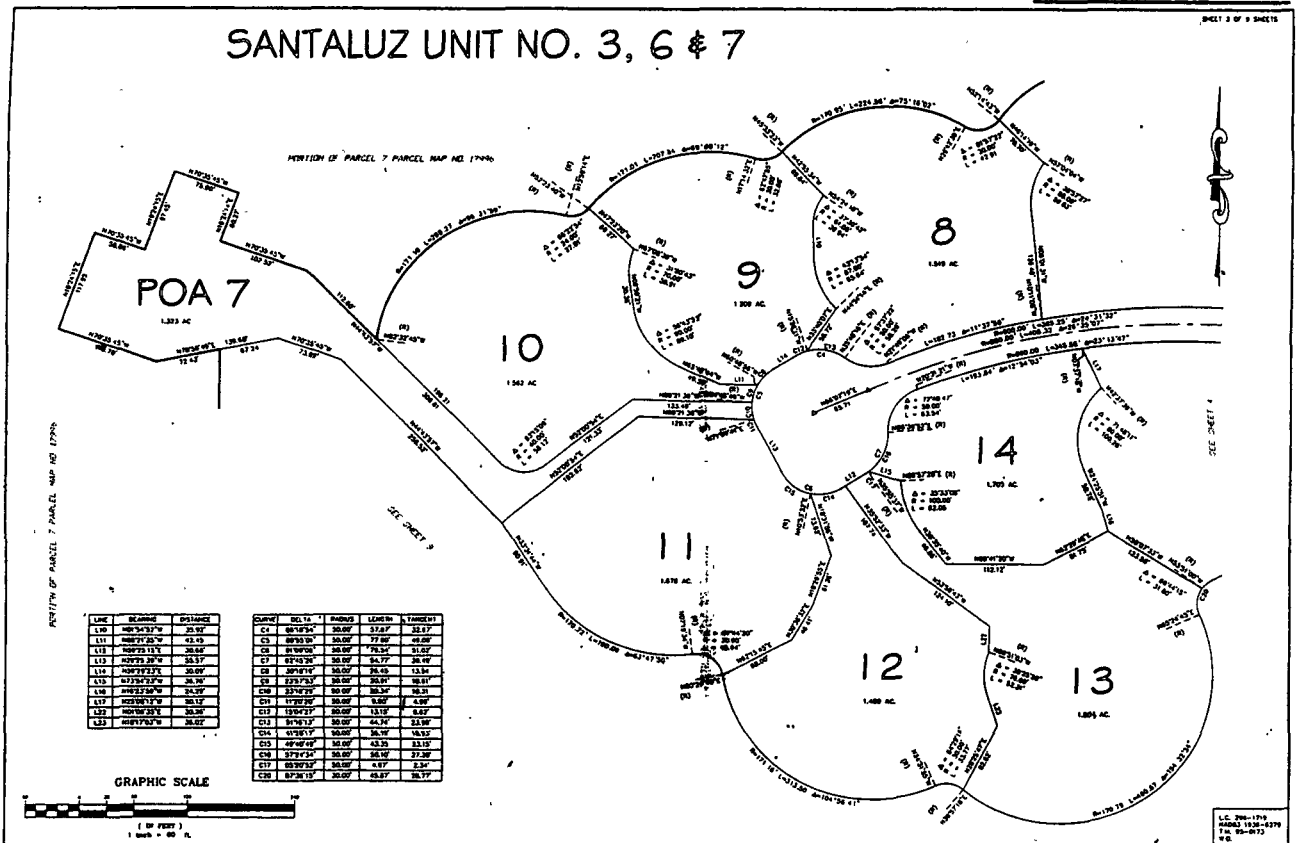
FILE _____

THIS MAP REQUIRES NEEDED DEVELOPMENT FEES AND THE BONDING THEREON SHALL BE IN EFFECT FOR TWO YEARS FROM THE DATE OF RECORDATION. (SEE MUNICIPAL CODE SECTION 166.0213.3)



C-273

MAR 2 8 2020

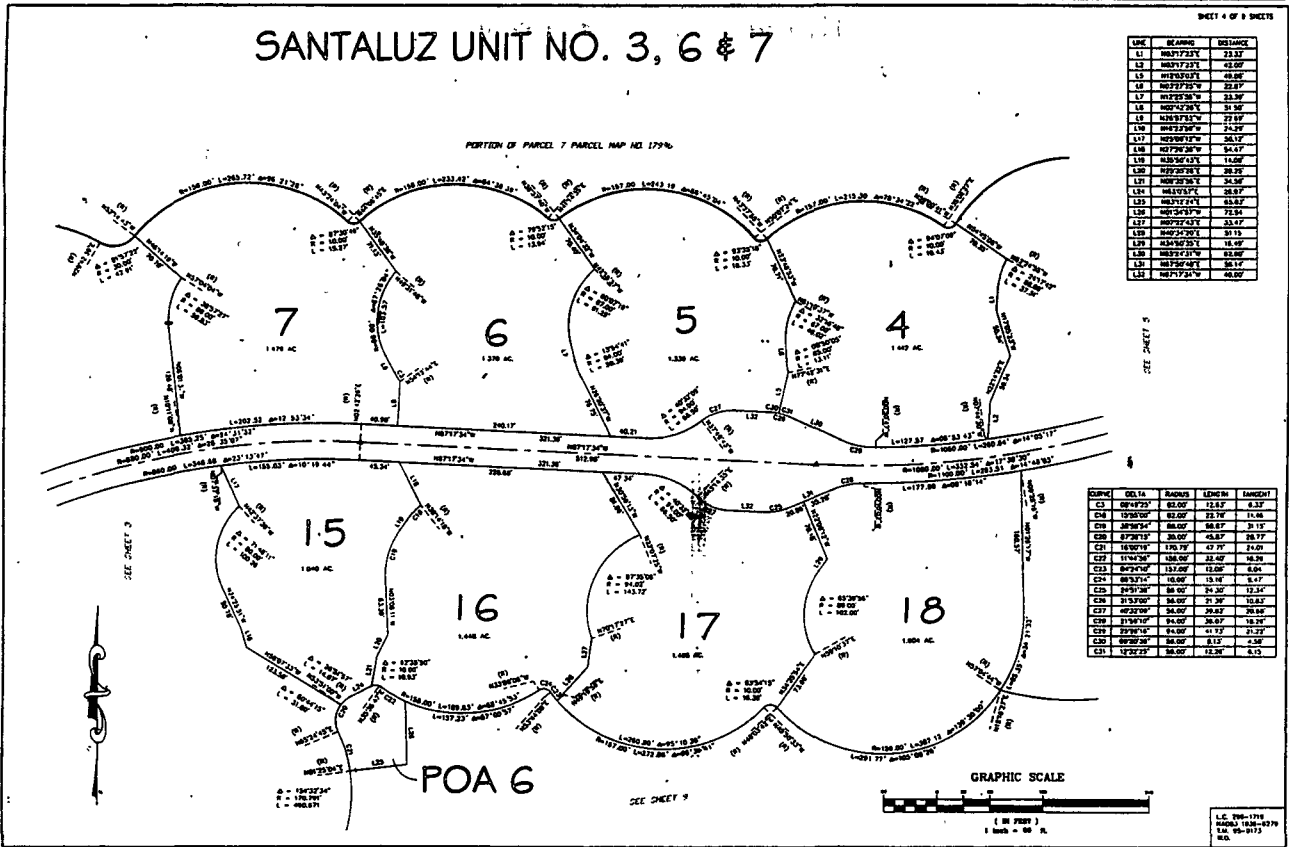


C-274

MAR 2 8 2020

SANTALUZ UNIT NO. 3, 6 & 7

SHEET 4 OF 9 SHEETS

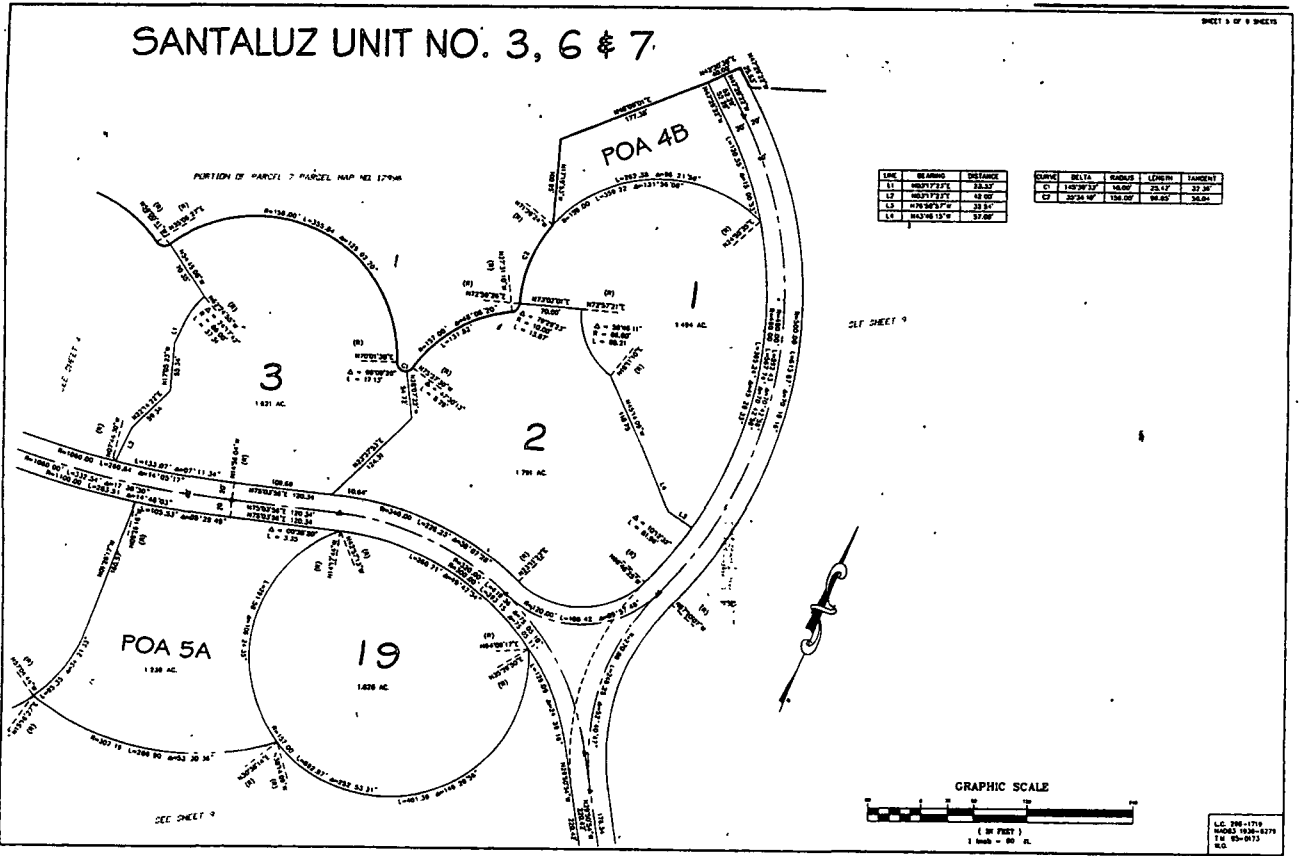


C-275

MAR 23 2000

SANTALUZ UNIT NO. 3, 6 & 7

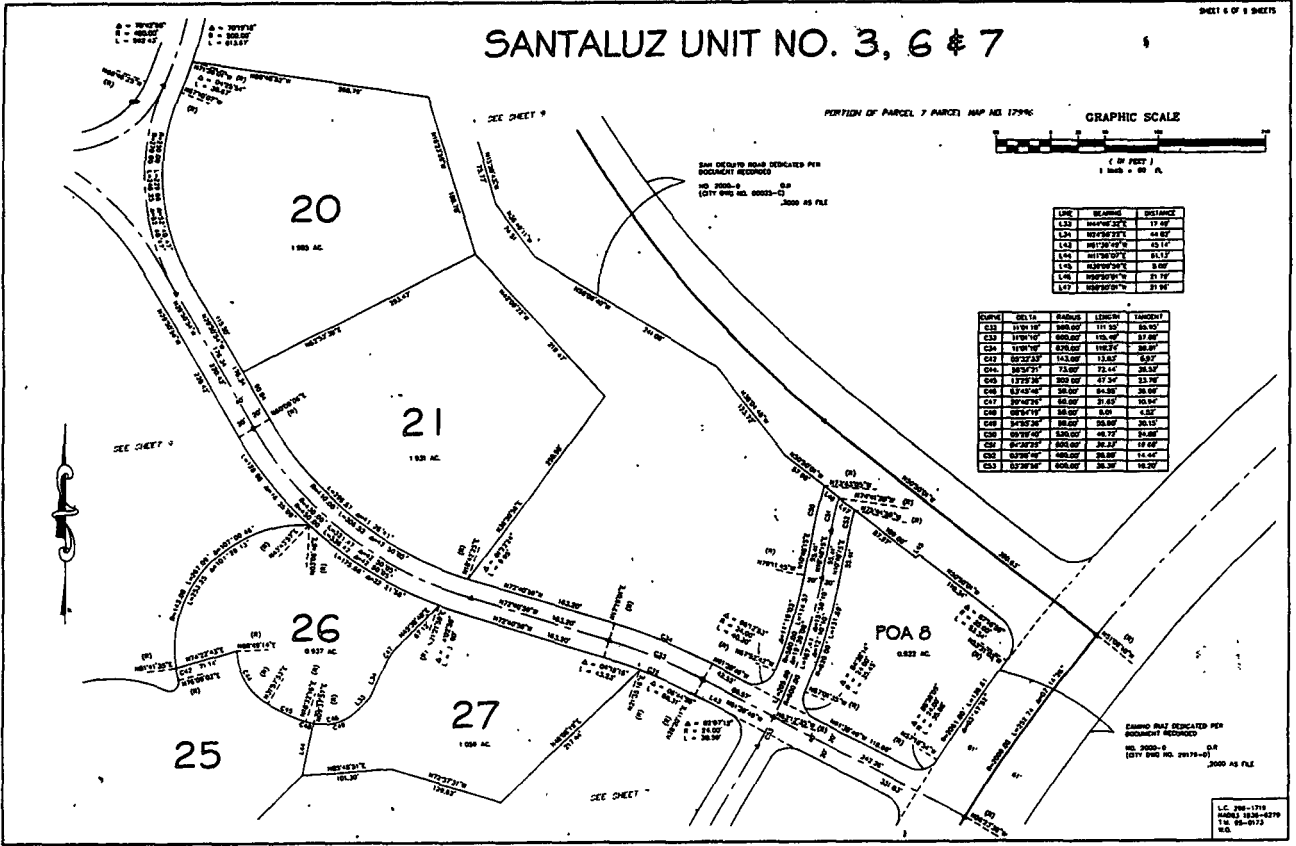
SHEET 5 OF 9 SHEETS



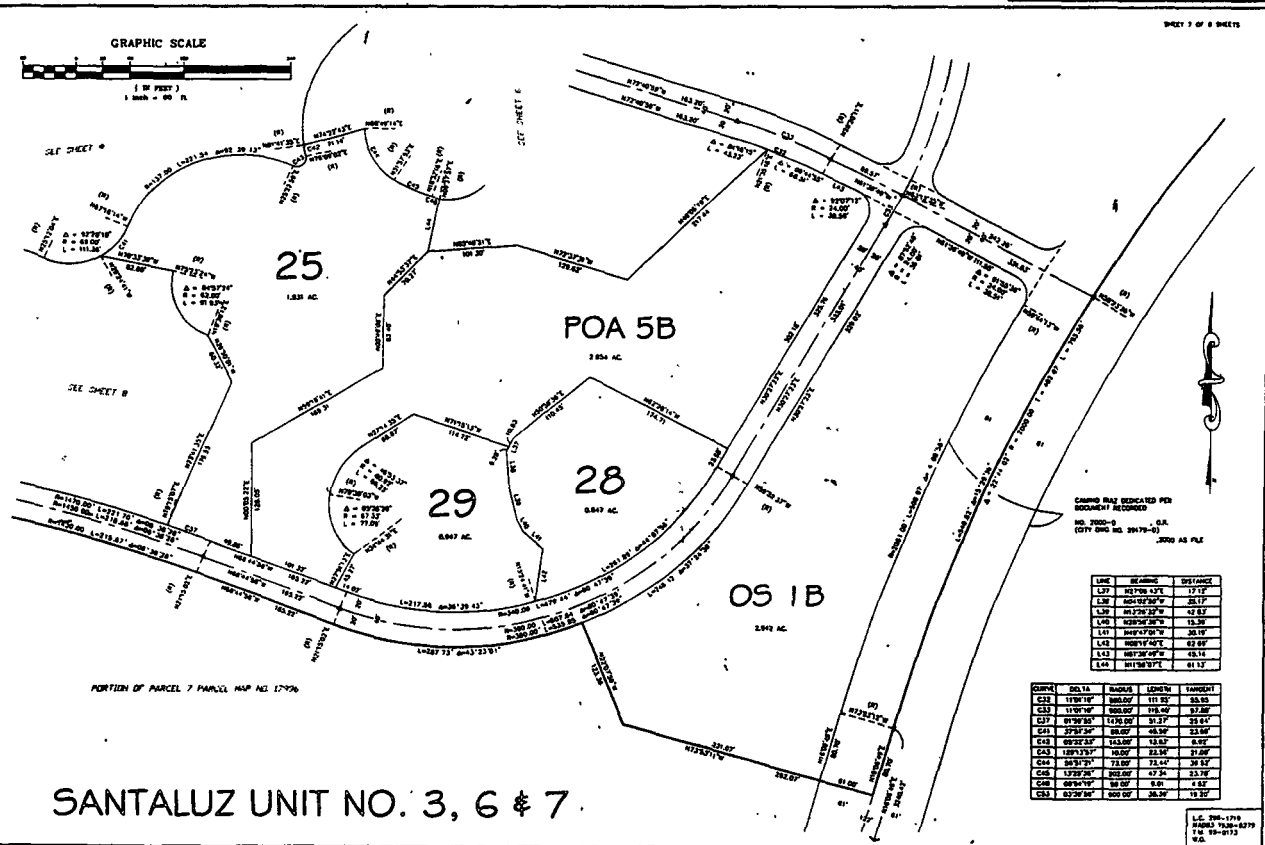
C-276

MAR 23 2000

SANTALUZ UNIT NO. 3, 6 & 7



C-277

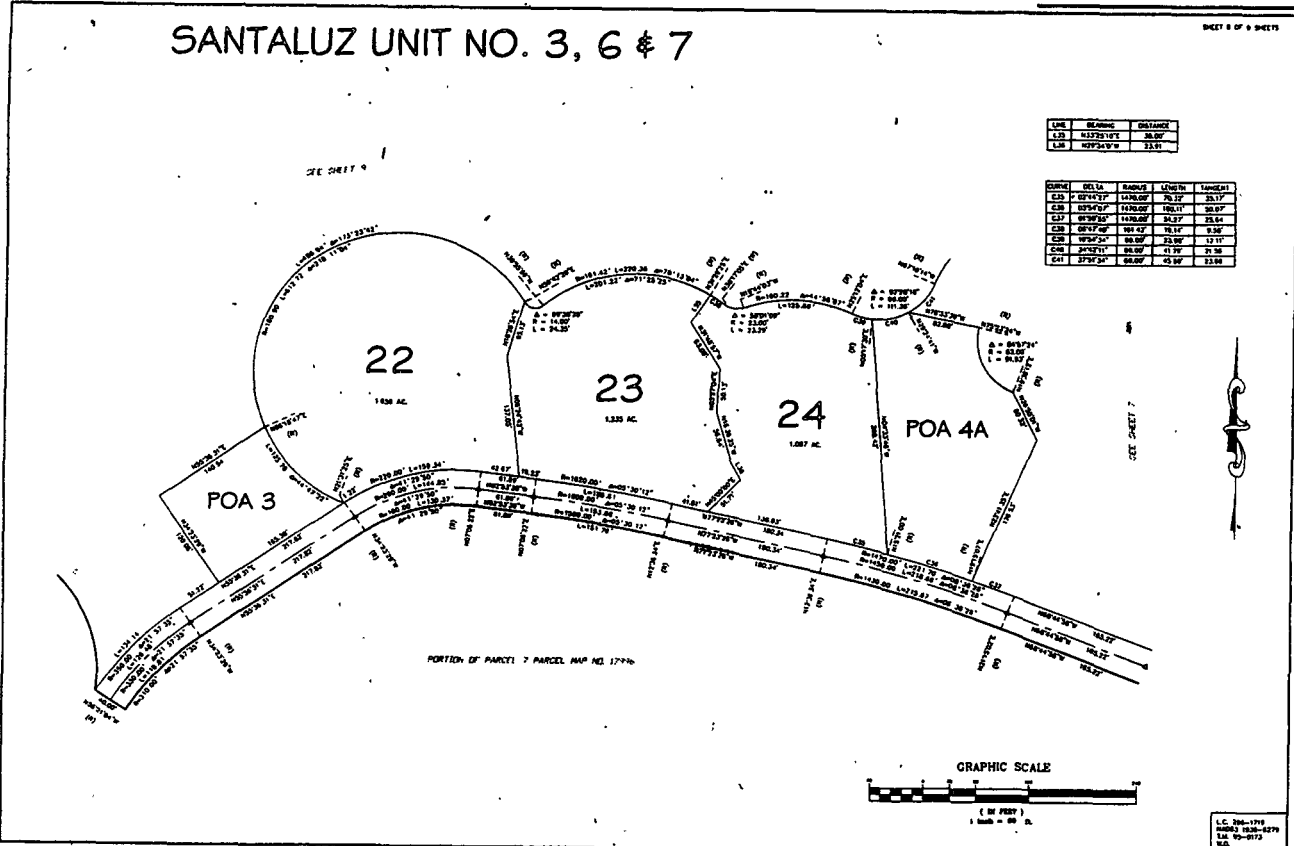


C-278

SANTALUZ UNIT NO. 3, 6 & 7

SANTALUZ UNIT NO. 3, 6 & 7

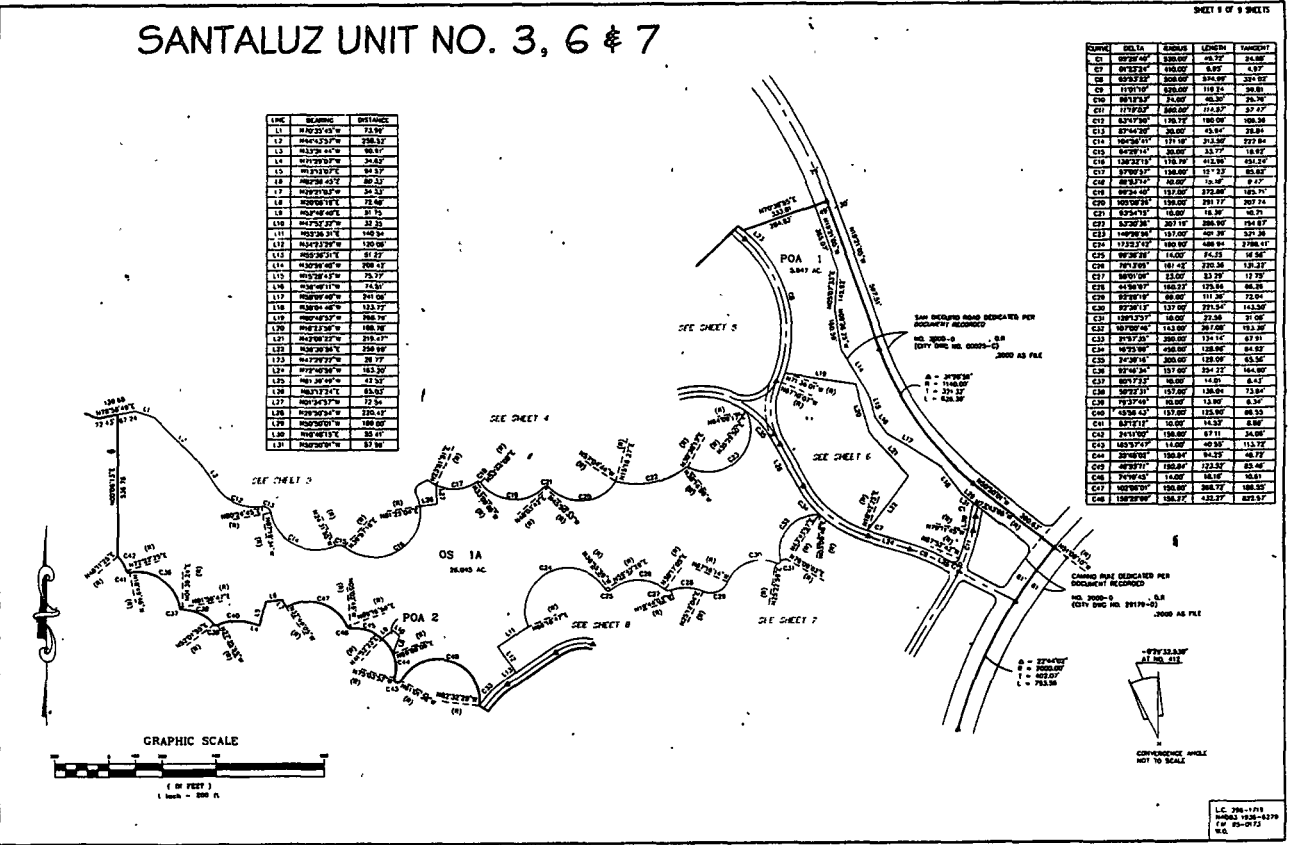
SHEET 2 OF 8 SHEETS



C-279

SANTALUZ UNIT NO. 3, 6 & 7

SHEET 3 OF 8 SHEETS



C-280

MAR 2 3 2000

SANTALUZ UNIT NO. 8

BEING A SUBDIVISION OF A PORTION OF PARCEL 7 OF PARCEL MAP NO. 17996, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, RECORDING JURISDICTION RESERVED BY FIRST AMERICAN TITLE INSURANCE COMPANY ORDER NO. 1300946-13

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF OR ARE INTERESTED IN THE LAND EMPHATICALLY DESCRIBED HEREIN TO BE SHOWN AS SANTALUZ UNIT NO. 8 AND WE CONSENT TO THE PREPARATION AND RECORDING OF THIS MAP CONSISTING OF 6 SHEETS AND RECORDED IN THE CAPTIONED MANNER.

WE HEREBY DEDICATE TO PUBLIC USE:

FOR USE AS PUBLIC STREETS AND APPURTENANCES THEREOF, ALL AS SHOWN ON THIS MAP WITH THIS EXCEPTED.

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT BY RECORDED MAP NO. _____, THE COUNCIL OF SAN DIEGO HAS APPROVED THIS MAP AND HAS ACCEPTED THE SAME FOR RECORD IN THE OFFICE OF THE CITY CLERK UNDER THE CAPTIONED EXCEPTED WORK.

IN WITNESS WHEREOF, SAID COUNCIL HAS CAUSED THESE PRESENTS TO BE SIGNED BY ITS CITY CLERK AND ATTESTED BY ITS SEAL THIS _____ DAY OF _____ 2008.

CHARLES D. ARDELGAHO
CITY CLERK BY _____

THIS IS TO CERTIFY THAT PURSUANT TO SECTION 64462.03 (1) OF THE SUBDIVISION MAP ACT, THE PLANS OF THIS MAP HAVE CONFORMED TO THE CITY SPACE ELEMENTS DETERMINED BY THE CITY OF SAN DIEGO REG. 11-10-1977 AS 7/1/1977-2012171 EA.

CHARLES D. ARDELGAHO
CITY CLERK BY _____

I, ROBERT E. MALONEY, A REGISTERED CIVIL ENGINEER OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE SURVEY OF THIS MAP WAS MADE BY ME OR UNDER MY DIRECT SUPERVISION, THAT THE SURVEY IS TRUE AND COMPLETE AS SHOWN ON THIS MAP, THAT ALL LINES REPRESENTED ON THIS MAP WERE MEASURED AND THAT THE CORNER MARKERS AND OCCUPY THE PROVISIONS OF THE SUBDIVISION MAP ACT AND THAT ALL LINES REPRESENTED ON THIS MAP WERE MEASURED AND OCCUPY THE PROVISIONS OF THE SUBDIVISION MAP ACT AND THAT THE SURVEY WAS MADE BY ME OR UNDER MY DIRECT SUPERVISION AND ALL LINES REPRESENTED ON THIS MAP WERE MEASURED AND OCCUPY THE PROVISIONS OF THE SUBDIVISION MAP ACT AND THAT THE SURVEY WAS MADE BY ME OR UNDER MY DIRECT SUPERVISION AND ALL LINES REPRESENTED ON THIS MAP WERE MEASURED AND OCCUPY THE PROVISIONS OF THE SUBDIVISION MAP ACT.

DATE: _____/_____/2008

I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION, THAT IT SUBSTANTIALLY CONFORMS TO THE EXISTING MAP OF ANY AND ANY APPROVED AS RECORDED HEREIN, THAT IT CONFORMS WITH THE SUBDIVISION MAP ACT AND ANY LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVING OF THE EXISTING MAP AND THAT IT IS ACCURATELY CORRECT.

I ALSO CERTIFY THAT THERE ARE NO UNPAID BONDS DUE UNDER THE STREET IMPROVEMENT ACTS OF THE STATE OF CALIFORNIA AGAINST THE TRACT OR SUBDIVISION OR ANY PART THEREOF.

FRANK SULLOCK, JR., CITY ENGINEER

BY: _____

LEON C. HEREDIA, DEPUTY
CITY ENGINEER

DATE: _____/_____/2008

I, ROSA J. PASTRIZIA, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT (SECTION 64462.03 OF THE GOVERNMENT CODE) REGARDING (A) DEPOSITS FOR TAXES AND (B) COMPENSATION OF THE ASSISTANT CLERK OF THE BOARD OF SUPERVISORS OR LOCAL TAXES OF SPECIAL ASSIGNMENTS COLLECTED AS TAXES EXCEPT THOSE NOT YET PAID, HAVE BEEN COMPLIED WITH.

ROSALBA PASTRIZIA
CLERK OF THE BOARD OF SUPERVISORS BY: _____
DEPUTY: _____

APPROVED THIS _____ DAY OF _____ 2008,
AFTER EXAMINATION OF MAP AND CERTIFICATE HEREON.

CAROL S. OSBORN
CITY ATTORNEY BY: _____
DEPUTY: _____

FILE NO. _____

I, CLERK OF SAN DIEGO COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECORDATION THIS MAP FILED AS THE RECORD OF _____ DAY OF _____ 2008, AT _____ O'CLOCK _____ P.M.

CANDACE J. SMITH
COUNTY RECORDER BY: _____
DEPUTY: _____

FILE NO. _____

L.C. 996-1718
MAY 18-2008
L.A. 95-0173
R.C.

SANTALUZ, U.C. A DELAWARE LIMITED LIABILITY COMPANY FORMALLY KNOWN AS BLACK MOUNTAIN ARCH DEVELOPERS, L.P. A DELAWARE LIMITED LIABILITY COMPANY AS OWNER

BY _____ AT _____

STATE OF CALIFORNIA) SS
COUNTY OF _____

ON _____ DAY OF _____ 2008, BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID STATE, PERSONALLY APPEARED _____ AND _____, KNOWN TO ME TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY EXECUTED THE SAID INSTRUMENT FOR THE PURPOSES AND INTENTIONS SET FORTH THEREIN, AND THAT BY THEIR SIGNATURES ON THE INSTRUMENT THE PERSONS OF THE SAID INSTRUMENT BEHALF OF WHICH THE PERSONS ACTED, EXECUTED THE INSTRUMENT.

WITNES MY HAND AND OFFICIAL SEAL

SIGNATURE _____

PRINT NAME _____

PRINCIPAL PLACE OF BUSINESS IS IN _____ COUNTY

MY COMMISSION EXPIRES _____

THIS MAP REQUIRES NESTED DEVELOPMENT BEING AND THE RIGHTS AND INTERESTS SHALL BE VALID FOR TWO YEARS FROM THE DATE OF RECORDATION (SEE SUBDIVISION MAP ACT SECTION 64462.03)

C-281

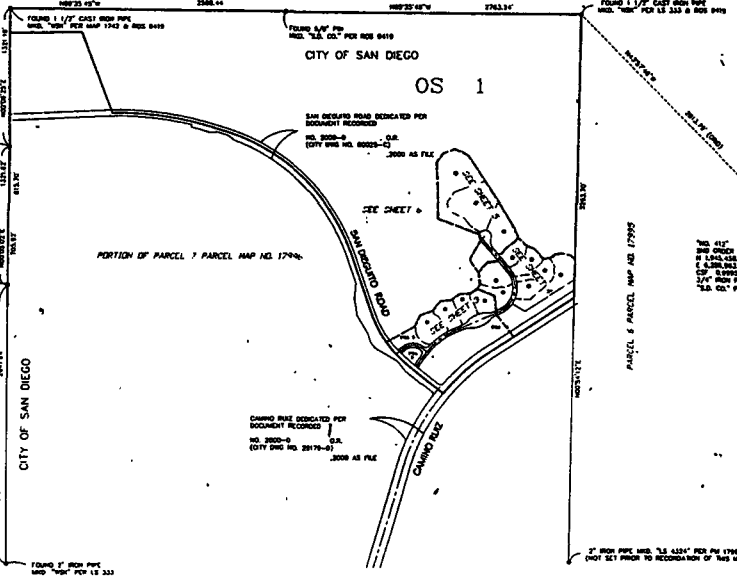
002 & 3W

SANTALUZ UNIT NO. 8

PROCEDURE OF SURVEY AND INDEX MAP

COUNTY OF SAN DIEGO

OS 1

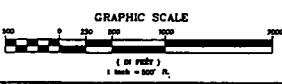


BASIS OF BEARINGS
THE BASIS OF BEARINGS FOR THIS SURVEY IS THE SUBDIVISION MAP ACT (SECTION 64462.03 OF THE GOVERNMENT CODE) REGARDING (A) DEPOSITS FOR TAXES AND (B) COMPENSATION OF THE ASSISTANT CLERK OF THE BOARD OF SUPERVISORS OR LOCAL TAXES OF SPECIAL ASSIGNMENTS COLLECTED AS TAXES EXCEPT THOSE NOT YET PAID, HAVE BEEN COMPLIED WITH.

NOTE
1. ALL DISTANCES AND BEARING MEASUREMENTS SHALL BE MEASURED TO THE CENTER OF THE ROAD UNLESS OTHERWISE SPECIFIED.
2. TOTAL NUMBER OF BARRIERS LOTS = 14
3. TOTAL NUMBER OF LOTS = 9
4. TOTAL AREA WITHIN SUBDIVISION BOUNDARY = 238.000 ACRES

LEGEND
○ INDICATES FOUND MONUMENT AS DESCRIBED
○ INDICATES WELL SET SURVEY BENCHMARK
○ INDICATES MONUMENT WITH SPEC BARRIERS
○ INDICATES RADIAL BEARING
○ INDICATES SUBDIVISION BOUNDARY
○ INDICATES SHEET LIMITS (CHECK MAP ONLY)
○ INDICATES FIRST AND LAST LOT NUMBERS RESPECTIVELY

MONUMENT NOTES
UNLESS OTHERWISE NOTED ON THIS MAP:
1. ALL LOT CORNERS EXCEPT AS SPECIFICALLY NOTED WILL BE MONUMENTED BY A 1/4" x 1/4" IRON PIPE NAIL.
2. ALL CORNERS ALONG THE STREET BOUNDARY OF DESIGNATED BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
3. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
4. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
5. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
6. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
7. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
8. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
9. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.
10. ALL CORNERS ALONG THE CITY OF SAN DIEGO BARRIERS SHALL BE MONUMENTED BY A SPEC BARRIERS.



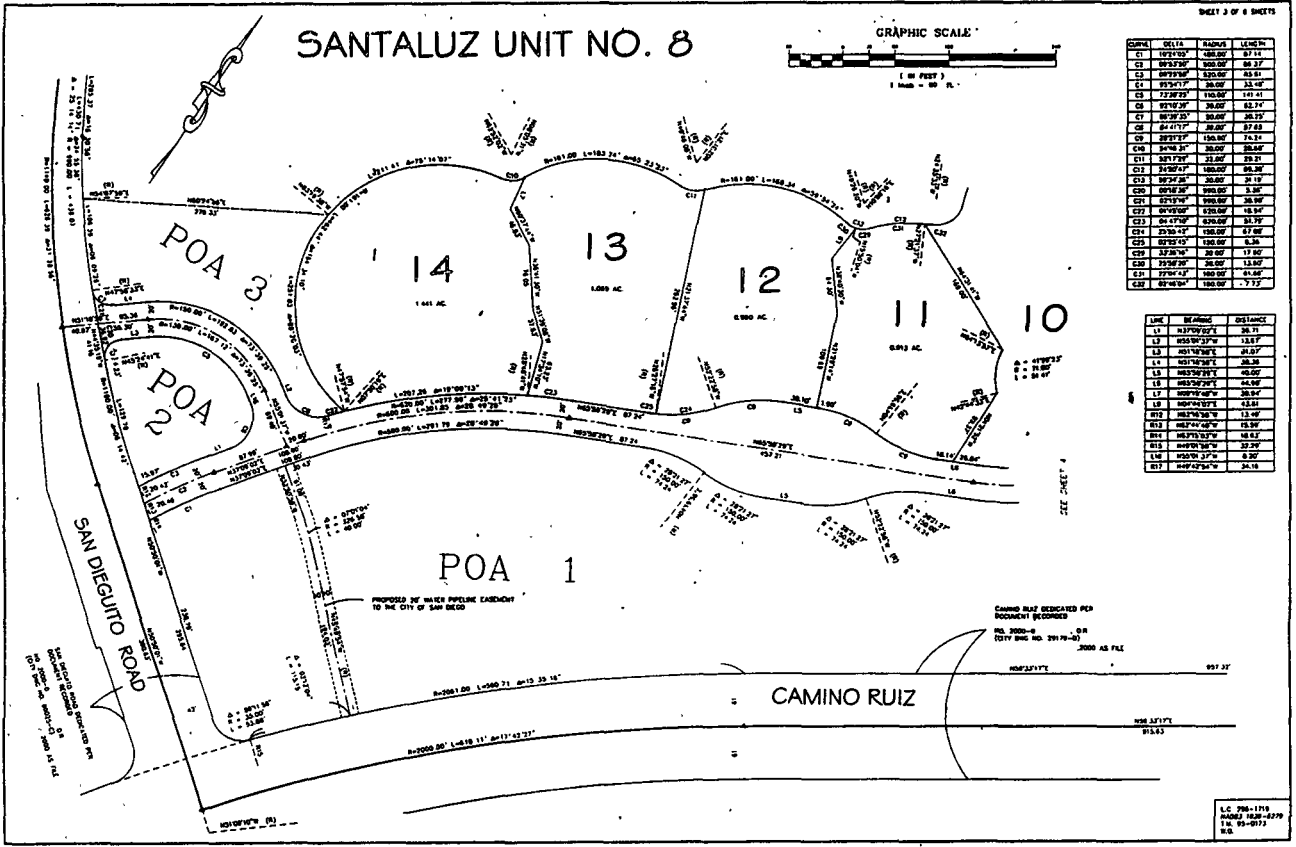
L.C. 996-1718
MAY 18-2008
L.A. 95-0173
R.C.

C-282

APR 1 2008

MAP NO.

SHEET 2 OF 6 SHEETS



CURVE	DELTA	RADIUS	LENGTH
C1	107°10'	180.00'	87.14'
C2	89°23'30"	180.00'	88.27'
C3	89°23'30"	180.00'	88.27'
C4	89°23'30"	180.00'	88.27'
C5	22°22'	180.00'	101.41'
C6	89°23'30"	180.00'	88.27'
C7	89°23'30"	180.00'	88.27'
C8	84°17'	180.00'	87.53'
C9	89°23'30"	180.00'	88.27'
C10	84°17'	180.00'	87.53'
C11	89°23'30"	180.00'	88.27'
C12	84°17'	180.00'	87.53'
C13	89°23'30"	180.00'	88.27'
C14	89°23'30"	180.00'	88.27'
C15	89°23'30"	180.00'	88.27'
C16	89°23'30"	180.00'	88.27'
C17	89°23'30"	180.00'	88.27'
C18	89°23'30"	180.00'	88.27'
C19	89°23'30"	180.00'	88.27'
C20	89°23'30"	180.00'	88.27'
C21	89°23'30"	180.00'	88.27'
C22	89°23'30"	180.00'	88.27'
C23	89°23'30"	180.00'	88.27'
C24	89°23'30"	180.00'	88.27'
C25	89°23'30"	180.00'	88.27'
C26	89°23'30"	180.00'	88.27'
C27	89°23'30"	180.00'	88.27'
C28	89°23'30"	180.00'	88.27'
C29	89°23'30"	180.00'	88.27'
C30	89°23'30"	180.00'	88.27'
C31	89°23'30"	180.00'	88.27'
C32	89°23'30"	180.00'	88.27'
C33	89°23'30"	180.00'	88.27'
C34	89°23'30"	180.00'	88.27'
C35	89°23'30"	180.00'	88.27'
C36	89°23'30"	180.00'	88.27'
C37	89°23'30"	180.00'	88.27'
C38	89°23'30"	180.00'	88.27'
C39	89°23'30"	180.00'	88.27'
C40	89°23'30"	180.00'	88.27'

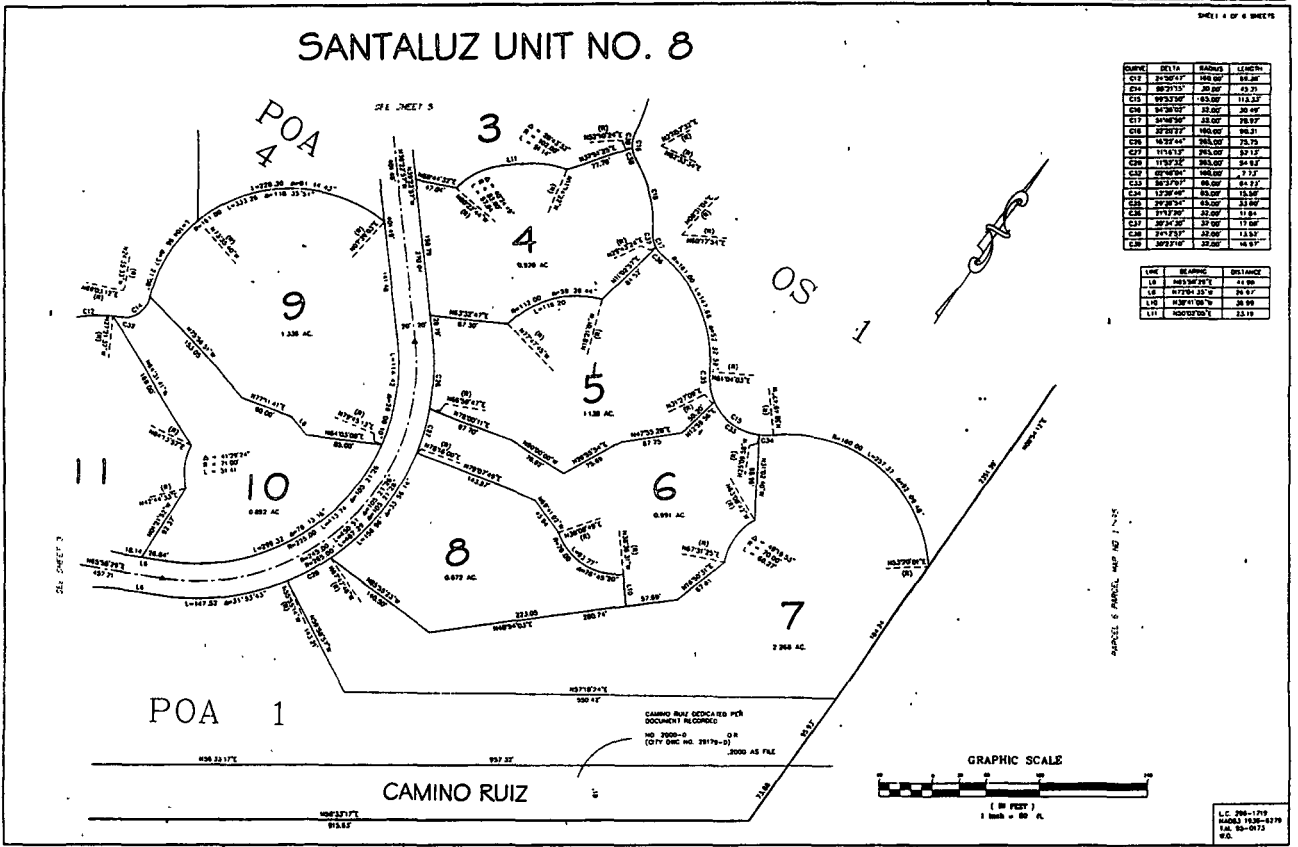
LINE	BEARING	DISTANCE
L1	N10°00'00"W	36.71'
L2	S20°30'00"W	13.87'
L3	N01°10'00"E	21.07'
L4	N01°10'00"E	21.07'
L5	N02°30'00"E	46.00'
L6	N02°30'00"E	28.34'
L7	N02°30'00"E	46.00'
L8	N02°30'00"E	46.00'
L9	N02°30'00"E	46.00'
L10	N02°30'00"E	46.00'
L11	N02°30'00"E	46.00'
L12	N02°30'00"E	46.00'
L13	N02°30'00"E	46.00'
L14	N02°30'00"E	46.00'
L15	N02°30'00"E	46.00'
L16	N02°30'00"E	46.00'
L17	N02°30'00"E	46.00'
L18	N02°30'00"E	46.00'
L19	N02°30'00"E	46.00'
L20	N02°30'00"E	46.00'

C-283

APR 1 2000

MAP NO.

SHEET 4 OF 6 SHEETS

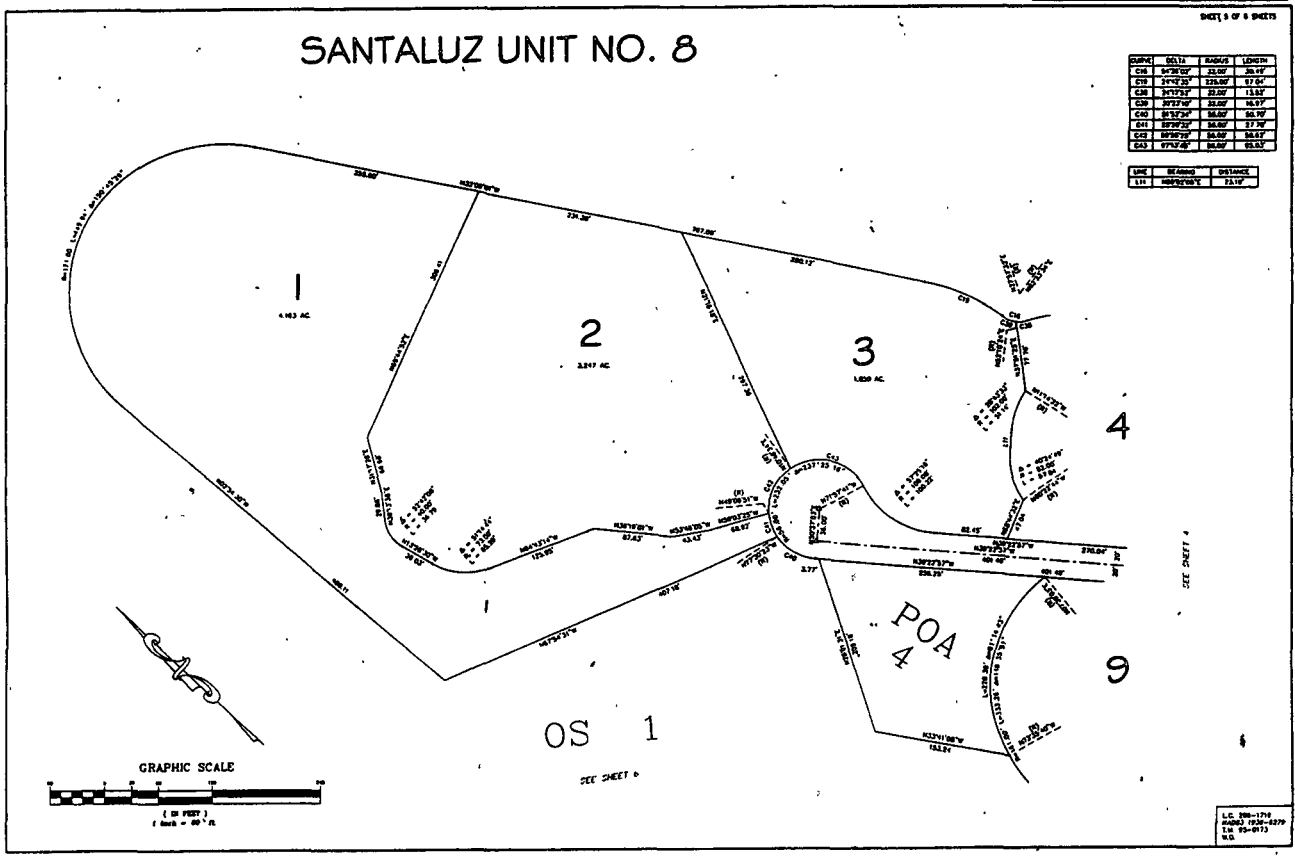


CURVE	DELTA	RADIUS	LENGTH
C1	21°20'00"	180.00'	68.88'
C2	89°23'30"	180.00'	88.27'
C3	89°23'30"	180.00'	88.27'
C4	89°23'30"	180.00'	88.27'
C5	89°23'30"	180.00'	88.27'
C6	89°23'30"	180.00'	88.27'
C7	89°23'30"	180.00'	88.27'
C8	89°23'30"	180.00'	88.27'
C9	89°23'30"	180.00'	88.27'
C10	89°23'30"	180.00'	88.27'
C11	89°23'30"	180.00'	88.27'
C12	89°23'30"	180.00'	88.27'
C13	89°23'30"	180.00'	88.27'
C14	89°23'30"	180.00'	88.27'
C15	89°23'30"	180.00'	88.27'
C16	89°23'30"	180.00'	88.27'
C17	89°23'30"	180.00'	88.27'
C18	89°23'30"	180.00'	88.27'
C19	89°23'30"	180.00'	88.27'
C20	89°23'30"	180.00'	88.27'
C21	89°23'30"	180.00'	88.27'
C22	89°23'30"	180.00'	88.27'
C23	89°23'30"	180.00'	88.27'
C24	89°23'30"	180.00'	88.27'
C25	89°23'30"	180.00'	88.27'
C26	89°23'30"	180.00'	88.27'
C27	89°23'30"	180.00'	88.27'
C28	89°23'30"	180.00'	88.27'
C29	89°23'30"	180.00'	88.27'
C30	89°23'30"	180.00'	88.27'

LINE	BEARING	DISTANCE
L1	N02°30'00"E	28.34'
L2	N02°30'00"E	46.00'
L3	N02°30'00"E	28.34'
L4	N02°30'00"E	28.34'
L5	N02°30'00"E	28.34'

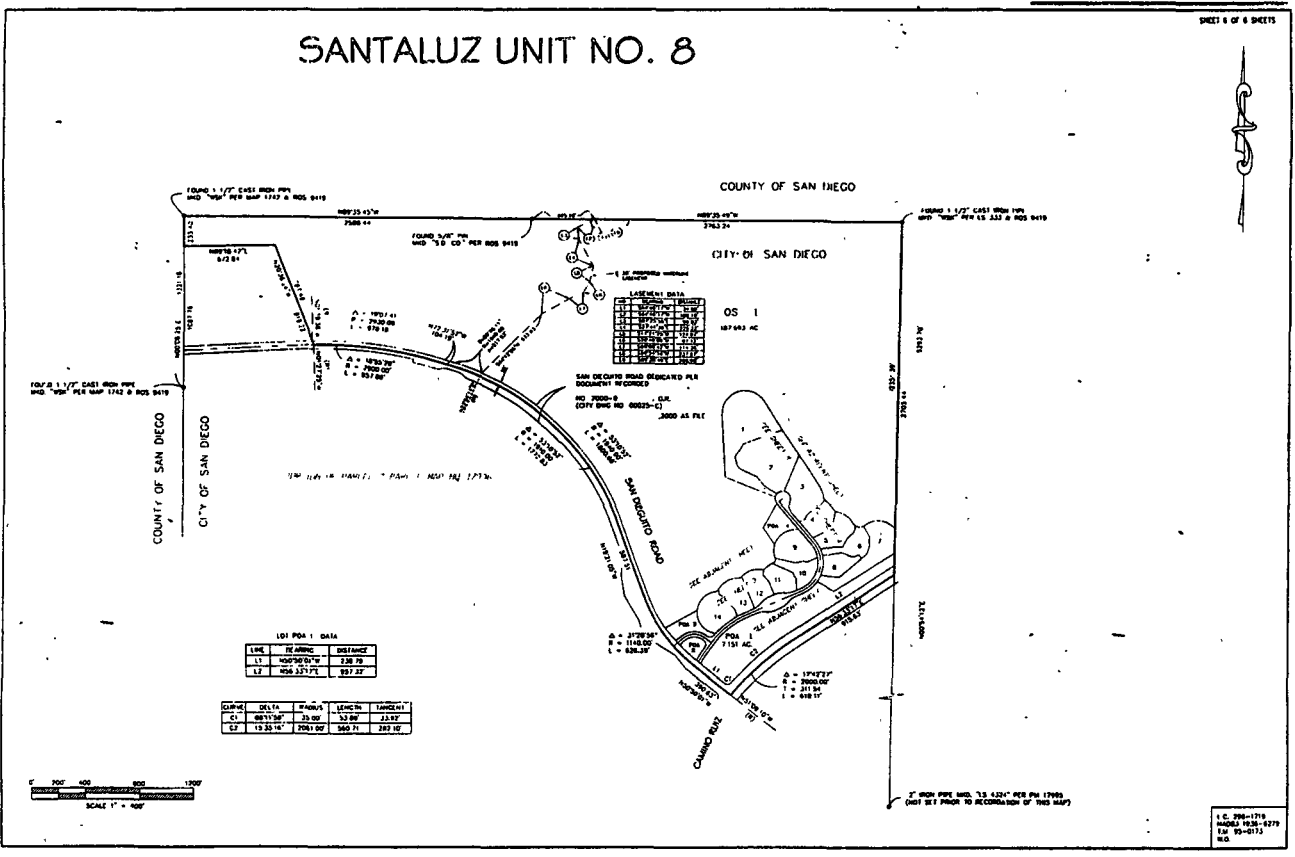
C-284

APR 1 2000



C-285

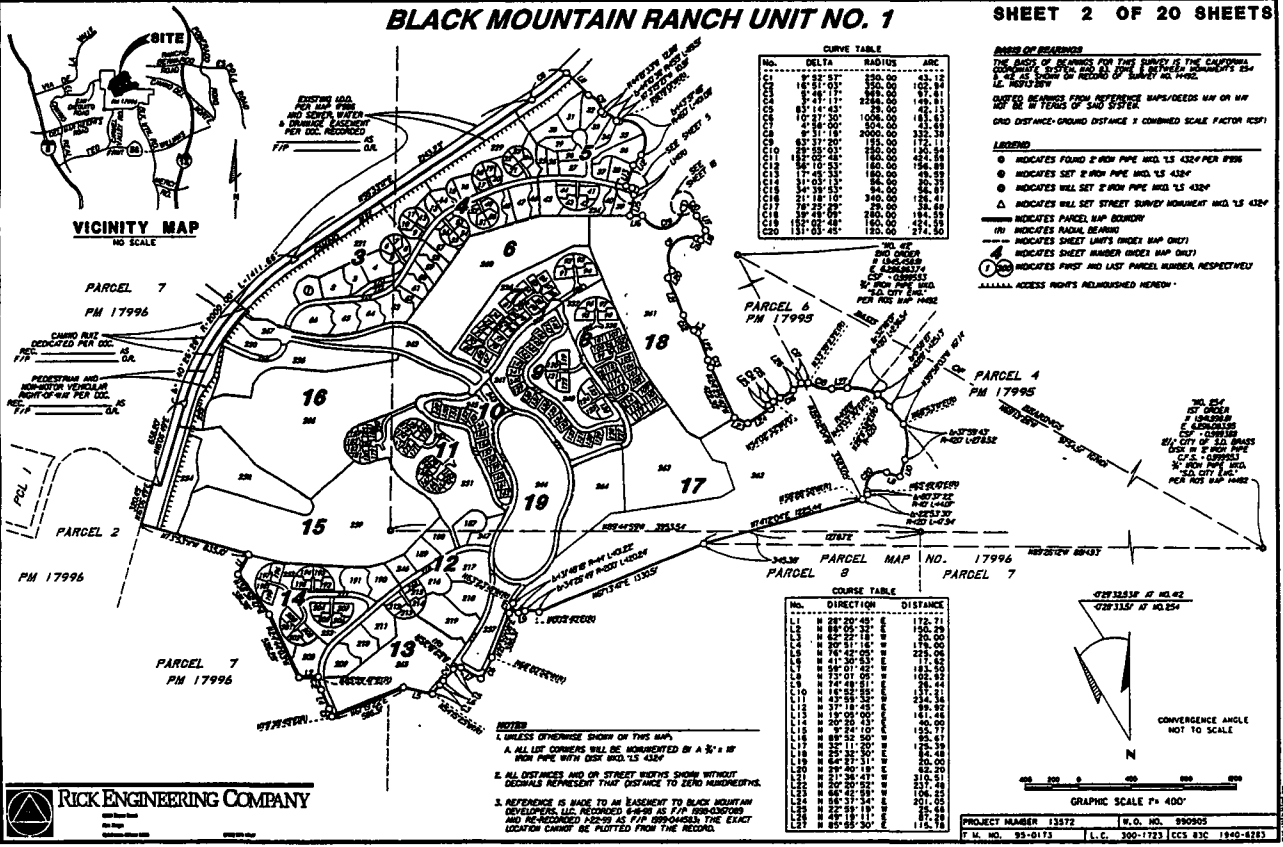
APR 7 2000



C-286

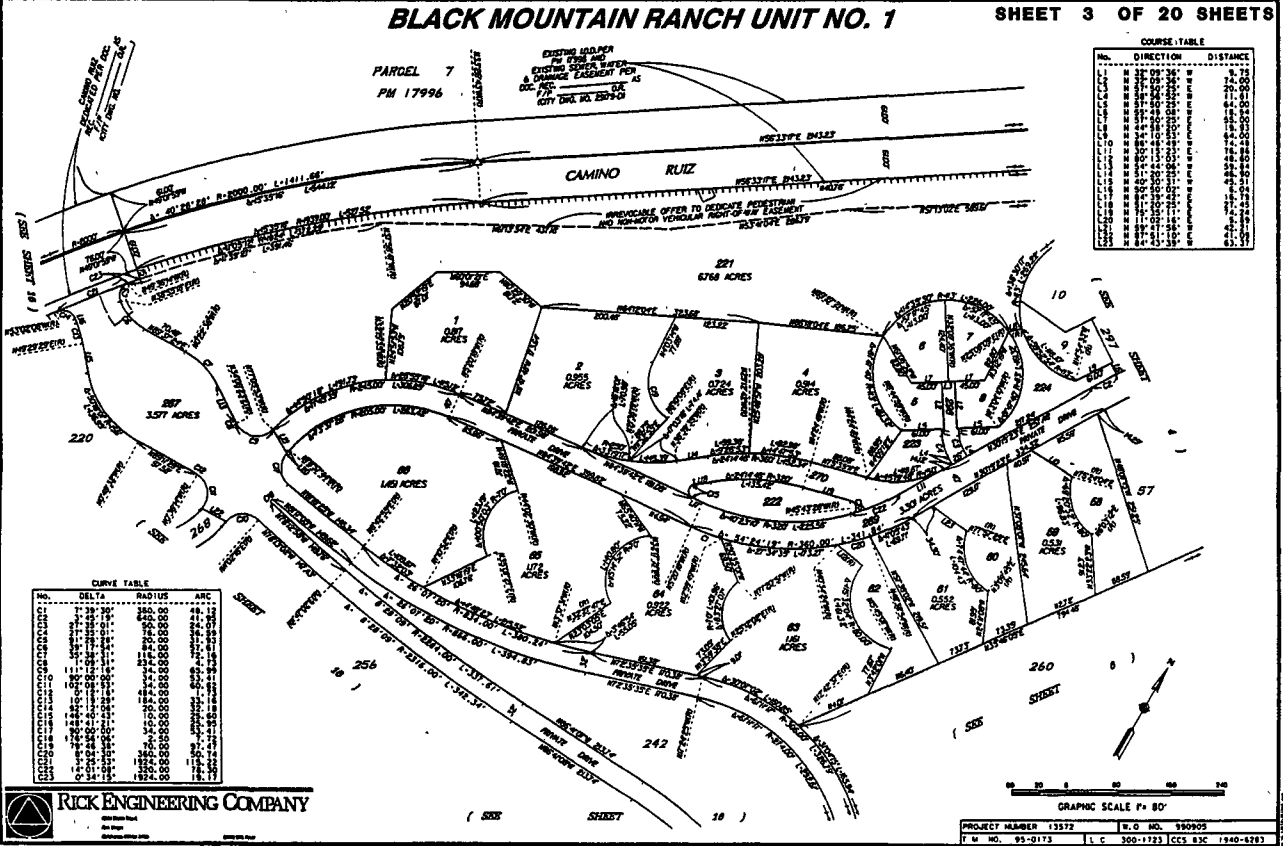
APR 7 2000

BLACK MOUNTAIN RANCH UNIT NO. 1



C-289

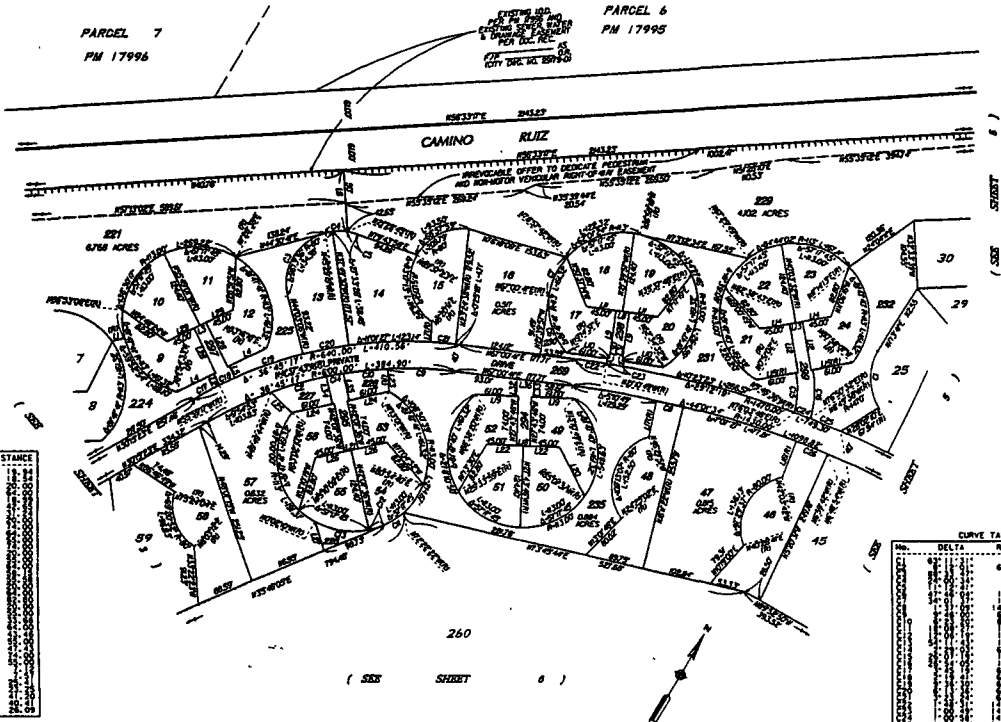
BLACK MOUNTAIN RANCH UNIT NO. 1



C-290

PARCEL 7
PM 17996

PARCEL 6
PM 17995



COURSE TABLE

No.	DIRECTION	DISTANCE
1	N 0° 00' 00" E	10.00
2	N 0° 00' 00" E	10.00
3	N 0° 00' 00" E	10.00
4	N 0° 00' 00" E	10.00
5	N 0° 00' 00" E	10.00
6	N 0° 00' 00" E	10.00
7	N 0° 00' 00" E	10.00
8	N 0° 00' 00" E	10.00
9	N 0° 00' 00" E	10.00
10	N 0° 00' 00" E	10.00
11	N 0° 00' 00" E	10.00
12	N 0° 00' 00" E	10.00
13	N 0° 00' 00" E	10.00
14	N 0° 00' 00" E	10.00
15	N 0° 00' 00" E	10.00
16	N 0° 00' 00" E	10.00
17	N 0° 00' 00" E	10.00
18	N 0° 00' 00" E	10.00
19	N 0° 00' 00" E	10.00
20	N 0° 00' 00" E	10.00
21	N 0° 00' 00" E	10.00
22	N 0° 00' 00" E	10.00
23	N 0° 00' 00" E	10.00
24	N 0° 00' 00" E	10.00
25	N 0° 00' 00" E	10.00
26	N 0° 00' 00" E	10.00
27	N 0° 00' 00" E	10.00
28	N 0° 00' 00" E	10.00
29	N 0° 00' 00" E	10.00
30	N 0° 00' 00" E	10.00

CURVE TABLE

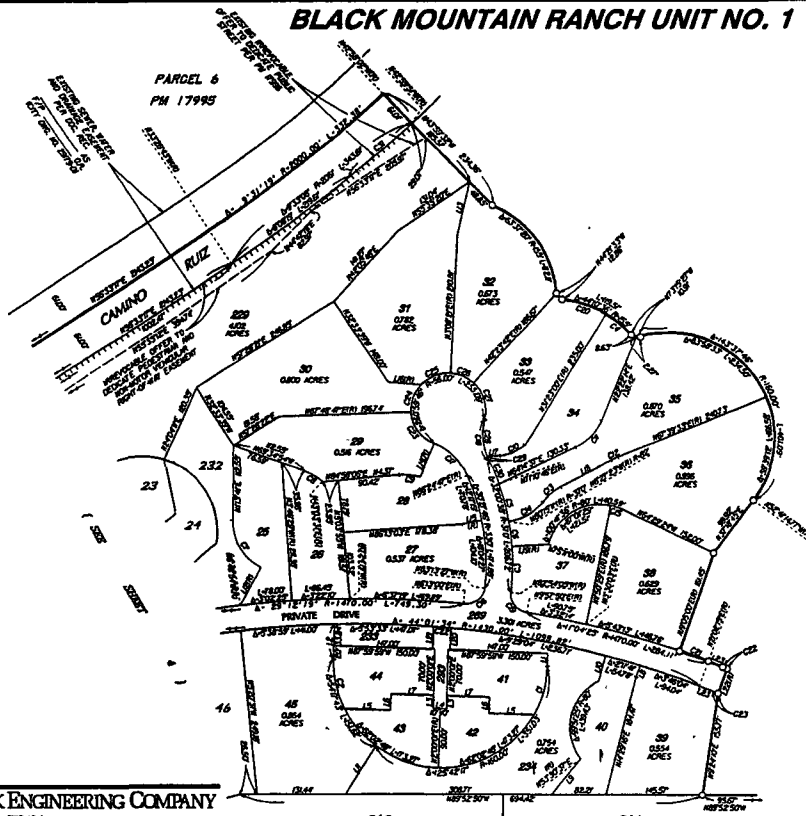
No.	DELTA	RADIUS	ARC
1	0° 00' 00"	0.00	0.00
2	0° 00' 00"	0.00	0.00
3	0° 00' 00"	0.00	0.00
4	0° 00' 00"	0.00	0.00
5	0° 00' 00"	0.00	0.00
6	0° 00' 00"	0.00	0.00
7	0° 00' 00"	0.00	0.00
8	0° 00' 00"	0.00	0.00
9	0° 00' 00"	0.00	0.00
10	0° 00' 00"	0.00	0.00
11	0° 00' 00"	0.00	0.00
12	0° 00' 00"	0.00	0.00
13	0° 00' 00"	0.00	0.00
14	0° 00' 00"	0.00	0.00
15	0° 00' 00"	0.00	0.00
16	0° 00' 00"	0.00	0.00
17	0° 00' 00"	0.00	0.00
18	0° 00' 00"	0.00	0.00
19	0° 00' 00"	0.00	0.00
20	0° 00' 00"	0.00	0.00
21	0° 00' 00"	0.00	0.00
22	0° 00' 00"	0.00	0.00
23	0° 00' 00"	0.00	0.00
24	0° 00' 00"	0.00	0.00
25	0° 00' 00"	0.00	0.00
26	0° 00' 00"	0.00	0.00
27	0° 00' 00"	0.00	0.00
28	0° 00' 00"	0.00	0.00
29	0° 00' 00"	0.00	0.00
30	0° 00' 00"	0.00	0.00

RICK ENGINEERING COMPANY
 Surveying
 Civil Engineering
 Mechanical Engineering
 Electrical Engineering
 Environmental Engineering



PROJECT NUMBER 13572 | S.O. NO. 990909
 P.M. NO. 95-0173 | L.C. 300-1723 | CCS 83C 1940-8283

PARCEL 6
PM 17995



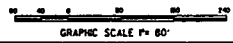
COURSE TABLE

No.	DIRECTION	DISTANCE
1	N 0° 00' 00" E	10.00
2	N 0° 00' 00" E	10.00
3	N 0° 00' 00" E	10.00
4	N 0° 00' 00" E	10.00
5	N 0° 00' 00" E	10.00
6	N 0° 00' 00" E	10.00
7	N 0° 00' 00" E	10.00
8	N 0° 00' 00" E	10.00
9	N 0° 00' 00" E	10.00
10	N 0° 00' 00" E	10.00
11	N 0° 00' 00" E	10.00
12	N 0° 00' 00" E	10.00
13	N 0° 00' 00" E	10.00
14	N 0° 00' 00" E	10.00
15	N 0° 00' 00" E	10.00
16	N 0° 00' 00" E	10.00
17	N 0° 00' 00" E	10.00
18	N 0° 00' 00" E	10.00
19	N 0° 00' 00" E	10.00
20	N 0° 00' 00" E	10.00
21	N 0° 00' 00" E	10.00
22	N 0° 00' 00" E	10.00
23	N 0° 00' 00" E	10.00
24	N 0° 00' 00" E	10.00
25	N 0° 00' 00" E	10.00
26	N 0° 00' 00" E	10.00
27	N 0° 00' 00" E	10.00
28	N 0° 00' 00" E	10.00
29	N 0° 00' 00" E	10.00
30	N 0° 00' 00" E	10.00
31	N 0° 00' 00" E	10.00
32	N 0° 00' 00" E	10.00
33	N 0° 00' 00" E	10.00
34	N 0° 00' 00" E	10.00
35	N 0° 00' 00" E	10.00
36	N 0° 00' 00" E	10.00
37	N 0° 00' 00" E	10.00
38	N 0° 00' 00" E	10.00
39	N 0° 00' 00" E	10.00
40	N 0° 00' 00" E	10.00
41	N 0° 00' 00" E	10.00
42	N 0° 00' 00" E	10.00
43	N 0° 00' 00" E	10.00
44	N 0° 00' 00" E	10.00
45	N 0° 00' 00" E	10.00
46	N 0° 00' 00" E	10.00

CURVE TABLE

No.	DELTA	RADIUS	ARC
1	0° 00' 00"	0.00	0.00
2	0° 00' 00"	0.00	0.00
3	0° 00' 00"	0.00	0.00
4	0° 00' 00"	0.00	0.00
5	0° 00' 00"	0.00	0.00
6	0° 00' 00"	0.00	0.00
7	0° 00' 00"	0.00	0.00
8	0° 00' 00"	0.00	0.00
9	0° 00' 00"	0.00	0.00
10	0° 00' 00"	0.00	0.00
11	0° 00' 00"	0.00	0.00
12	0° 00' 00"	0.00	0.00
13	0° 00' 00"	0.00	0.00
14	0° 00' 00"	0.00	0.00
15	0° 00' 00"	0.00	0.00
16	0° 00' 00"	0.00	0.00
17	0° 00' 00"	0.00	0.00
18	0° 00' 00"	0.00	0.00
19	0° 00' 00"	0.00	0.00
20	0° 00' 00"	0.00	0.00
21	0° 00' 00"	0.00	0.00
22	0° 00' 00"	0.00	0.00
23	0° 00' 00"	0.00	0.00
24	0° 00' 00"	0.00	0.00
25	0° 00' 00"	0.00	0.00
26	0° 00' 00"	0.00	0.00
27	0° 00' 00"	0.00	0.00
28	0° 00' 00"	0.00	0.00
29	0° 00' 00"	0.00	0.00
30	0° 00' 00"	0.00	0.00
31	0° 00' 00"	0.00	0.00
32	0° 00' 00"	0.00	0.00
33	0° 00' 00"	0.00	0.00
34	0° 00' 00"	0.00	0.00
35	0° 00' 00"	0.00	0.00
36	0° 00' 00"	0.00	0.00
37	0° 00' 00"	0.00	0.00
38	0° 00' 00"	0.00	0.00
39	0° 00' 00"	0.00	0.00
40	0° 00' 00"	0.00	0.00
41	0° 00' 00"	0.00	0.00
42	0° 00' 00"	0.00	0.00
43	0° 00' 00"	0.00	0.00
44	0° 00' 00"	0.00	0.00
45	0° 00' 00"	0.00	0.00
46	0° 00' 00"	0.00	0.00

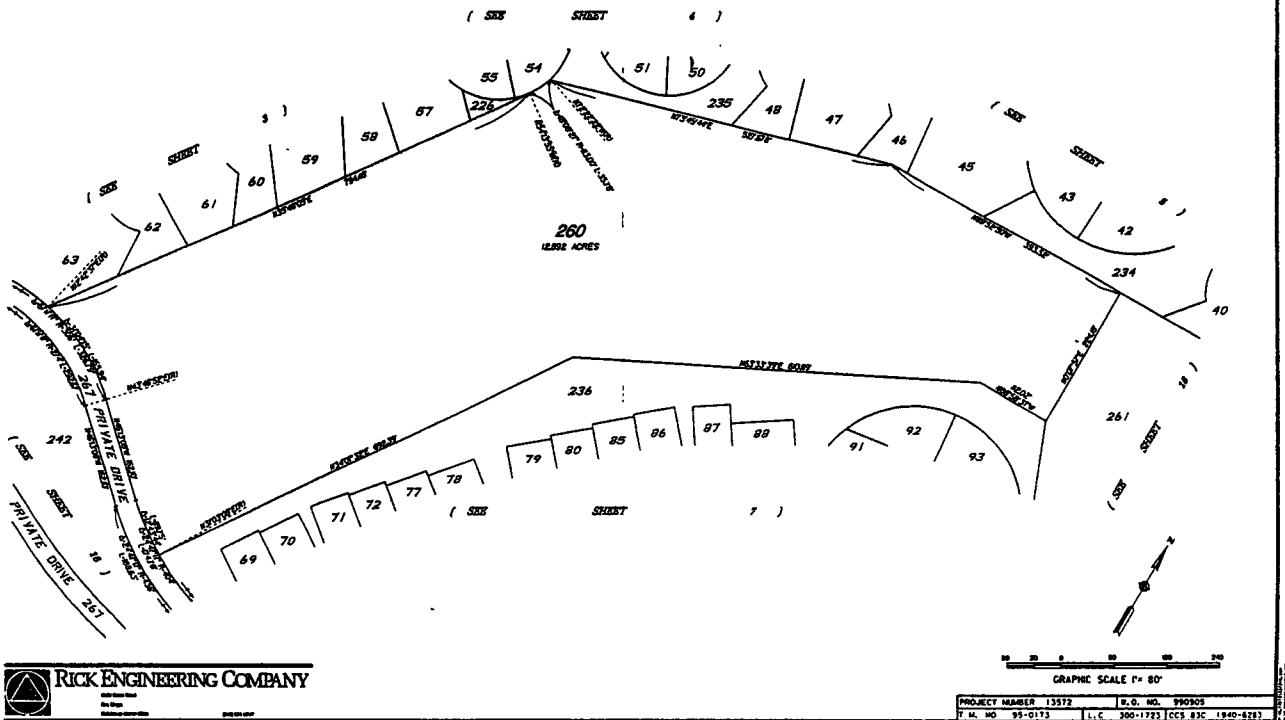
RICK ENGINEERING COMPANY
 Surveying
 Civil Engineering
 Mechanical Engineering
 Electrical Engineering
 Environmental Engineering



PROJECT NUMBER 13572 | S.O. NO. 990909
 P.M. NO. 95-0173 | L.C. 300-1723 | CCS 83C 1940-8283

MAP NO.
BLACK MOUNTAIN RANCH UNIT NO. 1

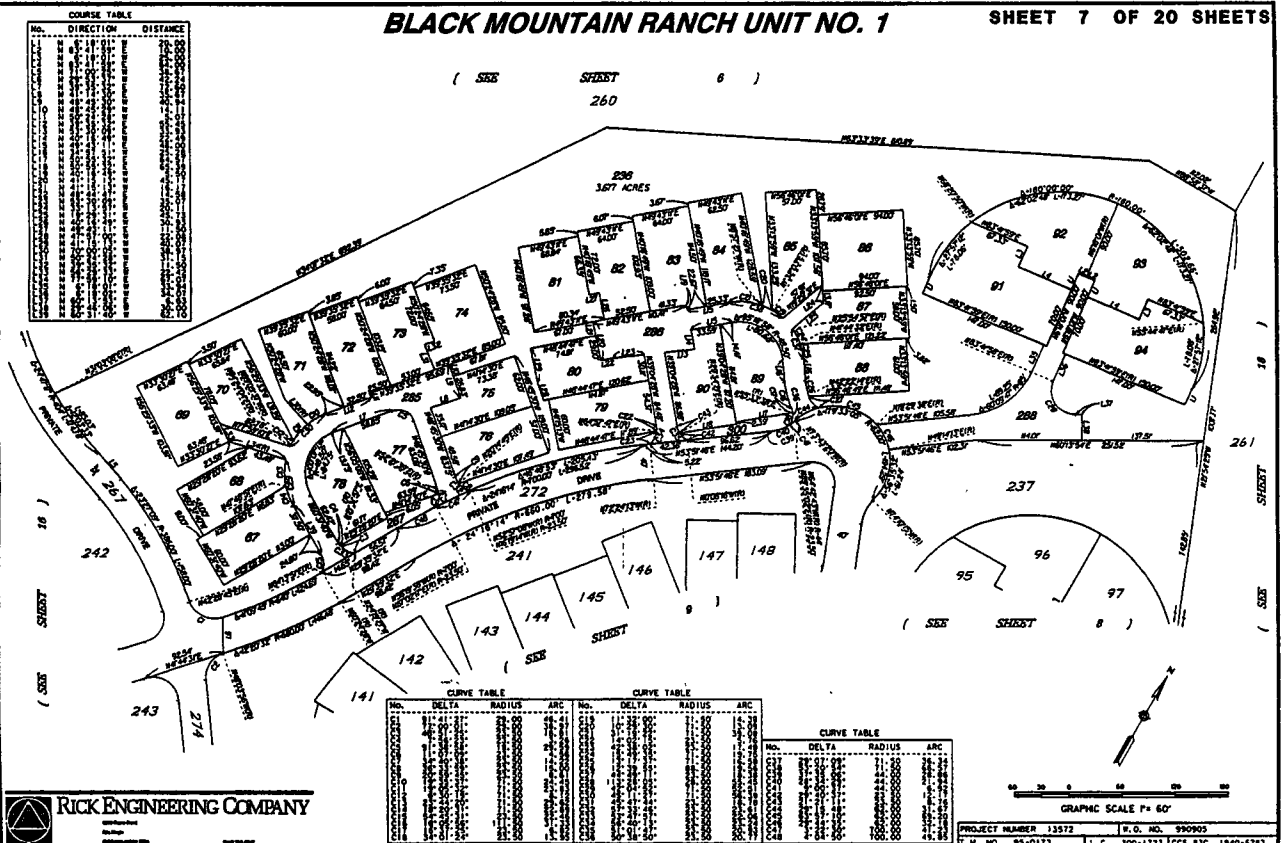
SHEET 6 OF 20 SHEETS



C-293

MAP NO.
BLACK MOUNTAIN RANCH UNIT NO. 1

SHEET 7 OF 20 SHEETS



C-294

MAP NO.

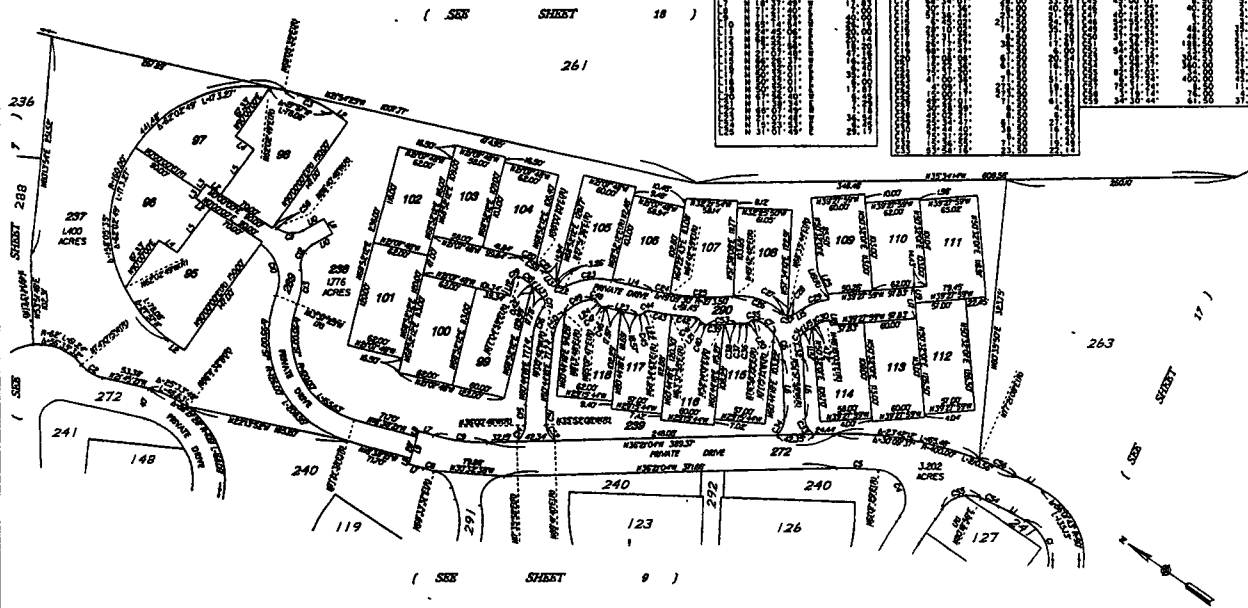
BLACK MOUNTAIN RANCH UNIT NO. 1

SHEET 8 OF 20 SHEETS

CURVE TABLE

NO.	DELTA	RADIUS	ARC	NO.	DELTA	RADIUS	ARC
1	1	100	1.57	11	1	100	1.57
2	2	200	3.14	12	2	200	3.14
3	3	300	4.71	13	3	300	4.71
4	4	400	6.28	14	4	400	6.28
5	5	500	7.85	15	5	500	7.85
6	6	600	9.42	16	6	600	9.42
7	7	700	10.99	17	7	700	10.99
8	8	800	12.56	18	8	800	12.56
9	9	900	14.13	19	9	900	14.13
10	10	1000	15.70	20	10	1000	15.70

NO.	DIRECTION	DISTANCE	NO.	DIRECTION	DISTANCE
1	N	100	11	S	100
2	E	200	12	N	200
3	S	300	13	E	300
4	W	400	14	S	400
5	N	500	15	W	500
6	E	600	16	N	600
7	S	700	17	E	700
8	W	800	18	S	800
9	N	900	19	W	900
10	E	1000	20	N	1000



RICK ENGINEERING COMPANY

PROJECT NUMBER 13572 W.O. NO. 99095
T.M. NO. 95-0173 L.C. 300-1723 [CCS 83C 1940-6293]

C-295

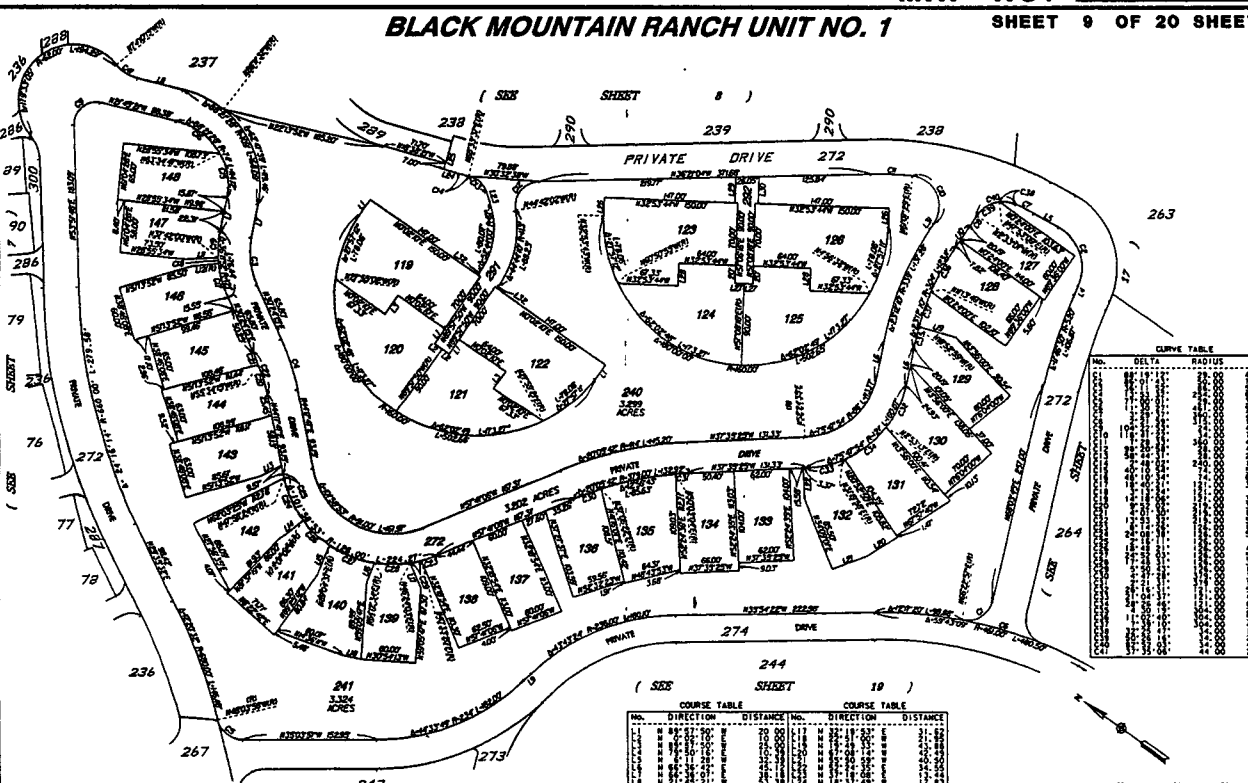
MAP NO.

BLACK MOUNTAIN RANCH UNIT NO. 1

SHEET 9 OF 20 SHEETS

NO.	DELTA	RADIUS	ARC
1	1	100	1.57
2	2	200	3.14
3	3	300	4.71
4	4	400	6.28
5	5	500	7.85
6	6	600	9.42
7	7	700	10.99
8	8	800	12.56
9	9	900	14.13
10	10	1000	15.70

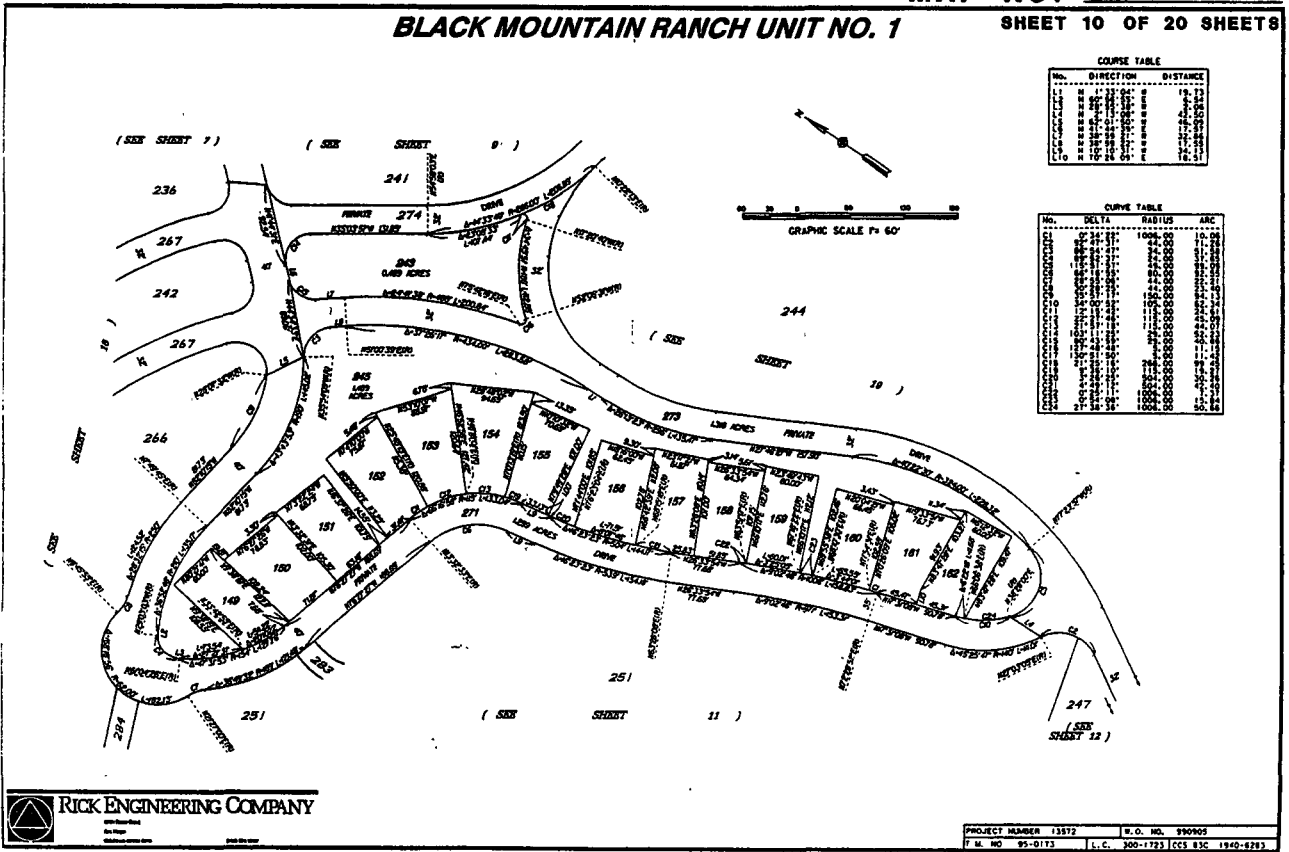
NO.	DIRECTION	DISTANCE	NO.	DIRECTION	DISTANCE
1	N	100	11	S	100
2	E	200	12	N	200
3	S	300	13	E	300
4	W	400	14	S	400
5	N	500	15	W	500
6	E	600	16	N	600
7	S	700	17	E	700
8	W	800	18	S	800
9	N	900	19	W	900
10	E	1000	20	N	1000



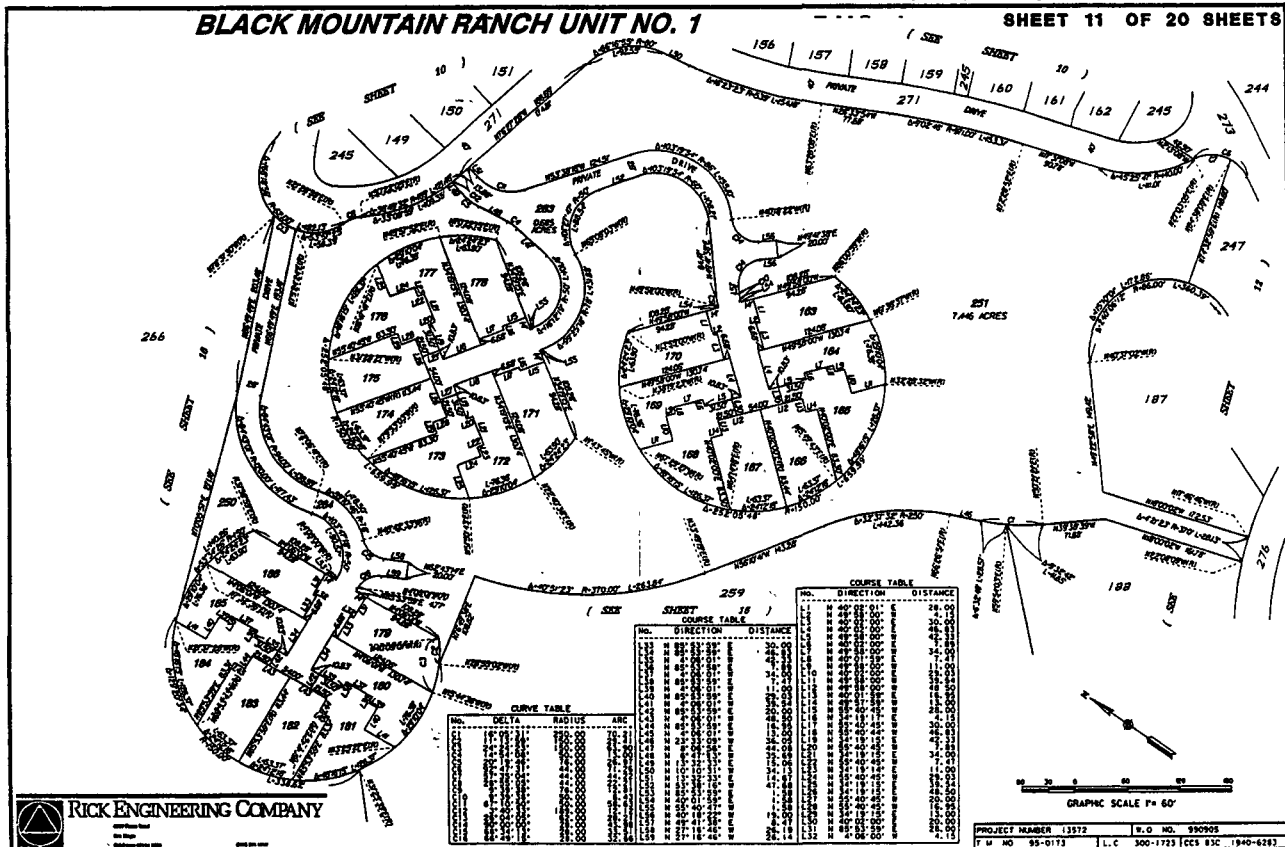
RICK ENGINEERING COMPANY

PROJECT NUMBER 13572 W.O. NO. 99095
T.M. NO. 95-0173 L.C. 300-1723 [CCS 83C 1940-6293]

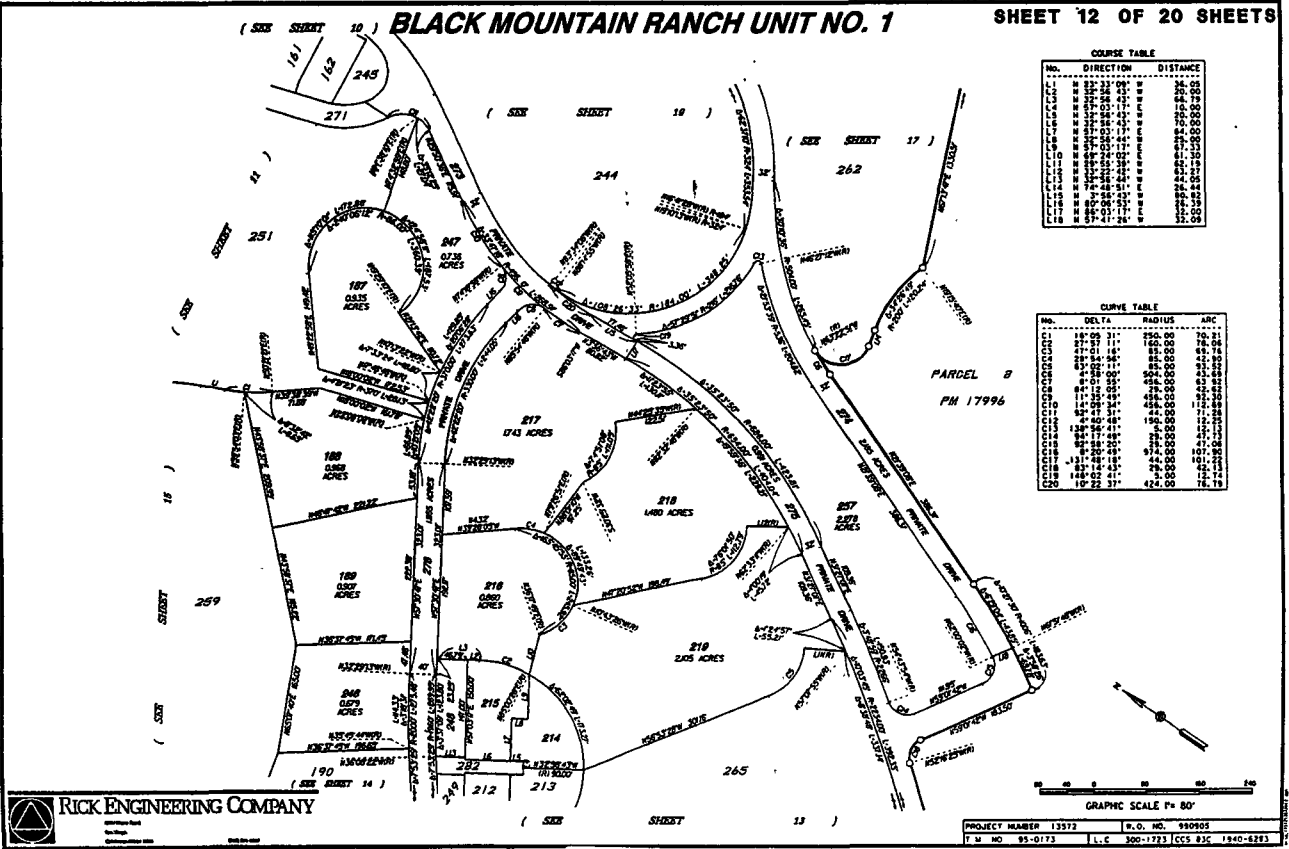
C-296



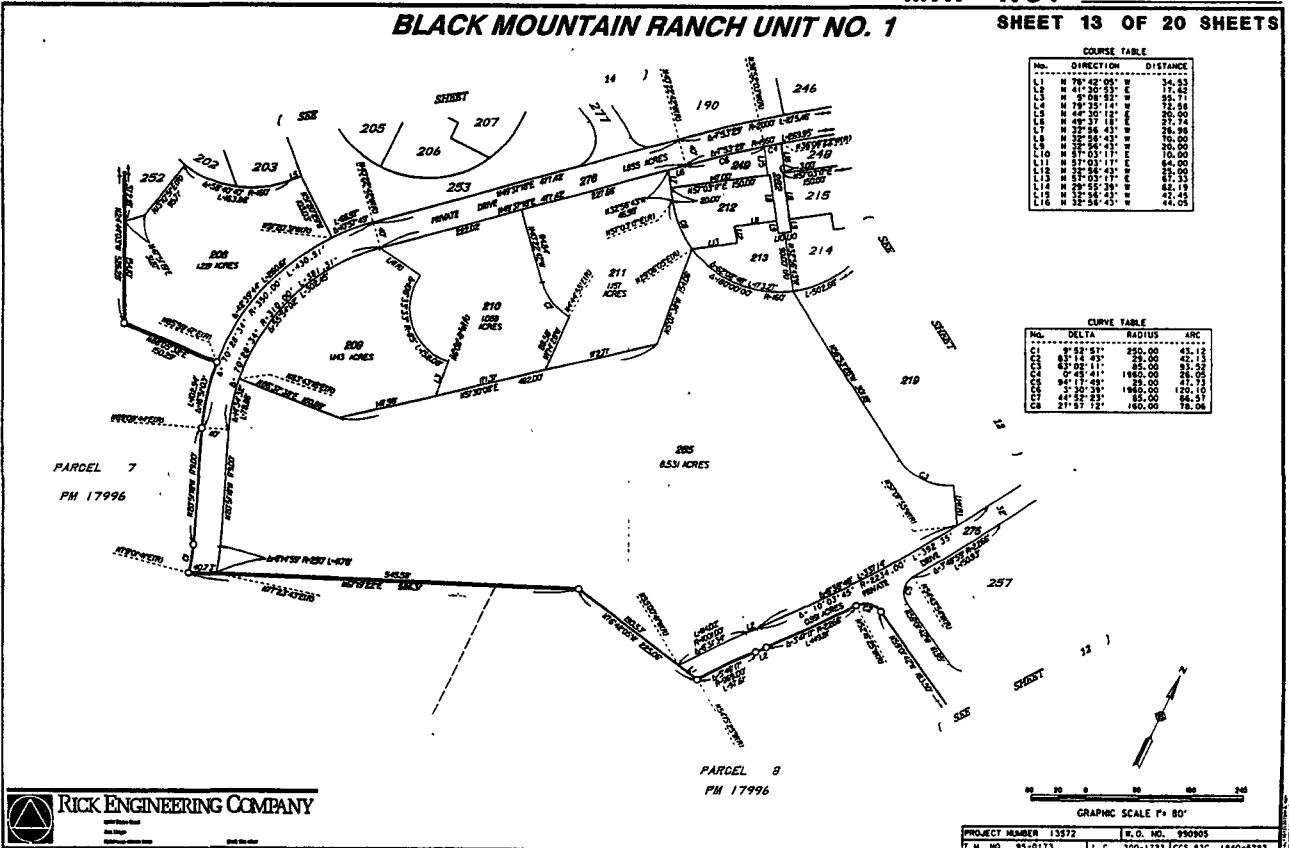
C-297



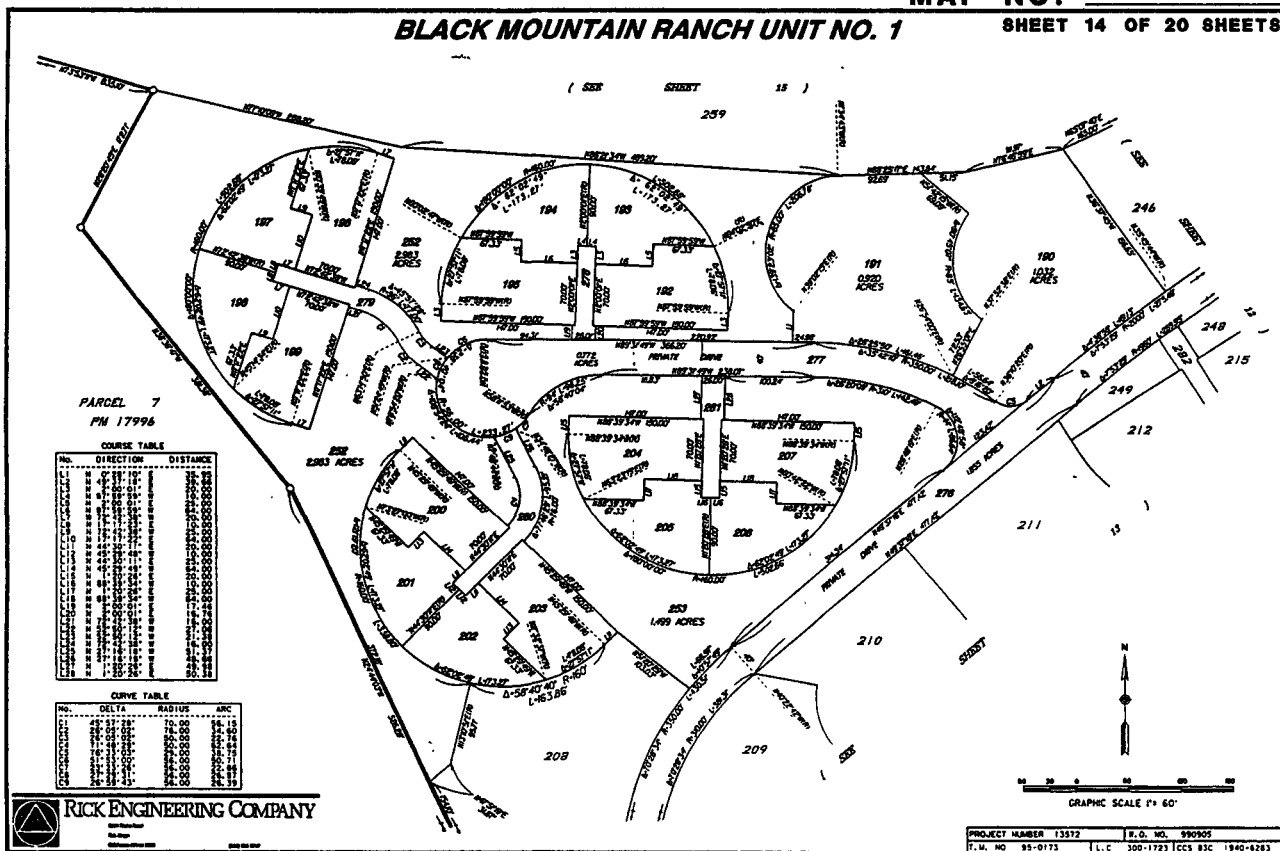
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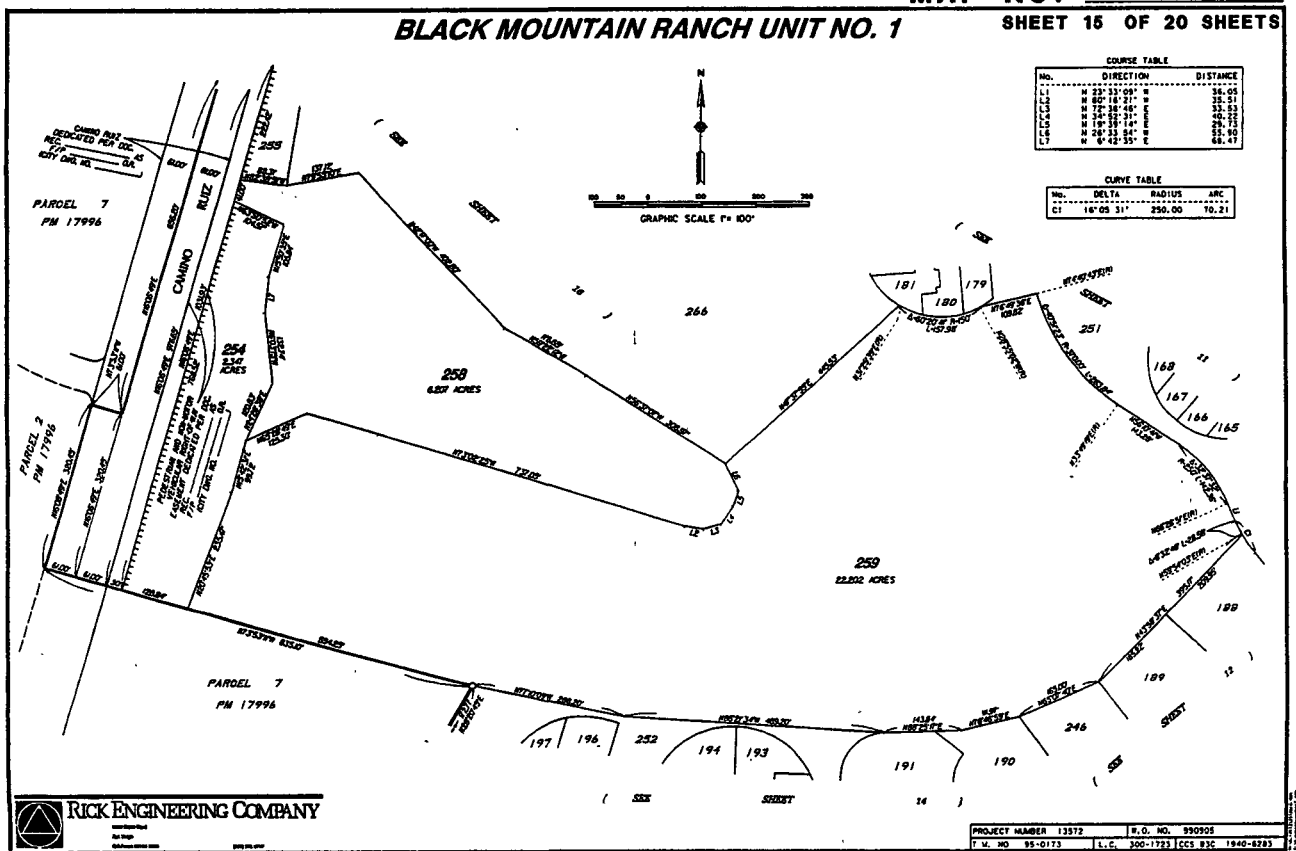
C-299



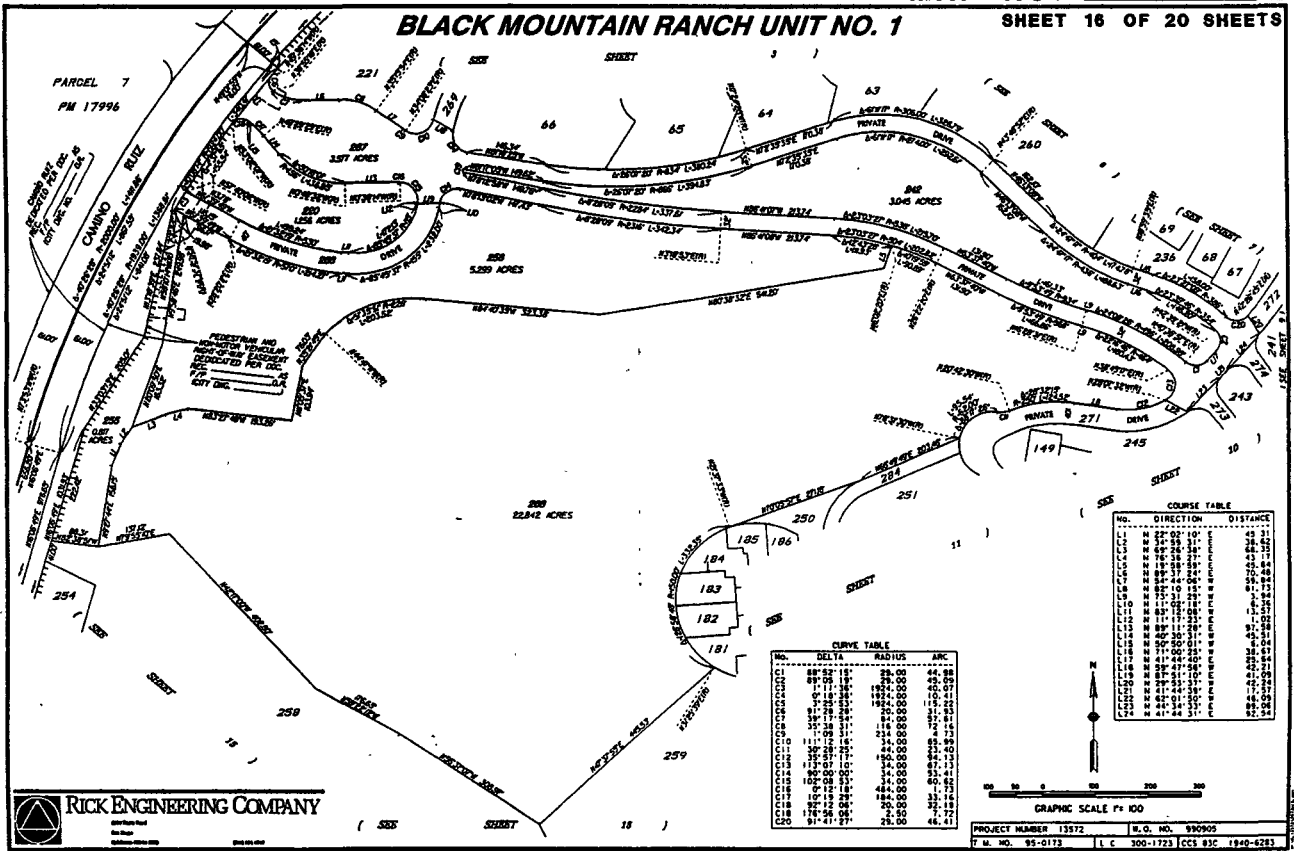
C-300



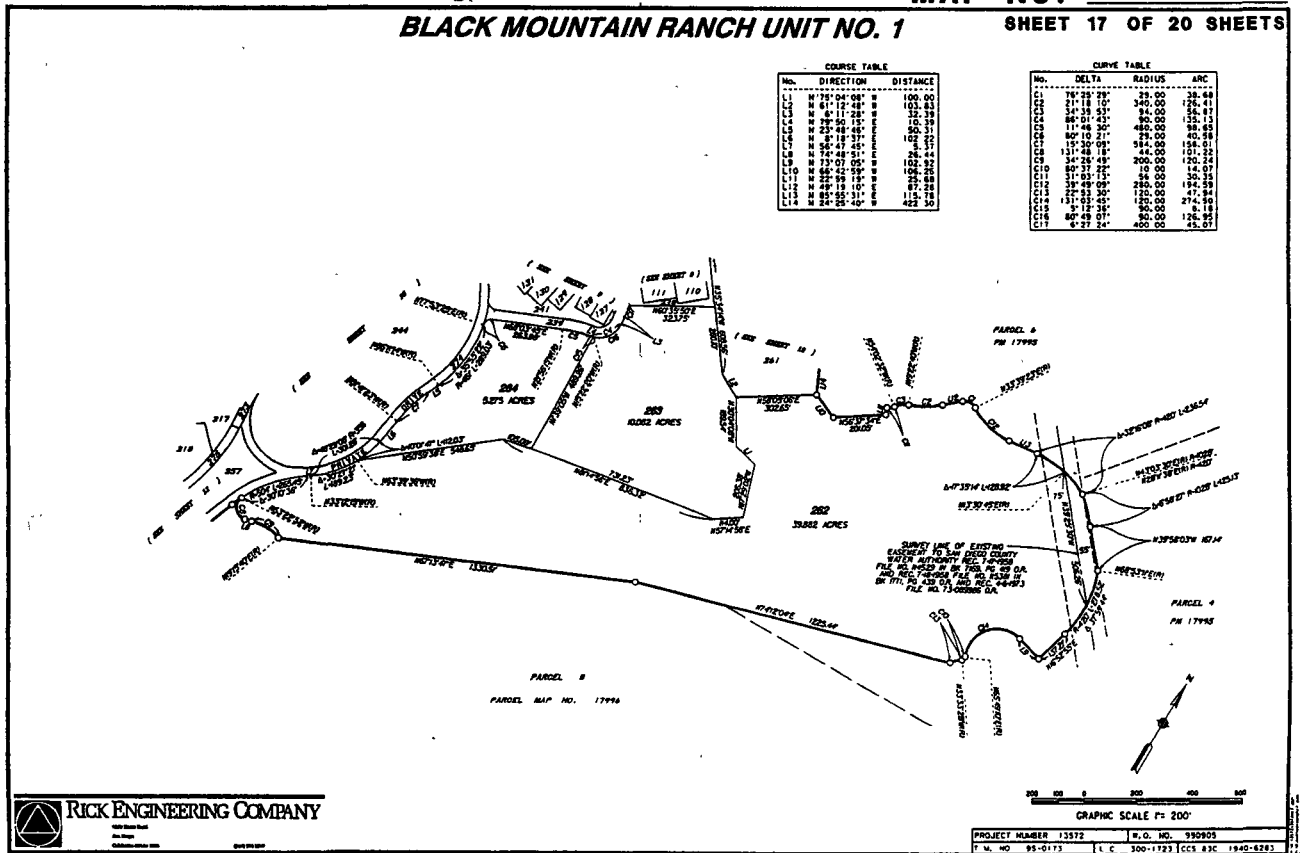
C-301



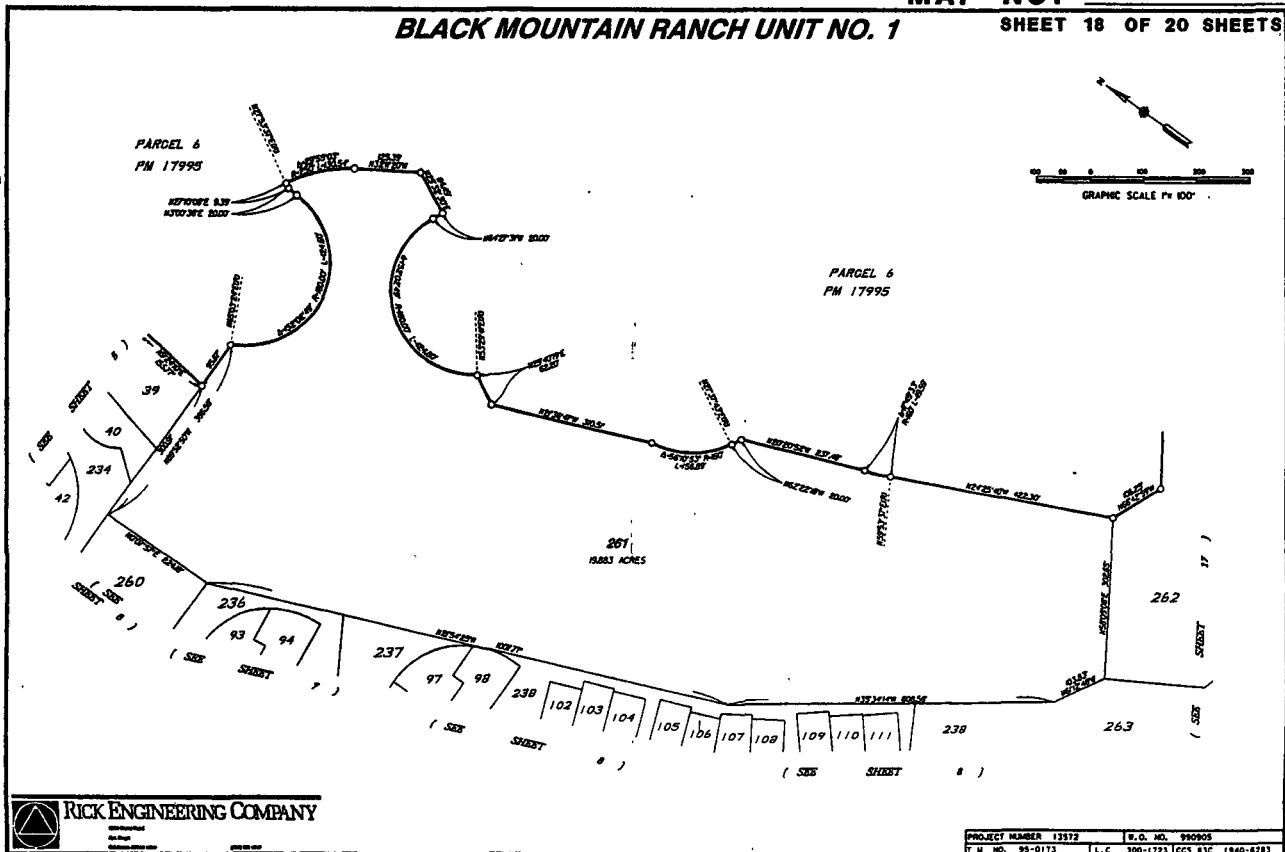
C-302



C-303

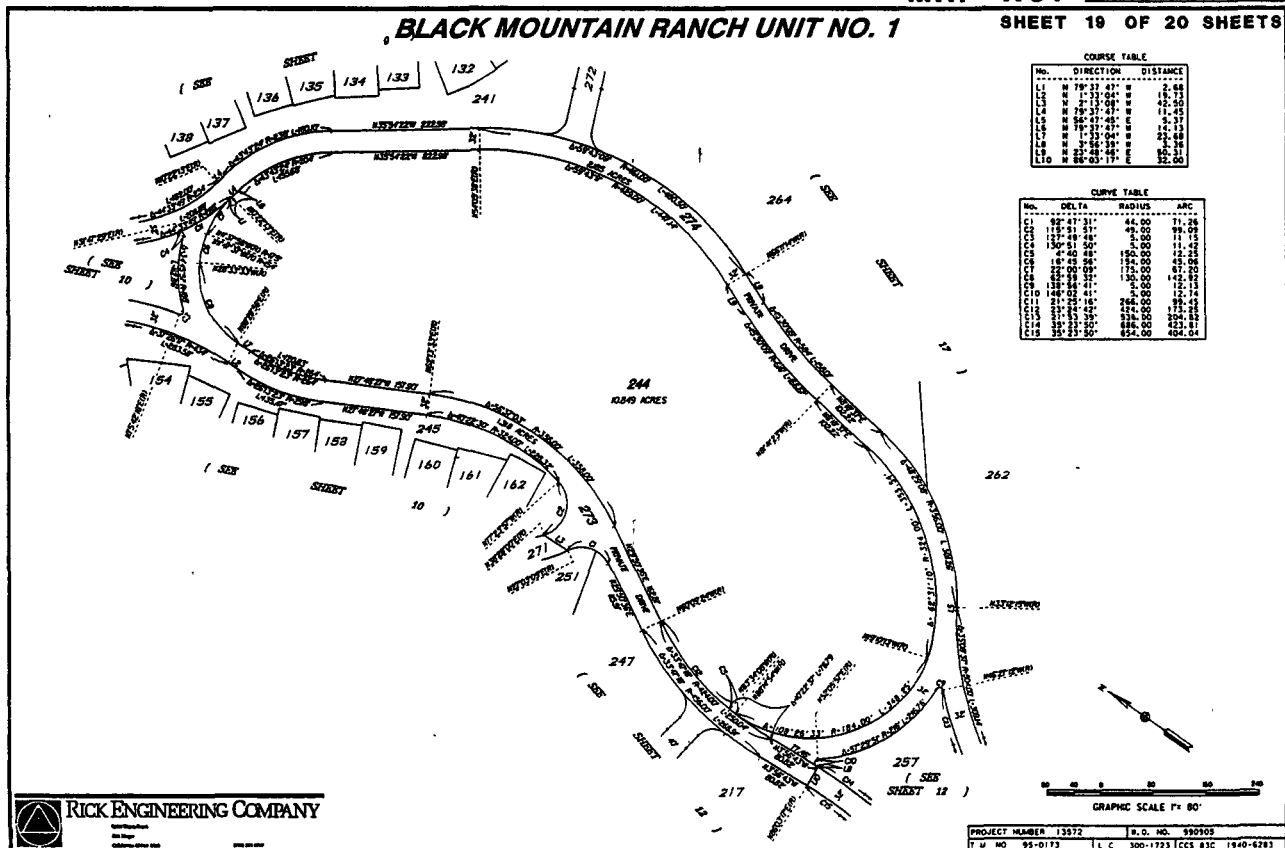


C-304



PROJECT NUMBER 13372	E.O. NO. 990903
P.M. NO. 99-0173	L.C. 300-1723 CCS B3C 1940-4283

C-305



NO.	DIRECTION	DISTANCE
L1	N 79° 37' 47" W	2.68
L2	N 1° 32' 04" W	19.72
L3	N 78° 37' 49" W	22.50
L4	N 86° 47' 45" E	5.37
L5	N 78° 32' 47" W	13.13
L6	N 83° 48' 18" E	50.31
L7	N 88° 03' 17" E	52.00

NO.	DELTA	RADIUS	ARC
C1	92° 47' 31"	44.00	11.26
C2	119° 51' 31"	49.00	19.09
C3	107° 51' 26"	7.00	11.15
C4	107° 51' 26"	150.00	13.42
C5	107° 51' 26"	150.00	13.42
C6	107° 51' 26"	150.00	13.42
C7	107° 51' 26"	150.00	13.42
C8	107° 51' 26"	150.00	13.42
C9	107° 51' 26"	150.00	13.42
C10	107° 51' 26"	150.00	13.42
C11	107° 51' 26"	150.00	13.42
C12	107° 51' 26"	150.00	13.42
C13	107° 51' 26"	150.00	13.42
C14	107° 51' 26"	150.00	13.42
C15	107° 51' 26"	150.00	13.42
C16	107° 51' 26"	150.00	13.42
C17	107° 51' 26"	150.00	13.42
C18	107° 51' 26"	150.00	13.42
C19	107° 51' 26"	150.00	13.42
C20	107° 51' 26"	150.00	13.42
C21	107° 51' 26"	150.00	13.42
C22	107° 51' 26"	150.00	13.42
C23	107° 51' 26"	150.00	13.42
C24	107° 51' 26"	150.00	13.42
C25	107° 51' 26"	150.00	13.42
C26	107° 51' 26"	150.00	13.42
C27	107° 51' 26"	150.00	13.42
C28	107° 51' 26"	150.00	13.42
C29	107° 51' 26"	150.00	13.42
C30	107° 51' 26"	150.00	13.42
C31	107° 51' 26"	150.00	13.42
C32	107° 51' 26"	150.00	13.42
C33	107° 51' 26"	150.00	13.42
C34	107° 51' 26"	150.00	13.42
C35	107° 51' 26"	150.00	13.42
C36	107° 51' 26"	150.00	13.42
C37	107° 51' 26"	150.00	13.42
C38	107° 51' 26"	150.00	13.42
C39	107° 51' 26"	150.00	13.42
C40	107° 51' 26"	150.00	13.42
C41	107° 51' 26"	150.00	13.42
C42	107° 51' 26"	150.00	13.42
C43	107° 51' 26"	150.00	13.42
C44	107° 51' 26"	150.00	13.42
C45	107° 51' 26"	150.00	13.42
C46	107° 51' 26"	150.00	13.42
C47	107° 51' 26"	150.00	13.42
C48	107° 51' 26"	150.00	13.42
C49	107° 51' 26"	150.00	13.42
C50	107° 51' 26"	150.00	13.42
C51	107° 51' 26"	150.00	13.42
C52	107° 51' 26"	150.00	13.42
C53	107° 51' 26"	150.00	13.42
C54	107° 51' 26"	150.00	13.42
C55	107° 51' 26"	150.00	13.42
C56	107° 51' 26"	150.00	13.42
C57	107° 51' 26"	150.00	13.42
C58	107° 51' 26"	150.00	13.42
C59	107° 51' 26"	150.00	13.42
C60	107° 51' 26"	150.00	13.42
C61	107° 51' 26"	150.00	13.42
C62	107° 51' 26"	150.00	13.42
C63	107° 51' 26"	150.00	13.42
C64	107° 51' 26"	150.00	13.42
C65	107° 51' 26"	150.00	13.42
C66	107° 51' 26"	150.00	13.42
C67	107° 51' 26"	150.00	13.42
C68	107° 51' 26"	150.00	13.42
C69	107° 51' 26"	150.00	13.42
C70	107° 51' 26"	150.00	13.42
C71	107° 51' 26"	150.00	13.42
C72	107° 51' 26"	150.00	13.42
C73	107° 51' 26"	150.00	13.42
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C89	107° 51' 26"	150.00	13.42
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C96	107° 51' 26"	150.00	13.42
C97	107° 51' 26"	150.00	13.42
C98	107° 51' 26"	150.00	13.42
C99	107° 51' 26"	150.00	13.42
C100	107° 51' 26"	150.00	13.42

PROJECT NUMBER 13372	E.O. NO. 990903
P.M. NO. 99-0173	L.C. 300-1723 CCS B3C 1940-4283

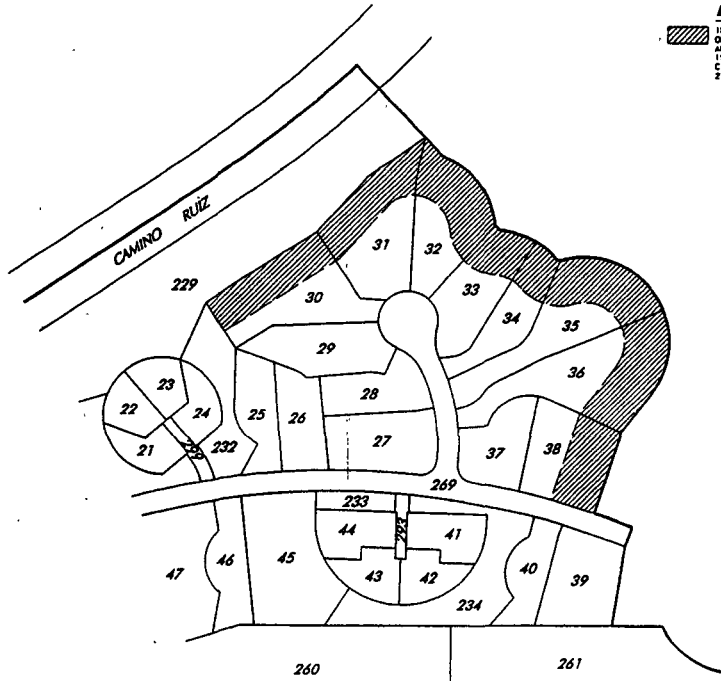
C-306

BLACK MOUNTAIN RANCH UNIT NO. 1

NON-TITLE INFORMATION SHEET

LEGEND

INDICATES FIRE HAZARD REDUCTION ZONE PER SECTION 6 OF THE CITY OF SAN DIEGO LANDSCAPE TECHNICAL MANUAL...



C-307

GRAPHIC SCALE 1"=100'. PROJECT NUMBER 13972. R.O. NO. 990925. T.M. NO. 95-0173. L.C. 300-1173. CCS 83C 1940-6283.

BLACK MOUNTAIN RANCH UNIT NO. 2

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF OR ARE INTERESTED IN THE LAND ENCOMPASSED WITHIN THIS SUBDIVISION TO BE SHOWN AS BLACK MOUNTAIN RANCH UNIT NO. 2...

BEING A SUBDIVISION OF A PORTION OF PARCELS 7 AND 8 OF PARCEL MAP 9986 IN THE CITY OF SAN DIEGO COUNTY OF SAN DIEGO STATE OF CALIFORNIA...

THIS IS A MAP OF A PLANNED RESIDENTIAL DEVELOPMENT PROJECT AS DEFINED IN CHAPTER 1, ARTICLE 1, DIVISION 9 OF THE SAN DIEGO MUNICIPAL CODE.

THE SIGNATURES OF THE FOLLOWING PARTIES HAVE BEEN LIMITED UNDER THE PROVISIONS OF SECTION 6400, SUBSECTION 1(A)(1)(A) OF THE SUBDIVISION MAP ACT...

STATE OF CALIFORNIA SS. COUNTY OF SAN DIEGO. ON _____ BEFORE ME, _____ A NOTARY PUBLIC, PERSONALLY APPEARED _____

WE HEREBY GRANT TO THE CITY OF SAN DIEGO, A MUNICIPAL CORPORATION, THE EASEMENTS FOR GENERAL UTILITY AND ACCESS PURPOSES OVER UNDER UPON AND ACROSS ALL OF LOT'S 23 THROUGH 26 SHOWN ON THIS MAP...

I, BLACK MOUNTAIN RANCH DEVELOPMENT, HOLDERS OF EASEMENTS DESCRIBED IN SECTION 6400, SUBSECTION 1(A)(1)(A) OF THE SUBDIVISION MAP ACT...

PERSONALLY KNOWN TO ME OR PROVIDED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE WITHIN INSTRUMENT...

SANTALUCE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMERLY BLACK MOUNTAIN RANCH DEVELOPERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY.

STATE OF CALIFORNIA SS. COUNTY OF SAN DIEGO. ON _____ BEFORE ME, _____ A NOTARY PUBLIC, PERSONALLY APPEARED _____

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT THIS MAP, INCLUDING THE ADJUSTMENT OF ROAD SURVEY NO. 014 AS INDICATED HEREON ACCORDING TO SECTION 6400.10, OF THE CIVIL SUBDIVISION MAP ACT...

BY: TAYLOR WOODROW HOWES, INC., A CALIFORNIA CORPORATION, MANAGING MEMBER.

BY: _____ NAME: _____ TITLE: _____

IN WITNESS WHEREOF, SAID COUNCIL HAS CAUSED THESE PRESENTS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY ITS SEAL, THIS _____ DAY OF _____ 2000.

BY: ONE REALDO, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, MANAGER.

BY: _____ NAME: _____ TITLE: _____

BY: CHARLES G. ABELGOUR, CITY CLERK.

BY: ONE ASSOCIATES, INC., AN ARIZONA CORPORATION, MANAGER.

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

CHICAGO TITLE INSURANCE COMPANY, SUCCESSOR TO TIER TITLE INSURANCE COMPANY OF CALIFORNIA, A CALIFORNIA CORPORATION, AS TRUSTEE UNDER DEED OF TRUST RECORDED JUNE 8, 2000 AS P.P. 990400/0101 OFFICIAL RECORDS.

STATE OF CALIFORNIA SS. COUNTY OF SAN DIEGO. ON _____ BEFORE ME, _____ A NOTARY PUBLIC, PERSONALLY APPEARED _____

FILE NO. _____

THIS MAP SECURES VESTED DEVELOPMENT RIGHTS AND THE RIGHTS THIS INSTRUMENT SHALL REMAIN IN EFFECT FOR TWO YEARS FROM THE DATE OF RECORDATION...

IN WITNESS WHEREOF, SAID COUNCIL HAS CAUSED THESE PRESENTS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY ITS SEAL, THIS _____ DAY OF _____ 2000.

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

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BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

BY: _____ NAME: _____ TITLE: _____

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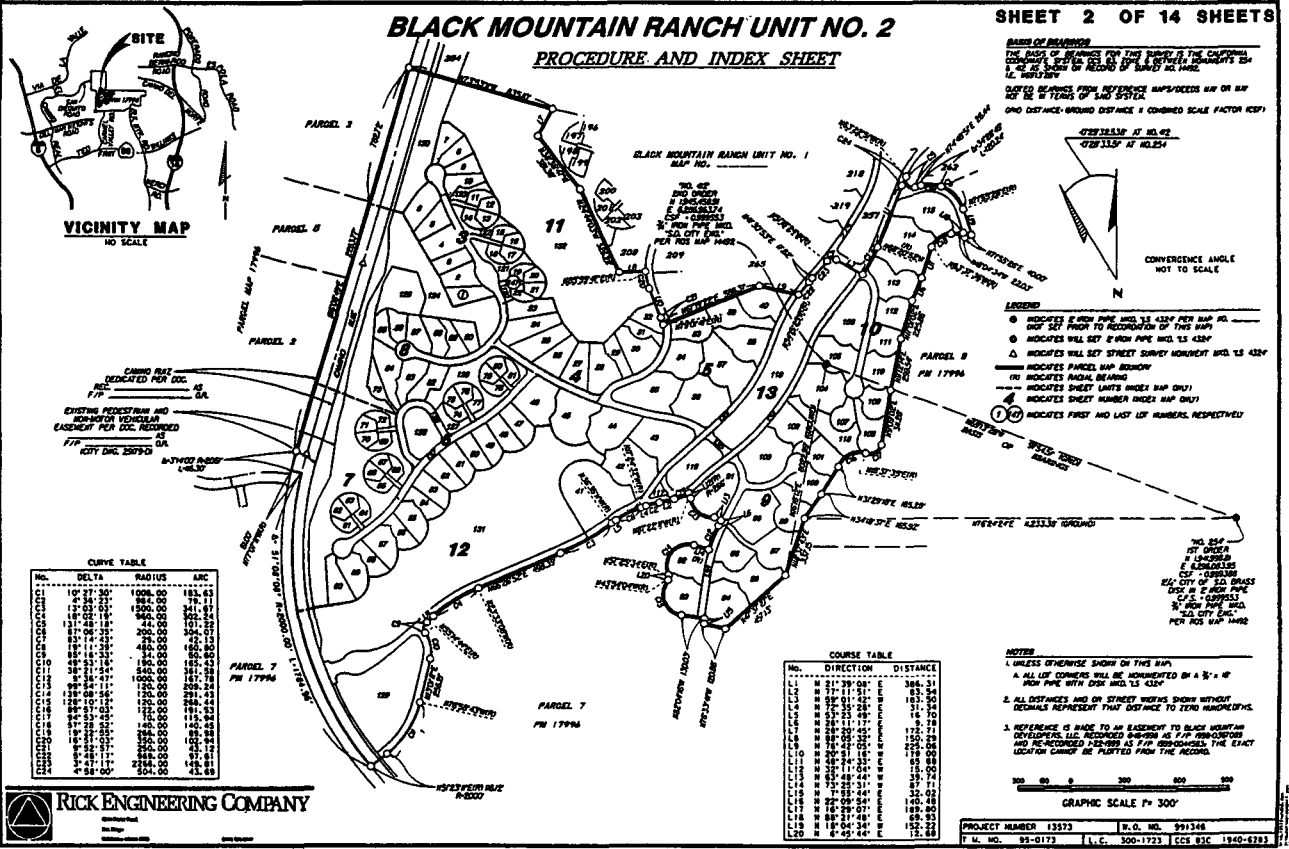
BY: _____ NAME: _____ TITLE: _____



C-308

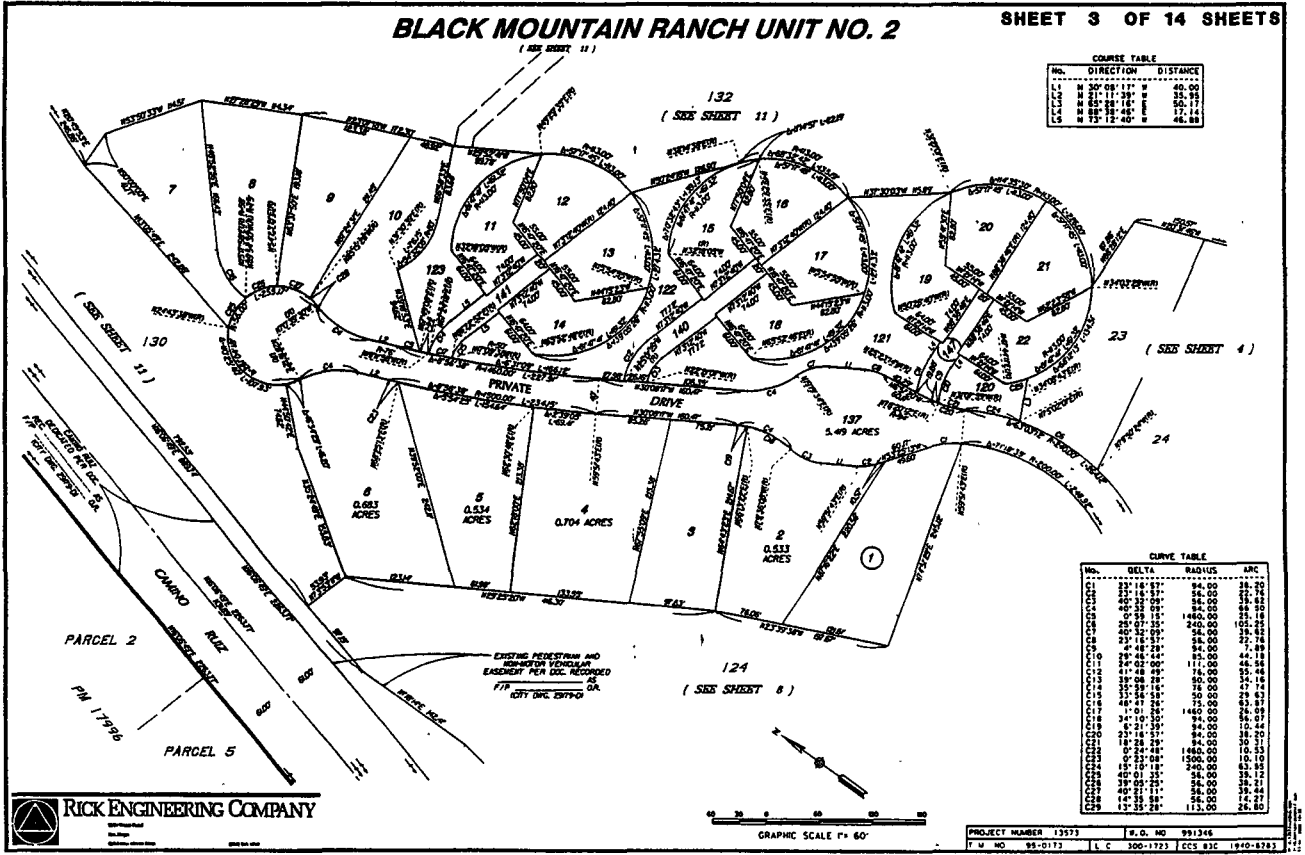
PROJECT NUMBER 13973. R.O. NO. 991348. T.M. NO. 95-0173. L.C. 300-1173. CCS 83C 1940-6283.

BLACK MOUNTAIN RANCH UNIT NO. 2
PROCEDURE AND INDEX SHEET



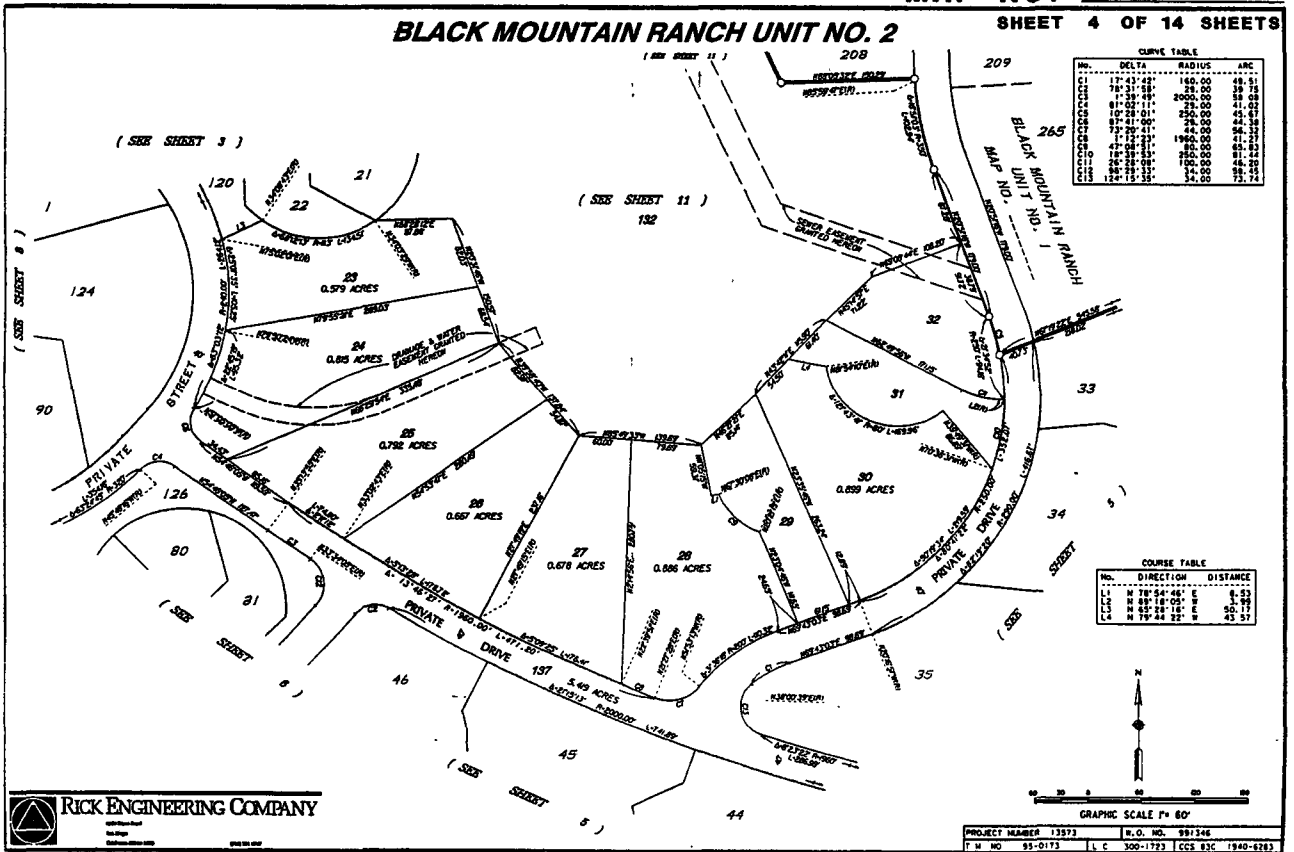
C-309

BLACK MOUNTAIN RANCH UNIT NO. 2
 (SEE SHEET 11)



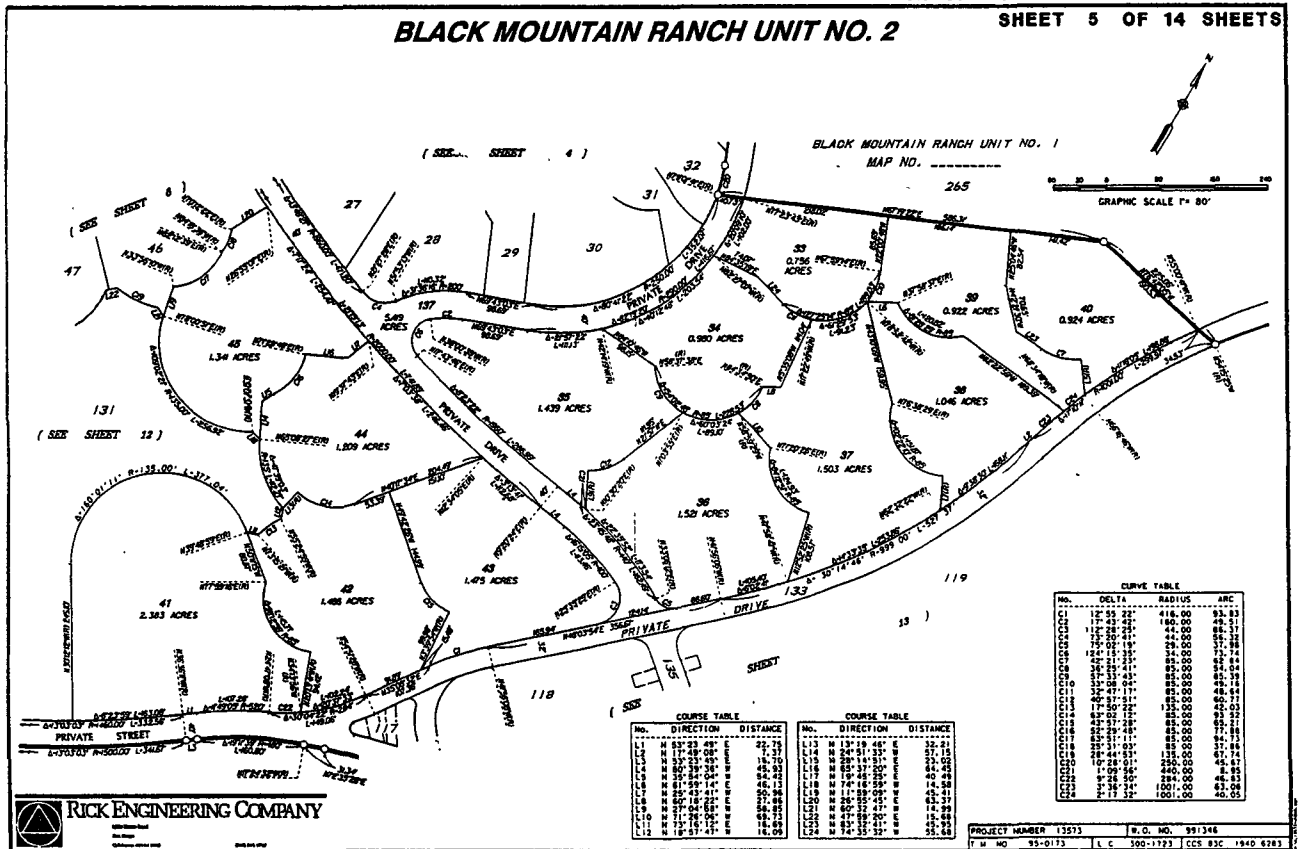
C-310

BLACK MOUNTAIN RANCH UNIT NO. 2



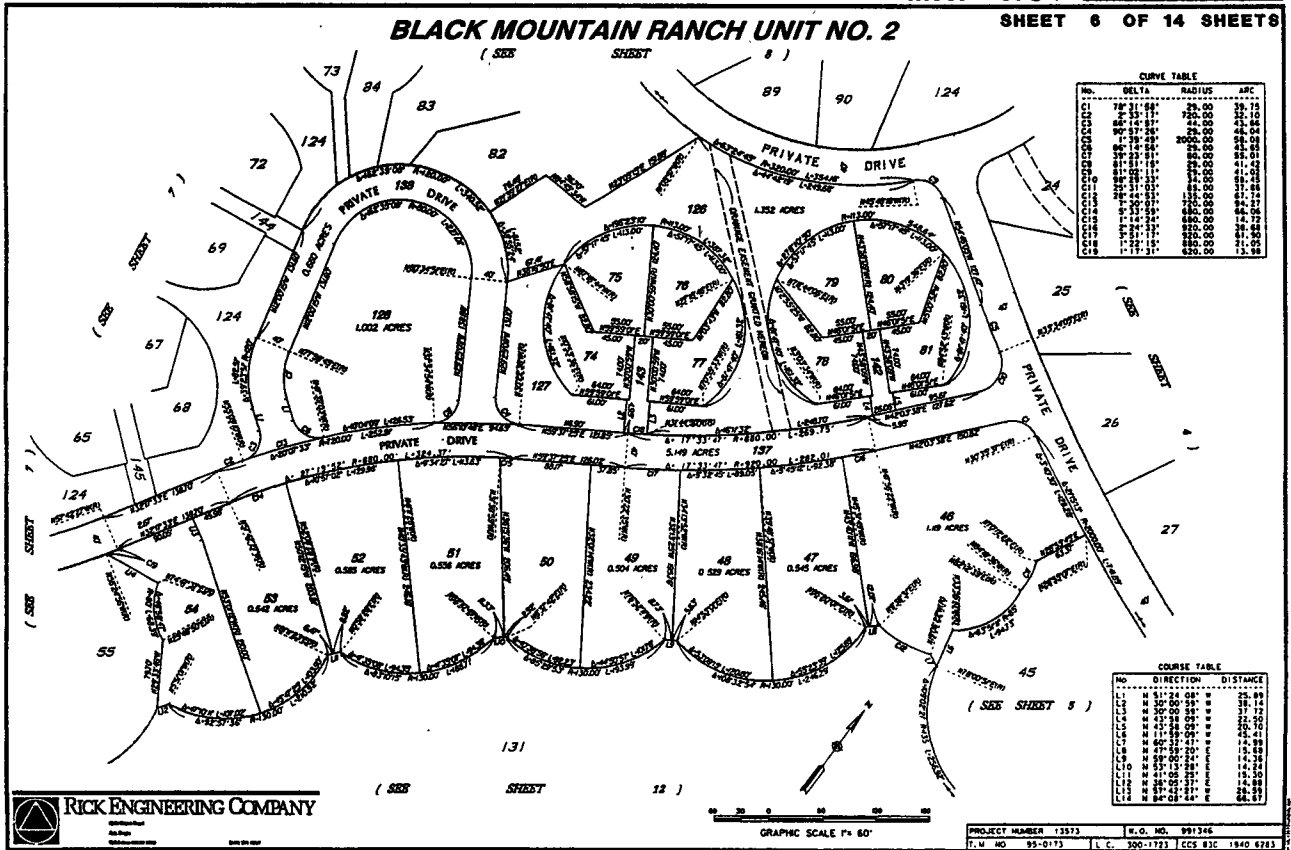
C-311

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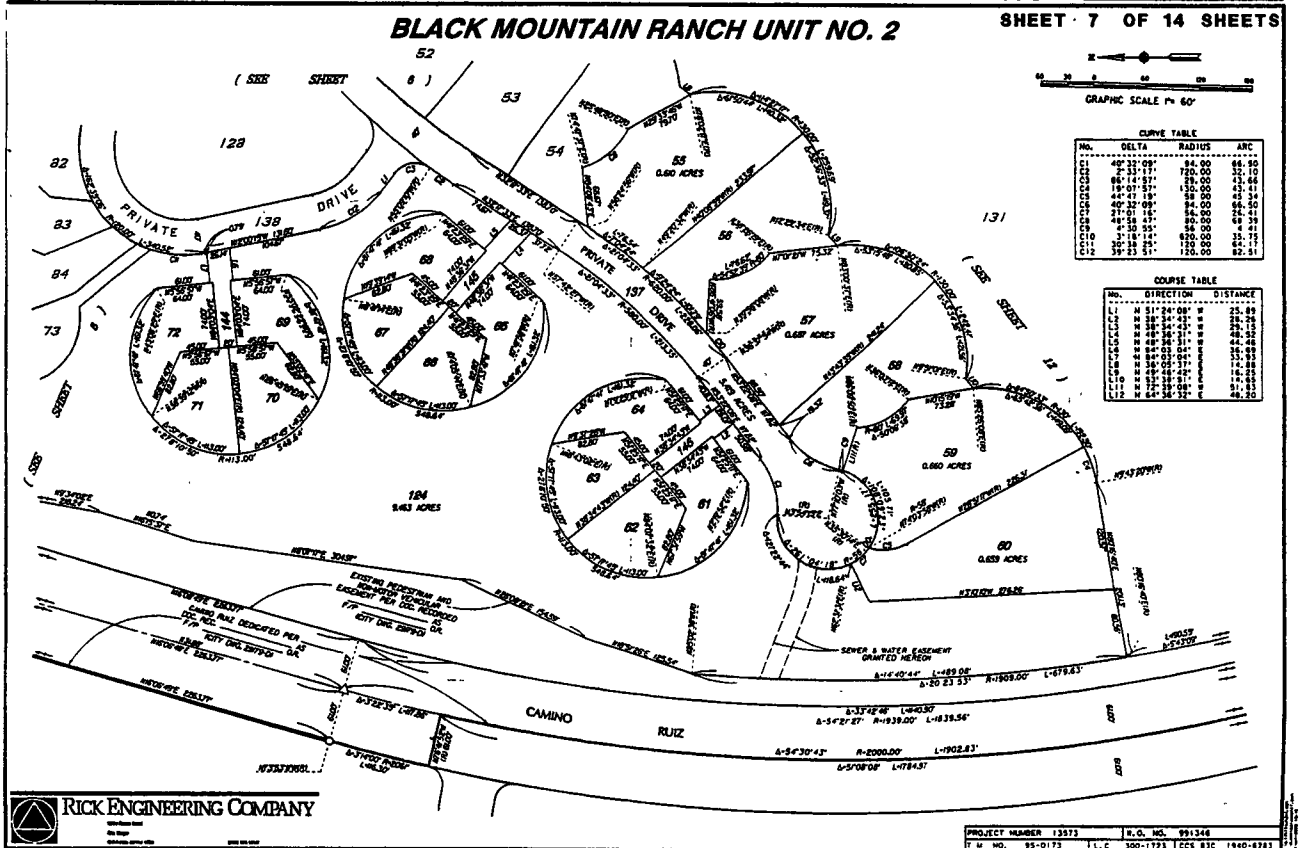
C-312

BLACK MOUNTAIN RANCH UNIT NO. 2



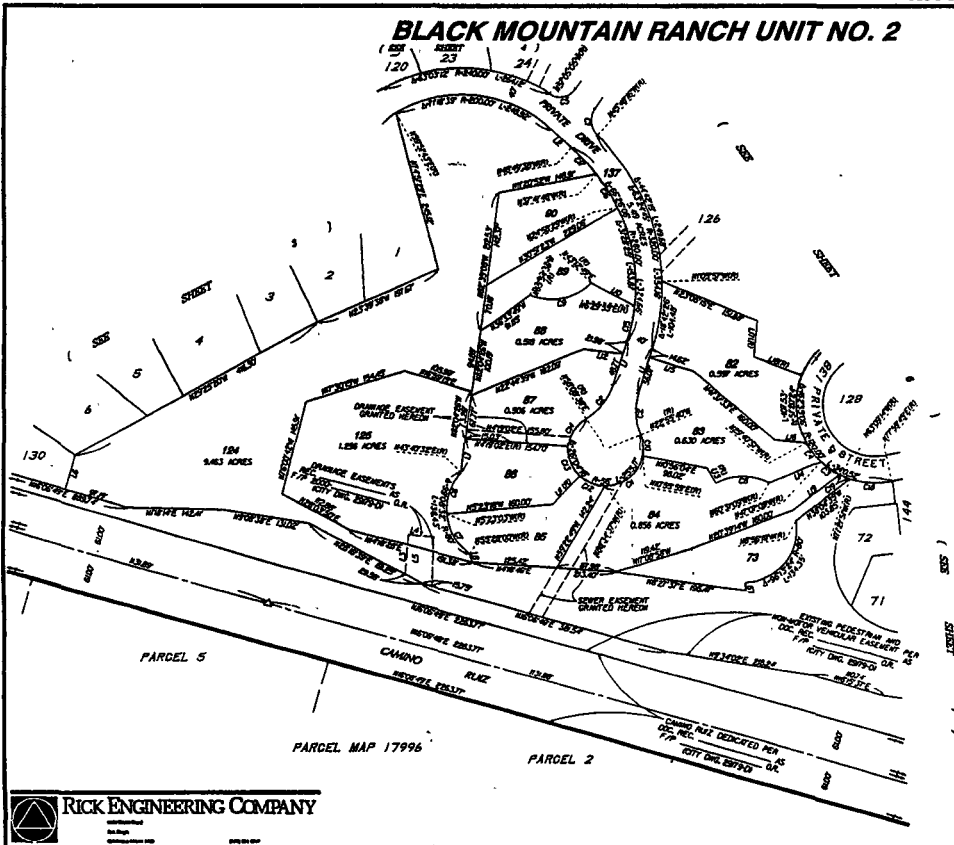
C-313

BLACK MOUNTAIN RANCH UNIT NO. 2



C-314

BLACK MOUNTAIN RANCH UNIT NO. 2



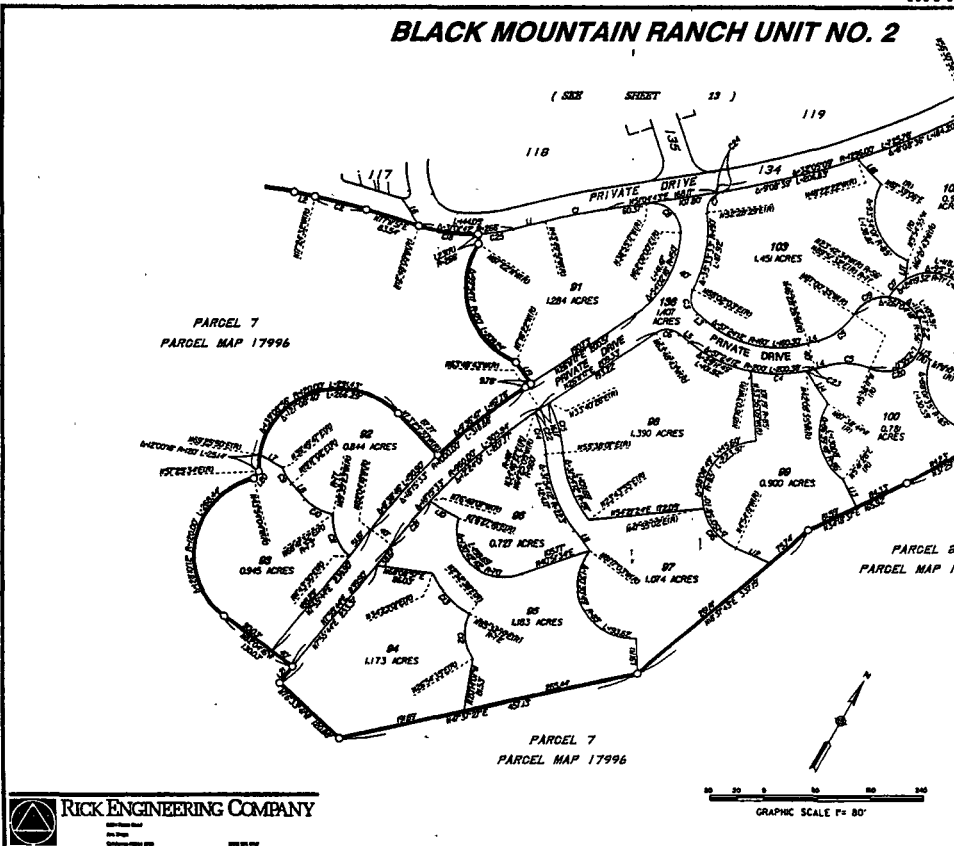
NO.	DELTA	RADIUS	ARC
C1	81°02'11"	29.00	41.02
C2	40°32'09"	84.00	64.50
C3	16°03'09"	120.00	33.58
C4	17°26'12"	120.00	36.22
C5	87°41'00"	29.00	44.38
C6	48°03'39"	80.00	68.60
C7	50°04'37"	80.00	69.93
C8	58°42'17"	80.00	81.87
C9	100°32'32"	54.00	33.10
C10	33°51'39"	54.00	74.67
C11	80°28'24"	54.00	49.91
C12	41°51'33"	54.00	49.91
C13	51°02'04"	54.00	54.88
C14	53°48'35"	54.00	52.81
C15	11°06'53"	280.00	54.28
C16	12°43'19"	280.00	62.17
C17	11°07'49"	280.00	54.28
C18	30°38'25"	120.00	64.17
C19	8°12'37"	120.00	17.20

NO.	DIRECTION	DISTANCE
L1	M 72°23'31" W	70.89
L2	M 41°10'20" E	41.25
L3	M 84°52'24" W	60.81
L4	M 5°07'32" E	20.00
L5	M 84°52'24" W	48.14
L6	M 73°53'11" E	52.93
L7	M 43°45'10" W	51.47
L8	M 73°10'18" E	12.50
L9	M 87°17'05" E	12.50
L10	M 28°44'09" E	74.50
L11	M 48°43'02" E	58.06
L12	M 7°50'08" E	36.94
L13	M 80°48'34" E	25.77
L14	M 22°38'48" W	44.63
L15	M 17°38'28" W	67.64
L16	M 5°24'18" E	48.18
L17	M 89°45'34" E	56.70
L18	M 21°39'27" E	76.48
L19	M 38°04'55" W	89.03

PROJECT NUMBER 13373 S.O. NO. 991346
 T U NO 95-0173 L C 300-1723 CCS 83C 1940-6283

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BLACK MOUNTAIN RANCH UNIT NO. 2



NO.	DIRECTION	DISTANCE
L1	M 48°10'09" E	48.74
L2	M 72°35'28" E	51.24
L3	M 42°31'14" E	17.81
L4	M 82°51'36" E	49.24
L5	M 74°43'28" E	30.56
L6	M 74°43'28" E	30.56
L7	M 90°00'00" E	50.15
L8	M 90°00'00" E	50.15
L9	M 85°05'41" E	55.28
L10	M 85°10'31" E	59.37
L11	M 28°44'09" E	31.27
L12	M 73°08'02" E	50.29
L13	M 73°08'02" E	50.29
L14	M 21°45'44" E	12.50
L15	M 21°45'44" E	12.50
L16	M 41°51'33" W	49.24
L17	M 38°04'55" W	19.00

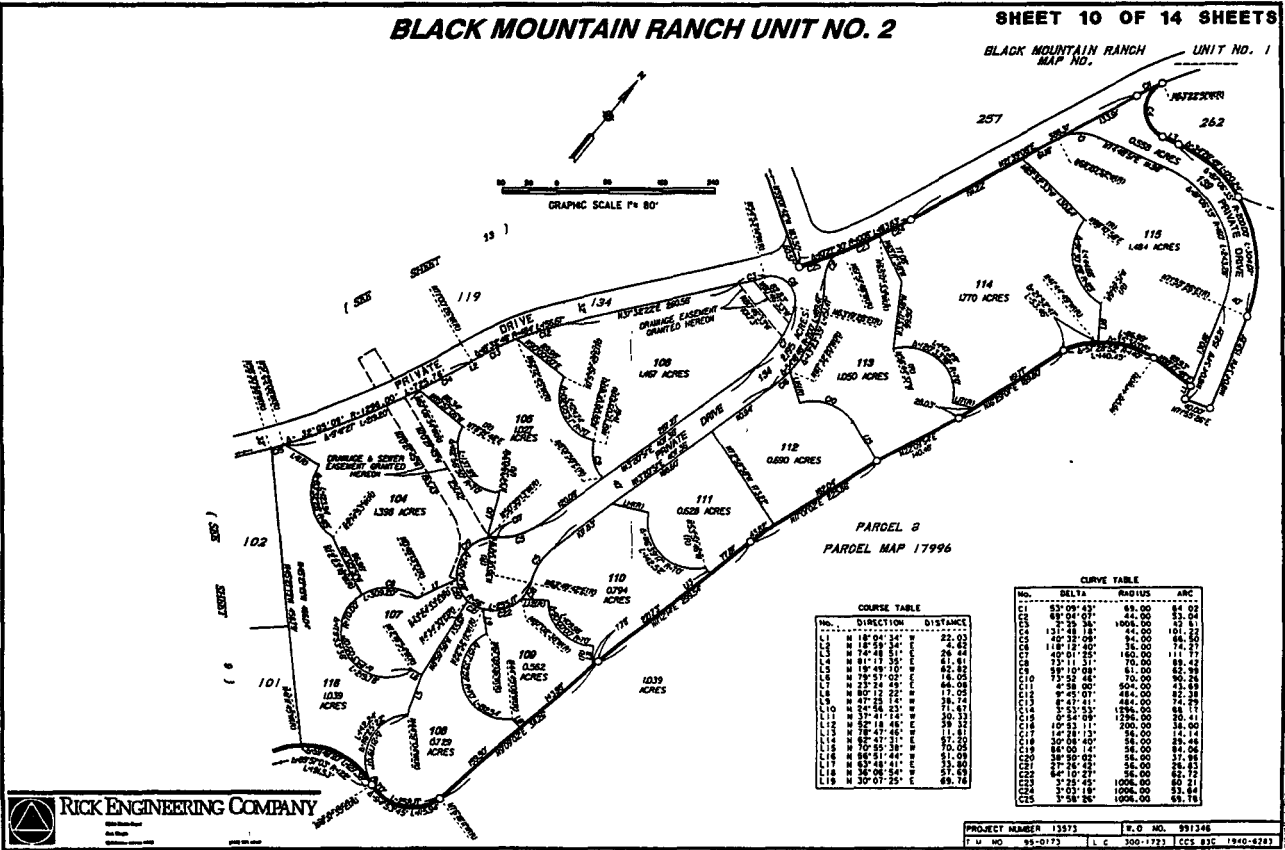
NO.	DELTA	RADIUS	ARC
C1	0°54'24"	1084.00	92.89
C2	77°06'18"	76.00	25.03
C3	23°17'18"	300.00	61.28
C4	40°24'08"	39.00	55.50
C5	40°24'08"	39.00	55.50
C6	181°11'17"	29.00	25.69
C7	181°11'17"	29.00	25.69
C8	38°32'23"	71.00	24.17
C9	88°31'44"	72.00	23.88
C10	88°31'44"	72.00	23.88
C11	20°51'40"	181.00	65.90
C12	52°48'21"	85.00	78.37
C13	18°25'35"	246.00	88.98
C14	18°25'35"	246.00	88.98
C15	0°36'23"	360.00	10.16
C16	0°36'23"	360.00	10.16
C17	0°18'28"	1294.00	15.84
C18	11°38'47"	244.00	24.07

PROJECT NUMBER 13373 S.O. NO. 991346
 T U NO 95-0173 L C 300-1723 CCS 83C 1940-6283

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BLACK MOUNTAIN RANCH UNIT NO. 2

BLACK MOUNTAIN RANCH UNIT NO. 1
MAP NO.



COURSE TABLE

No.	DIRECTION	DISTANCE
L 1	N 18°09'34" E	22.00
L 2	N 74°48'31" E	26.88
L 3	N 81°17'35" E	26.81
L 4	N 25°49'15" E	84.00
L 5	N 79°57'07" E	84.00
L 6	N 25°49'15" E	84.00
L 7	N 80°12'29" E	84.00
L 8	N 25°49'15" E	76.61
L 9	N 25°49'15" E	39.12
L 10	N 25°49'15" E	39.12
L 11	N 25°49'15" E	39.12
L 12	N 25°49'15" E	39.12
L 13	N 25°49'15" E	39.12
L 14	N 25°49'15" E	39.12
L 15	N 25°49'15" E	39.12
L 16	N 25°49'15" E	39.12
L 17	N 25°49'15" E	39.12
L 18	N 25°49'15" E	39.12
L 19	N 25°49'15" E	39.12
L 20	N 25°49'15" E	39.12

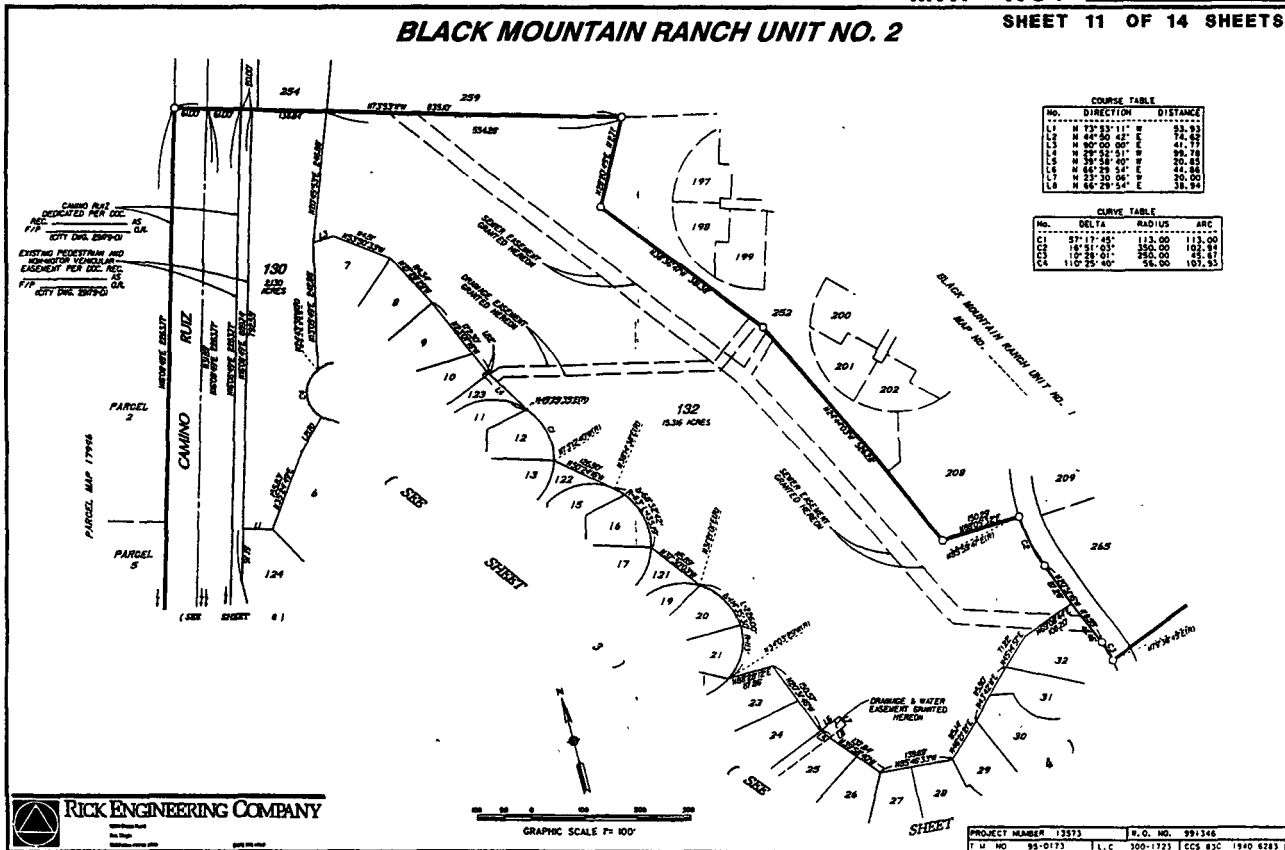
CURVE TABLE

No.	DELTA	RADIUS	ARC
C 1	53°09'43"	69.00	84.02
C 2	89°54'07"	44.00	53.24
C 3	131°29'38"	44.00	107.61
C 4	118°12'40"	54.00	74.57
C 5	40°32'09"	84.00	84.00
C 6	25°49'15"	70.00	88.42
C 7	40°32'09"	84.00	84.00
C 8	59°10'08"	61.00	82.99
C 9	45°58'00"	64.00	82.89
C 10	75°24'48"	70.00	90.28
C 11	64°41'41"	84.00	88.77
C 12	105°54'09"	200.00	380.00
C 13	105°54'09"	200.00	380.00
C 14	105°54'09"	200.00	380.00
C 15	105°54'09"	200.00	380.00
C 16	105°54'09"	200.00	380.00
C 17	105°54'09"	200.00	380.00
C 18	105°54'09"	200.00	380.00
C 19	105°54'09"	200.00	380.00
C 20	105°54'09"	200.00	380.00
C 21	105°54'09"	200.00	380.00
C 22	105°54'09"	200.00	380.00
C 23	105°54'09"	200.00	380.00
C 24	105°54'09"	200.00	380.00
C 25	105°54'09"	200.00	380.00
C 26	105°54'09"	200.00	380.00
C 27	105°54'09"	200.00	380.00
C 28	105°54'09"	200.00	380.00
C 29	105°54'09"	200.00	380.00
C 30	105°54'09"	200.00	380.00
C 31	105°54'09"	200.00	380.00
C 32	105°54'09"	200.00	380.00
C 33	105°54'09"	200.00	380.00
C 34	105°54'09"	200.00	380.00
C 35	105°54'09"	200.00	380.00
C 36	105°54'09"	200.00	380.00
C 37	105°54'09"	200.00	380.00
C 38	105°54'09"	200.00	380.00
C 39	105°54'09"	200.00	380.00
C 40	105°54'09"	200.00	380.00
C 41	105°54'09"	200.00	380.00
C 42	105°54'09"	200.00	380.00
C 43	105°54'09"	200.00	380.00
C 44	105°54'09"	200.00	380.00
C 45	105°54'09"	200.00	380.00
C 46	105°54'09"	200.00	380.00
C 47	105°54'09"	200.00	380.00
C 48	105°54'09"	200.00	380.00
C 49	105°54'09"	200.00	380.00
C 50	105°54'09"	200.00	380.00

PROJECT NUMBER 13573 R.O. NO. 991346
T.M. NO. 95-0173 L.C. 300-1723 CCS 83C 1940-6283

C-317

BLACK MOUNTAIN RANCH UNIT NO. 2



COURSE TABLE

No.	DIRECTION	DISTANCE
L 1	N 44°50'42" E	74.88
L 2	N 81°17'35" E	26.81
L 3	N 25°49'15" E	84.00
L 4	N 80°12'29" E	84.00
L 5	N 25°49'15" E	84.00
L 6	N 25°49'15" E	76.61
L 7	N 25°49'15" E	39.12
L 8	N 25°49'15" E	39.12

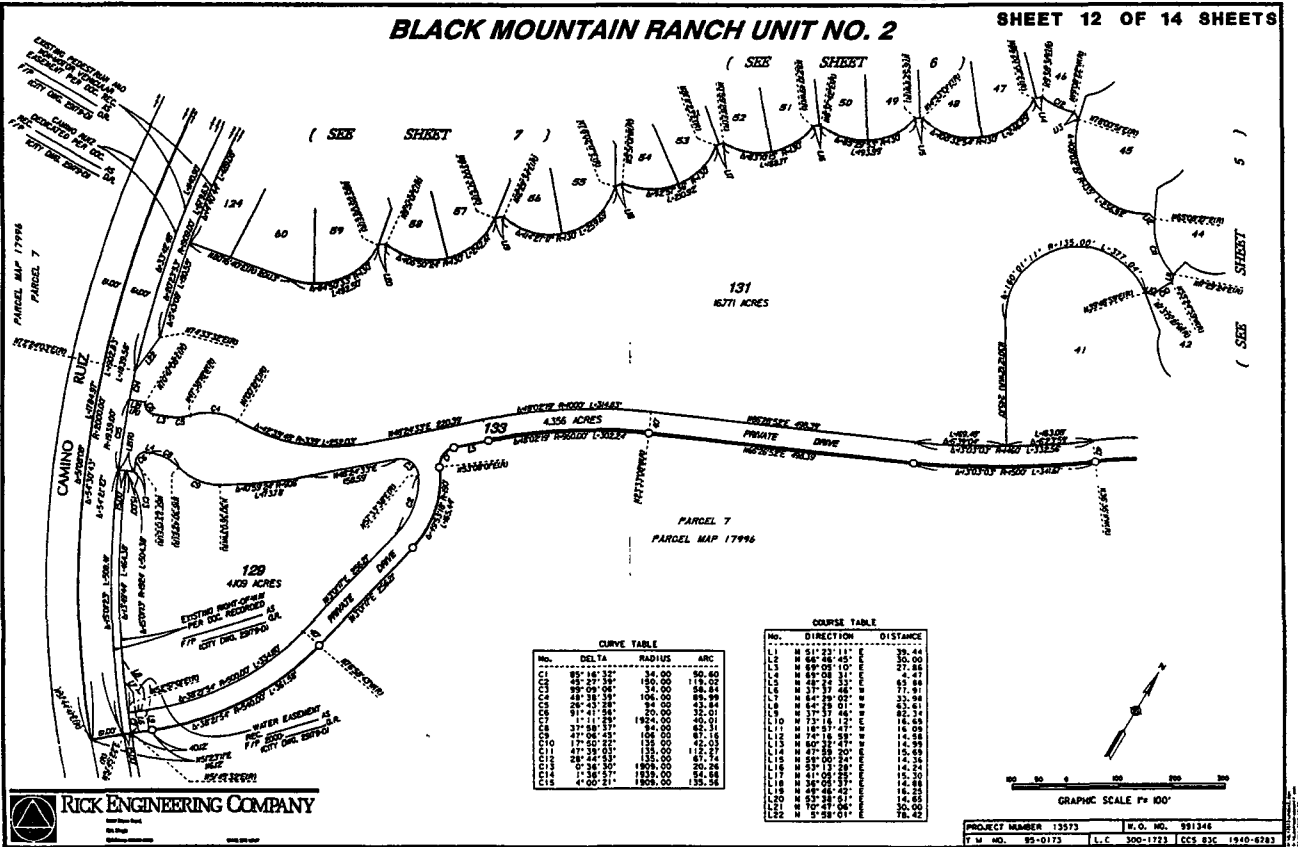
CURVE TABLE

No.	DELTA	RADIUS	ARC
C 1	18°51'03"	132.00	103.84
C 2	110°29'40"	24.58	101.55

PROJECT NUMBER 13573 R.O. NO. 991346
T.M. NO. 95-0173 L.C. 300-1723 CCS 83C 1940-6283

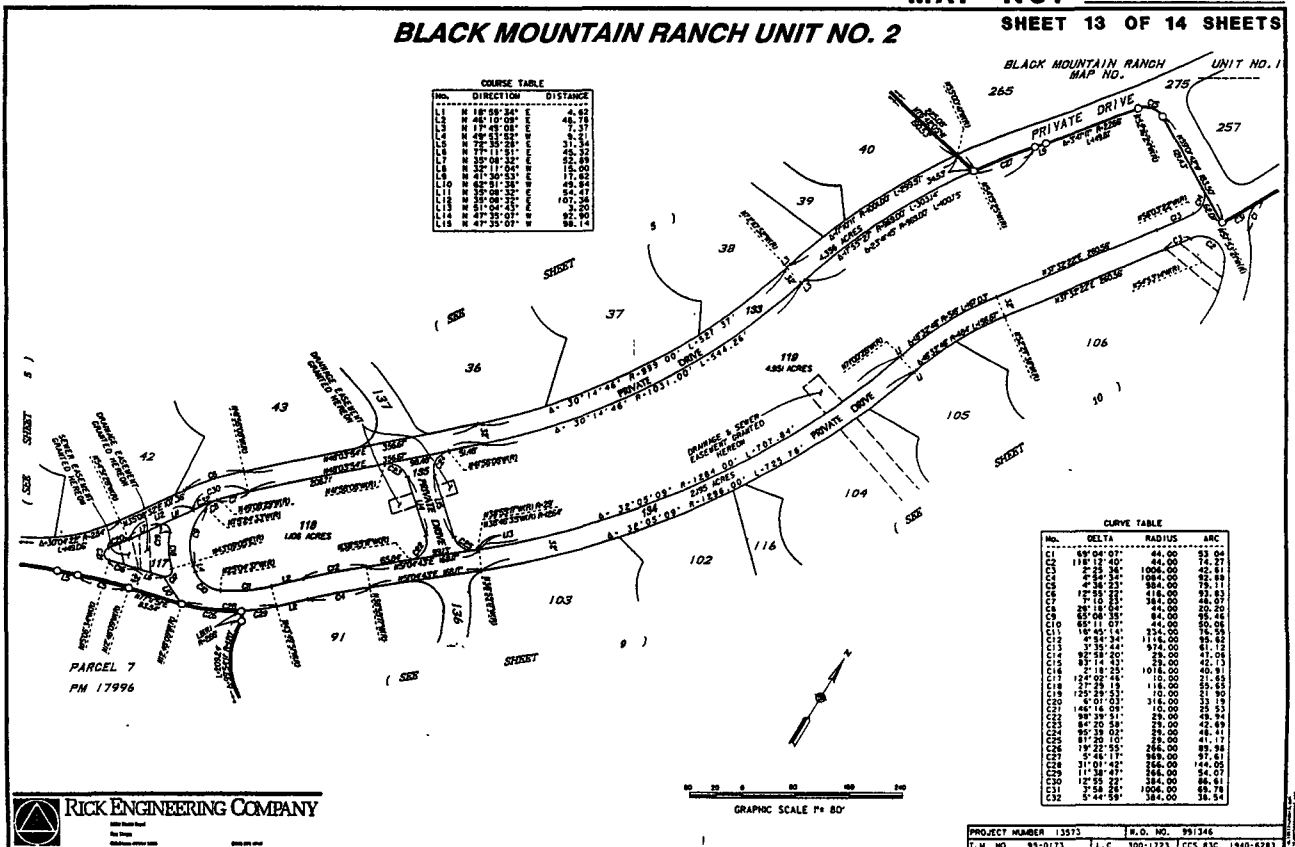
C-318

BLACK MOUNTAIN RANCH UNIT NO. 2



C-319

BLACK MOUNTAIN RANCH UNIT NO. 2



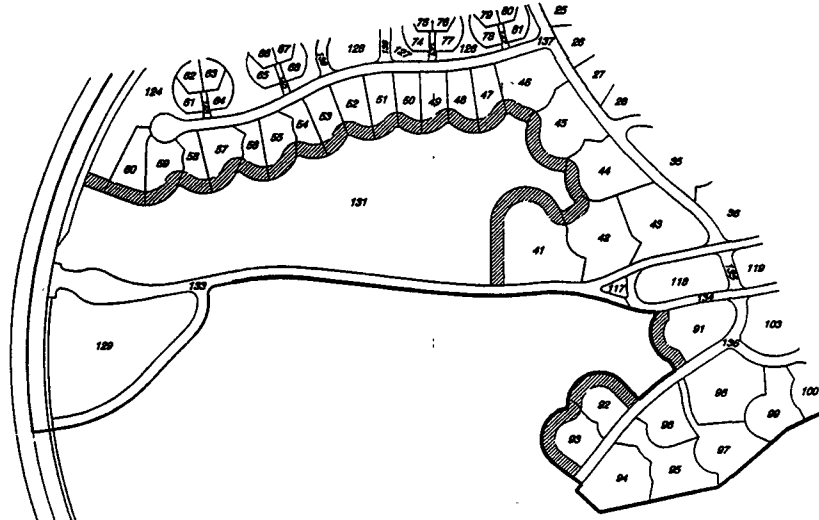
C-320

BLACK MOUNTAIN RANCH UNIT NO. 2

NON-TITLE INFORMATION SHEET

LEGEND

INDICATES FIRE HAZARD REDUCTION ZONE PER SECTION 4 OF THE CITY OF SAN DIEGO LANDSCAPE TECHNICAL MANUAL...



GRAPHIC SCALE 1" = 200'



PROJECT NUMBER 13573 R.O. NO. 991346 T.M. NO. 95-0173 L.C. 100-1721 CCS REC 1940-6783

C-321

BLACK MOUNTAIN RANCH UNIT NO. 3

BEING A SUBDIVISION OF A PORTION OF PARCELS 2 AND 3 OF PARCEL MAP 0286 IN THE CITY OF SAN DIEGO COUNTY OF SAN DIEGO STATE OF CALIFORNIA...

THE SIGNATURES OF THE FOLLOWING PARTIES HAVE BEEN OBTAINED UNDER THE PROVISIONS OF SECTION 6602 SUBSECTION (a) (2) OF THE CIVIL CODE...

STATE OF CALIFORNIA SS. COUNTY OF SAN DIEGO. ON [] BEFORE ME, [] A NOTARY PUBLIC, PERSONALLY APPEARED [] AND [] PROVIDED TO ME ON THE BASIS OF SATISFACTION EVIDENCE TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE INSTRUMENT...

WITNESS MY HAND. BY COMMISSION EXPIRES [] NOTARY PUBLIC IN AND FOR SAID STATE. (PRINT NAME) [] PRINCIPAL PLACE OF BUSINESS IN [] COUNTY.

STATE OF CALIFORNIA SS. COUNTY OF SAN DIEGO. ON [] BEFORE ME, [] A NOTARY PUBLIC, PERSONALLY APPEARED [] AND [] PROVIDED TO ME ON THE BASIS OF SATISFACTION EVIDENCE TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE INSTRUMENT...

WITNESS MY HAND. BY COMMISSION EXPIRES [] NOTARY PUBLIC IN AND FOR SAID STATE. (PRINT NAME) [] PRINCIPAL PLACE OF BUSINESS IN [] COUNTY.

I, ROBERT E. SCOTT, a licensed land surveyor of the State of California, hereby certify that the survey of this subdivision was made by me or under my direct supervision...



I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION THAT IT SUBSTANTIALLY COMPLIES WITH THE PROVISIONS OF THE SUBDIVISION MAP ACT...

I ALSO CERTIFY THAT THERE ARE NO UNPAID TAXES DUE UNDER THE PROVISIONS OF THE STATE OF CALIFORNIA AGAINST THIS SUBDIVISION.

APPROVED THIS [] DAY OF [] 2000, AFTER EXAMINATION OF THIS MAP AND CERTIFICATES THEREON.

L. THOMAS J. PASTUSZKA, CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT...

THOMAS J. PASTUSZKA, CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT...

FILE NO. [] UNDER A INITIAL COUNTY RECORD OF THE COUNTY OF SAN DIEGO, I HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECORDATION THIS MAP FILED AT THE OFFICE OF ROBERT E. SCOTT, LAND SURVEYOR...

I HEREBY CERTIFY THAT I AM THE OWNER OF OR AM INTERESTED IN THE LAND ENCOMPASSED WITHIN THE SUBDIVISION TO BE SHOWN AS BLACK MOUNTAIN RANCH UNIT NO. 3 AND I HEREBY CONSENT TO THE PREPARATION AND RECORDATION OF THIS MAP...

WE HEREBY GRANT TO THE CITY OF SAN DIEGO A MUNICIPAL CORPORATION, THE EASEMENTS FOR GENERAL UTILITY AND ACCESS PURPOSES OVER, UNDER, UPON AND ACROSS ALL OF LOTS 7 THROUGH 20 SHOWN ON THIS MAP...

SANTALUZ, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMERLY BLACK MOUNTAIN RANCH DEVELOPERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY.

BY: TAYLOR WOODSON HOWES, INC., A CALIFORNIA CORPORATION, MANAGER. BY: [] NAME, [] TITLE.

BY: DMS ASSOCIATES, INC., AN ARIZONA CORPORATION, MANAGER. BY: [] NAME, [] TITLE.

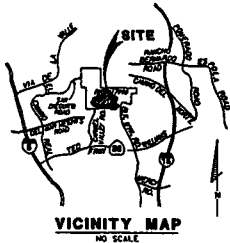
CHICAGO TITLE INSURANCE COMPANY, SUCCESSOR TO FIDELITY TITLE INSURANCE COMPANY OF CALIFORNIA, A CALIFORNIA CORPORATION, AS TRUSTEE UNDER DEED OF TRUST RECORDED JAN 18, 1995 AS P.P. 89-00080 OF OFFICIAL RECORD.

THIS MAP SHOWS VESTED DEVELOPMENT RIGHTS AND THE RIGHTS THIS VESTED SHALL REMAIN IN EFFECT FOR TWO YEARS FROM DATE OF RECORDATION...



C-322

BLACK MOUNTAIN RANCH UNIT NO. 3
PROCEDURE AND INDEX SHEET AND LOT 131



BASE OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA COASTAL AND GULF STREAM MERIDIAN AS SHOWN IN RECORD OF SURVEY NO. 1482, L.C. 1929-27

ADJUSTED BEARINGS FROM REFERENCE MAPS/DEEDS MAY OR MAY NOT BE IN TERMS OF S&D SYSTEM

GROUND DISTANCE-GROUND DISTANCE X COMBINED SCALE FACTOR (CSF)

LEGEND

- INDICATES FOUND 2" IRON PIPE W/O.L.S. 4324 PER MAP
- INDICATES 2" IRON PIPE W/O.L.S. 4354 PER MAP
- INDICATES 2" IRON PIPE W/O.L.S. 4354 PER MAP
- INDICATES 2" IRON PIPE W/O.L.S. 4354 PER MAP
- INDICATES 2" IRON PIPE W/O.L.S. 4354 PER MAP
- INDICATES SUBDIVISION BOUNDARY
- INDICATES RADIAL BEARING
- INDICATES SHEET LIMITS UNDER MAP ONLY
- INDICATES SHEET NUMBER UNDER MAP ONLY
- INDICATES FIRST AND LAST LOT NUMBERS RESPECTIVELY

NOTES

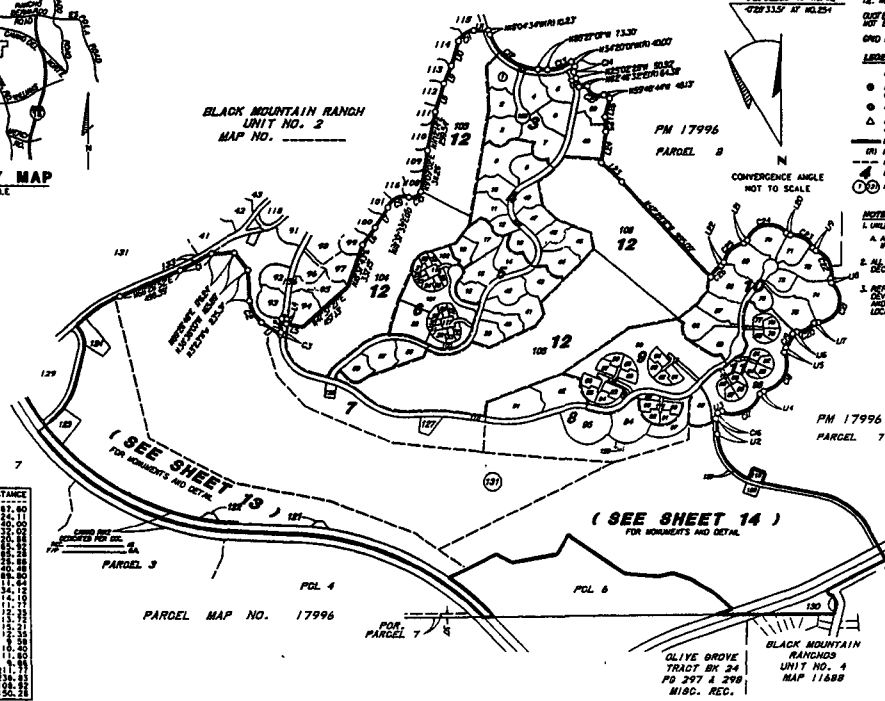
1. UNLESS OTHERWISE SHOWN ON THIS MAP

2. ALL DISTANCES AND ON STREET WIDTHS SHOWN WITHOUT DECIMALS INDICATE THAT DISTANCE TO ZERO HUNDRETHS

3. ALL DISTANCES AND ON STREET WIDTHS SHOWN WITHOUT DECIMALS INDICATE THAT DISTANCE TO ZERO HUNDRETHS

4. UNLESS INDICATED OTHERWISE ALL DISTANCES ARE IN FEET

5. UNLESS OTHERWISE NOTED THE EXACT LOCATION SHOWN IS NOT TO SCALE



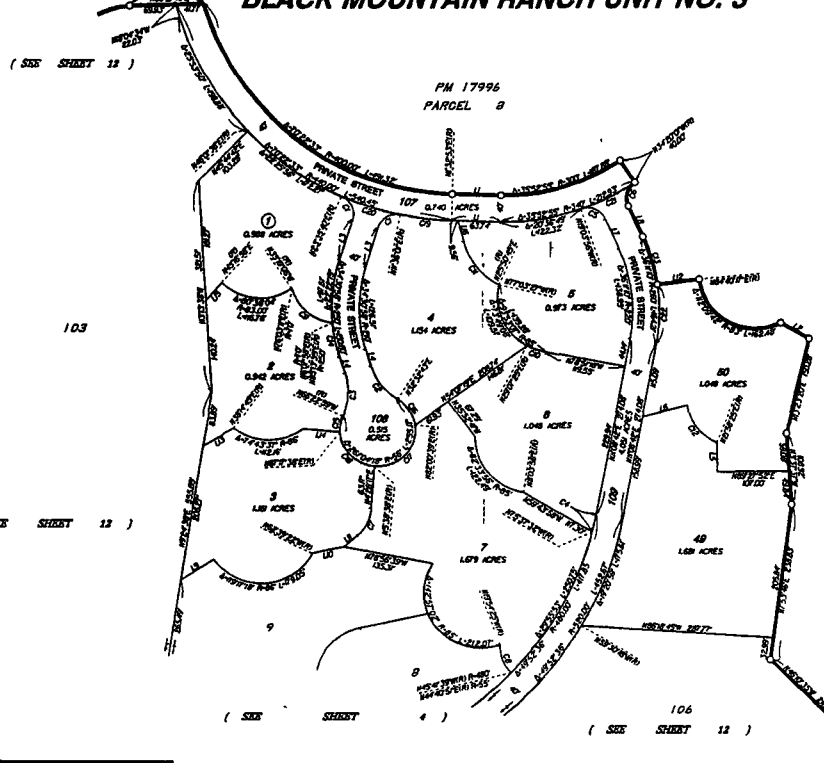
No.	DIRECTION	DISTANCE
1	S 89° 55' 18" W	187.90
2	S 2° 35' 00" W	55.00
3	S 89° 55' 18" W	187.90
4	S 2° 35' 00" W	55.00
5	S 89° 55' 18" W	187.90
6	S 2° 35' 00" W	55.00
7	S 89° 55' 18" W	187.90
8	S 2° 35' 00" W	55.00
9	S 89° 55' 18" W	187.90
10	S 2° 35' 00" W	55.00
11	S 89° 55' 18" W	187.90
12	S 2° 35' 00" W	55.00
13	S 89° 55' 18" W	187.90
14	S 2° 35' 00" W	55.00
15	S 89° 55' 18" W	187.90
16	S 2° 35' 00" W	55.00
17	S 89° 55' 18" W	187.90
18	S 2° 35' 00" W	55.00
19	S 89° 55' 18" W	187.90
20	S 2° 35' 00" W	55.00

No.	DELTA	RADIUS	ARC
1	89° 55' 18"	100.00	78.11
2	2° 35' 00"	100.00	39.06
3	89° 55' 18"	100.00	78.11
4	2° 35' 00"	100.00	39.06
5	89° 55' 18"	100.00	78.11
6	2° 35' 00"	100.00	39.06
7	89° 55' 18"	100.00	78.11
8	2° 35' 00"	100.00	39.06
9	89° 55' 18"	100.00	78.11
10	2° 35' 00"	100.00	39.06
11	89° 55' 18"	100.00	78.11
12	2° 35' 00"	100.00	39.06
13	89° 55' 18"	100.00	78.11
14	2° 35' 00"	100.00	39.06
15	89° 55' 18"	100.00	78.11
16	2° 35' 00"	100.00	39.06
17	89° 55' 18"	100.00	78.11
18	2° 35' 00"	100.00	39.06
19	89° 55' 18"	100.00	78.11
20	2° 35' 00"	100.00	39.06

RIK ENGINEERING COMPANY

PROJECT NUMBER 13574 W.O. NO. 990942
 P.M. NO. 95-0173 L.C. 294-1771 CCS 83

BLACK MOUNTAIN RANCH UNIT NO. 3



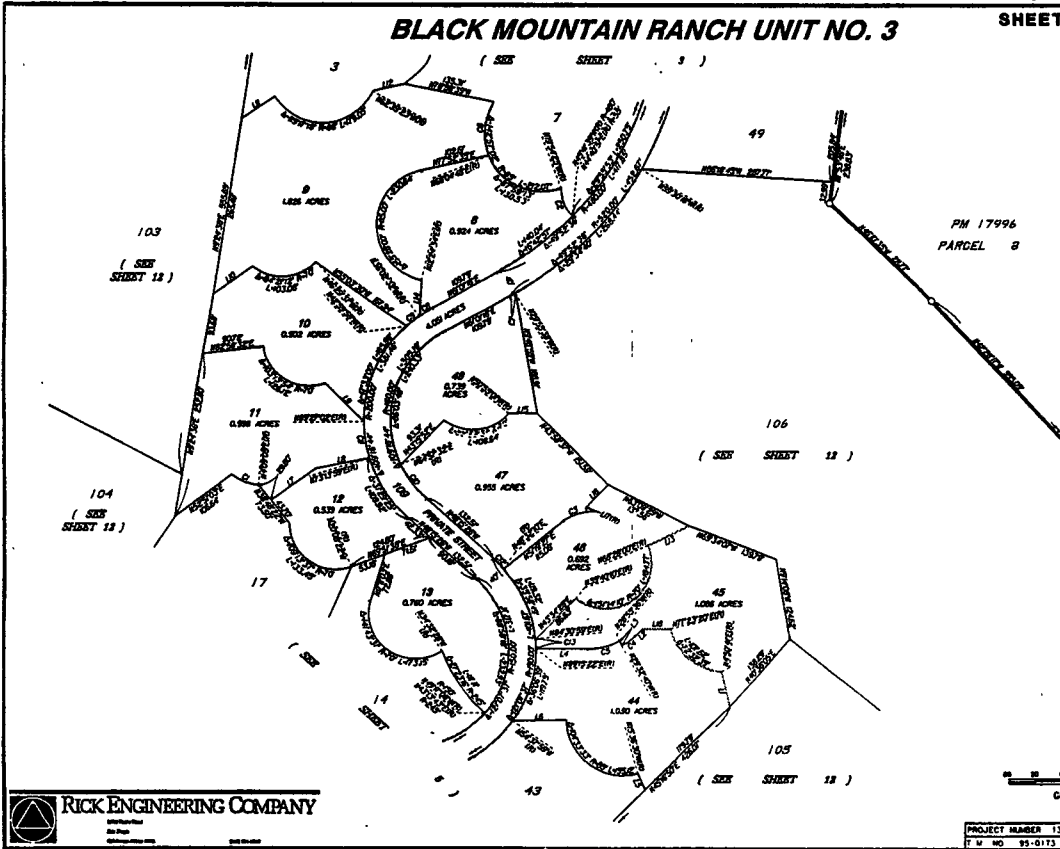
No.	DELTA	RADIUS	ARC
1	84° 00' 10"	25.00	42.92
2	40° 33' 09"	94.00	66.50
3	40° 33' 09"	94.00	66.50
4	84° 01' 28"	42.00	42.73
5	45° 01' 19"	28.00	48.58
6	89° 55' 13"	70.00	88.41
7	45° 01' 19"	28.00	48.58
8	89° 55' 13"	70.00	88.41
9	45° 01' 19"	28.00	48.58
10	89° 55' 13"	70.00	88.41
11	45° 01' 19"	28.00	48.58
12	89° 55' 13"	70.00	88.41
13	45° 01' 19"	28.00	48.58
14	89° 55' 13"	70.00	88.41
15	45° 01' 19"	28.00	48.58
16	89° 55' 13"	70.00	88.41
17	45° 01' 19"	28.00	48.58
18	89° 55' 13"	70.00	88.41
19	45° 01' 19"	28.00	48.58
20	89° 55' 13"	70.00	88.41

No.	DIRECTION	DISTANCE
1	M 89° 27' 07" W	73.30
2	M 19° 58' 44" W	68.13
3	M 19° 58' 44" W	68.13
4	M 89° 27' 07" W	73.30
5	M 89° 27' 07" W	73.30
6	M 89° 27' 07" W	73.30
7	M 89° 27' 07" W	73.30
8	M 89° 27' 07" W	73.30
9	M 89° 27' 07" W	73.30
10	M 89° 27' 07" W	73.30
11	M 89° 27' 07" W	73.30
12	M 89° 27' 07" W	73.30
13	M 89° 27' 07" W	73.30
14	M 89° 27' 07" W	73.30
15	M 89° 27' 07" W	73.30
16	M 89° 27' 07" W	73.30
17	M 89° 27' 07" W	73.30
18	M 89° 27' 07" W	73.30
19	M 89° 27' 07" W	73.30
20	M 89° 27' 07" W	73.30

RIK ENGINEERING COMPANY

PROJECT NUMBER 13574 W.O. NO. 990942
 P.M. NO. 95-0173 L.C. 294-1771 CCS 83

BLACK MOUNTAIN RANCH UNIT NO. 3



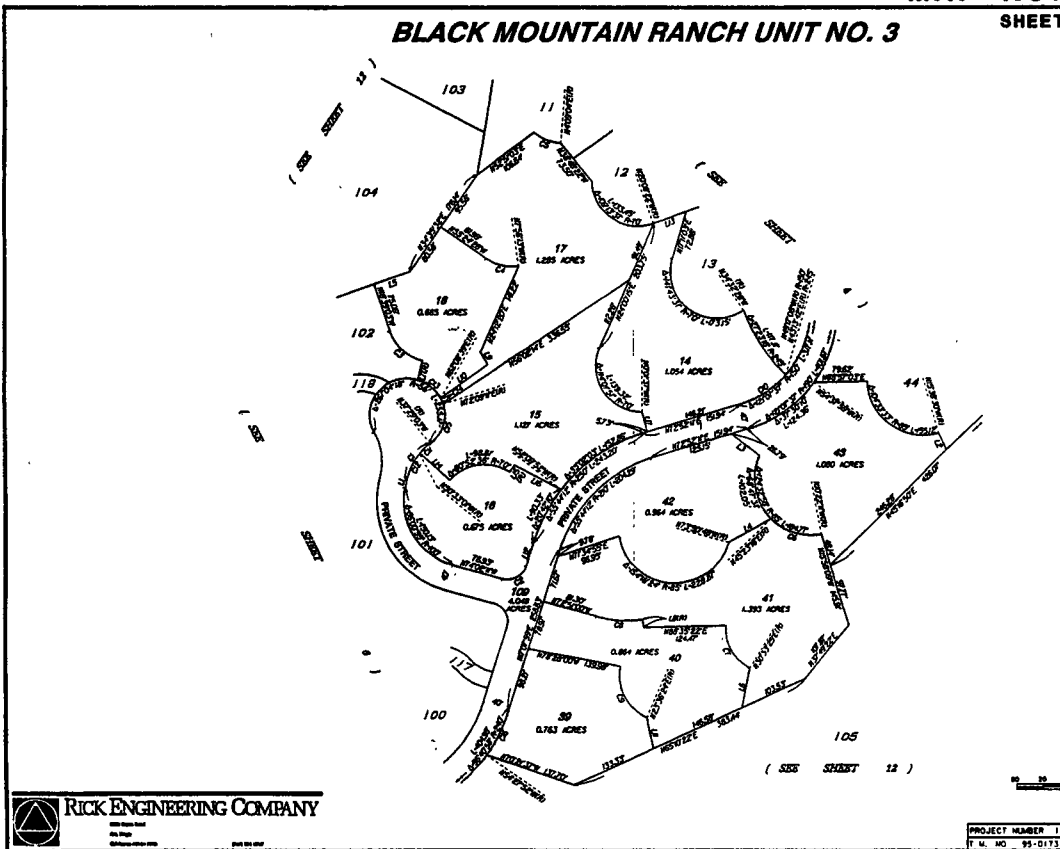
CURVE TABLE			
No.	DELTA	RADIUS	ARC
C1	82°43'25"	70.00	42.72
C2	88°53'48"	85.00	48.94
C3	113°17'15"	100.00	58.97
C4	135°07'18"	120.00	70.49
C5	154°37'40"	150.00	81.24
C6	170°05'48"	200.00	104.66
C7	187°17'48"	250.00	128.81
C8	195°13'25"	300.00	148.61
C9	199°44'25"	350.00	164.72

COURSE TABLE			
No.	DIRECTION	DISTANCE	
L1	N 127°48'43" E	16.31	
L2	N 45°00'00" E	14.13	
L3	N 24°07'18" W	17.51	
L4	N 90°00'00" E	19.25	
L5	N 24°07'18" W	17.51	
L6	N 88°37'03" E	19.82	
L7	N 45°00'00" E	14.13	
L8	N 127°48'43" E	16.31	
L9	N 89°53'48" E	18.95	
L10	N 88°53'48" E	18.95	
L11	N 113°17'15" E	22.81	
L12	N 135°07'18" E	27.01	
L13	N 154°37'40" E	32.11	
L14	N 170°05'48" E	38.41	
L15	N 187°17'48" E	46.91	
L16	N 195°13'25" E	56.61	
L17	N 199°44'25" E	67.51	
L18	N 89°44'25" W	42.58	

PROJECT NUMBER 13374 H.O. NO. 990942
 T.M. NO. 95-0173 L.C. 296-1721 CCS 83

C-325

BLACK MOUNTAIN RANCH UNIT NO. 3



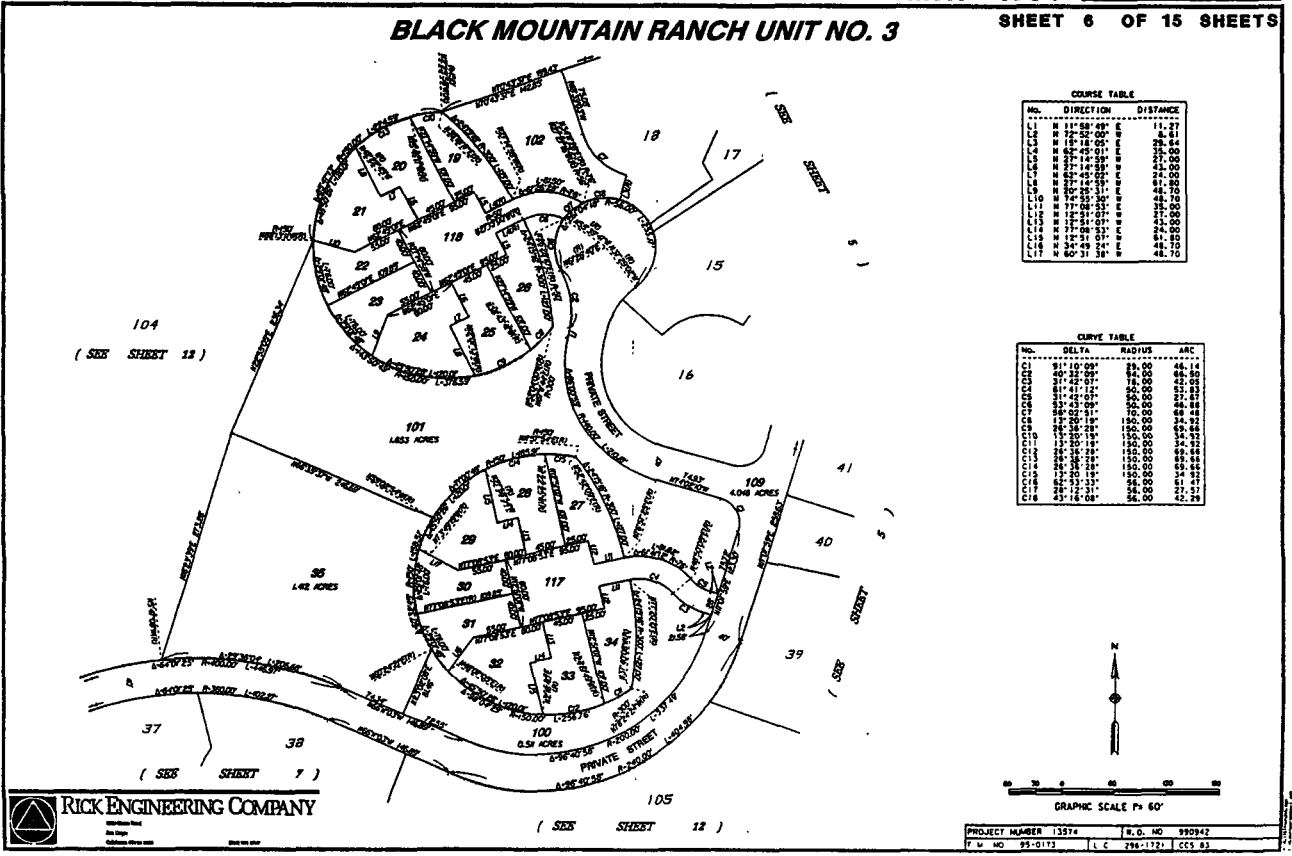
COURSE TABLE			
No.	DIRECTION	DISTANCE	
L1	N 24°07'18" W	17.51	
L2	N 45°00'00" E	14.13	
L3	N 89°53'48" E	18.95	
L4	N 88°53'48" E	18.95	
L5	N 113°17'15" E	22.81	
L6	N 135°07'18" E	27.01	
L7	N 154°37'40" E	32.11	
L8	N 170°05'48" E	38.41	
L9	N 187°17'48" E	46.91	
L10	N 195°13'25" E	56.61	
L11	N 199°44'25" E	67.51	
L12	N 89°53'48" E	18.95	
L13	N 88°53'48" E	18.95	
L14	N 113°17'15" E	22.81	
L15	N 135°07'18" E	27.01	
L16	N 154°37'40" E	32.11	
L17	N 170°05'48" E	38.41	
L18	N 187°17'48" E	46.91	
L19	N 195°13'25" E	56.61	
L20	N 199°44'25" E	67.51	

CURVE TABLE			
No.	DELTA	RADIUS	ARC
C1	40°32'08"	84.00	46.20
C2	88°48'50"	75.00	42.94
C3	129°37'45"	70.00	51.94
C4	159°45'27"	85.00	62.72
C5	175°05'36"	100.00	74.78
C6	188°48'18"	120.00	88.11
C7	199°09'18"	150.00	104.11
C8	197°16'08"	200.00	128.21
C9	187°17'48"	250.00	148.61
C10	170°05'48"	300.00	164.72
C11	154°37'40"	350.00	181.61
C12	135°07'18"	400.00	199.21
C13	113°17'15"	450.00	217.51
C14	88°53'48"	500.00	236.41
C15	62°14'05"	550.00	255.81
C16	34°28'13"	600.00	275.71

PROJECT NUMBER 13374 H.O. NO. 990942
 T.M. NO. 95-0173 L.C. 296-1721 CCS 83

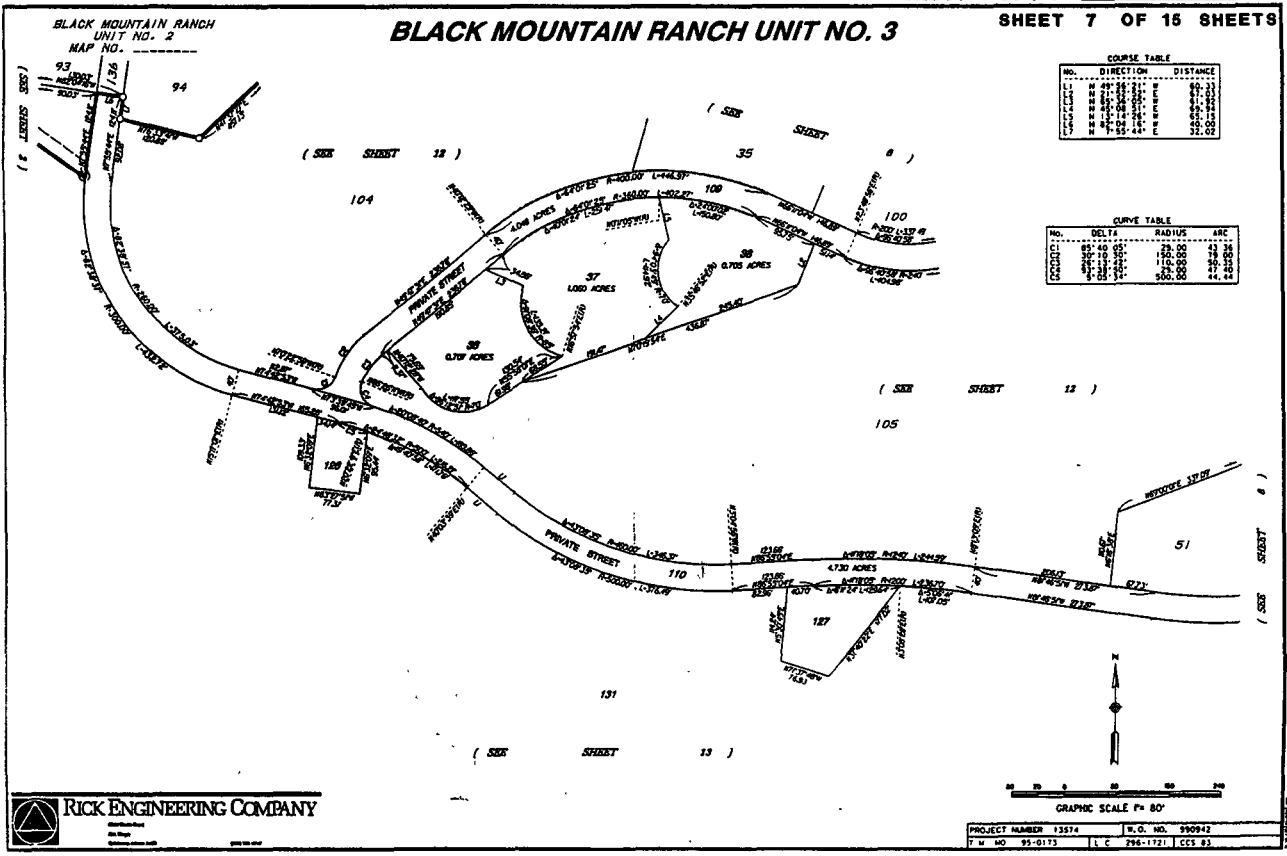
C-326

BLACK MOUNTAIN RANCH UNIT NO. 3

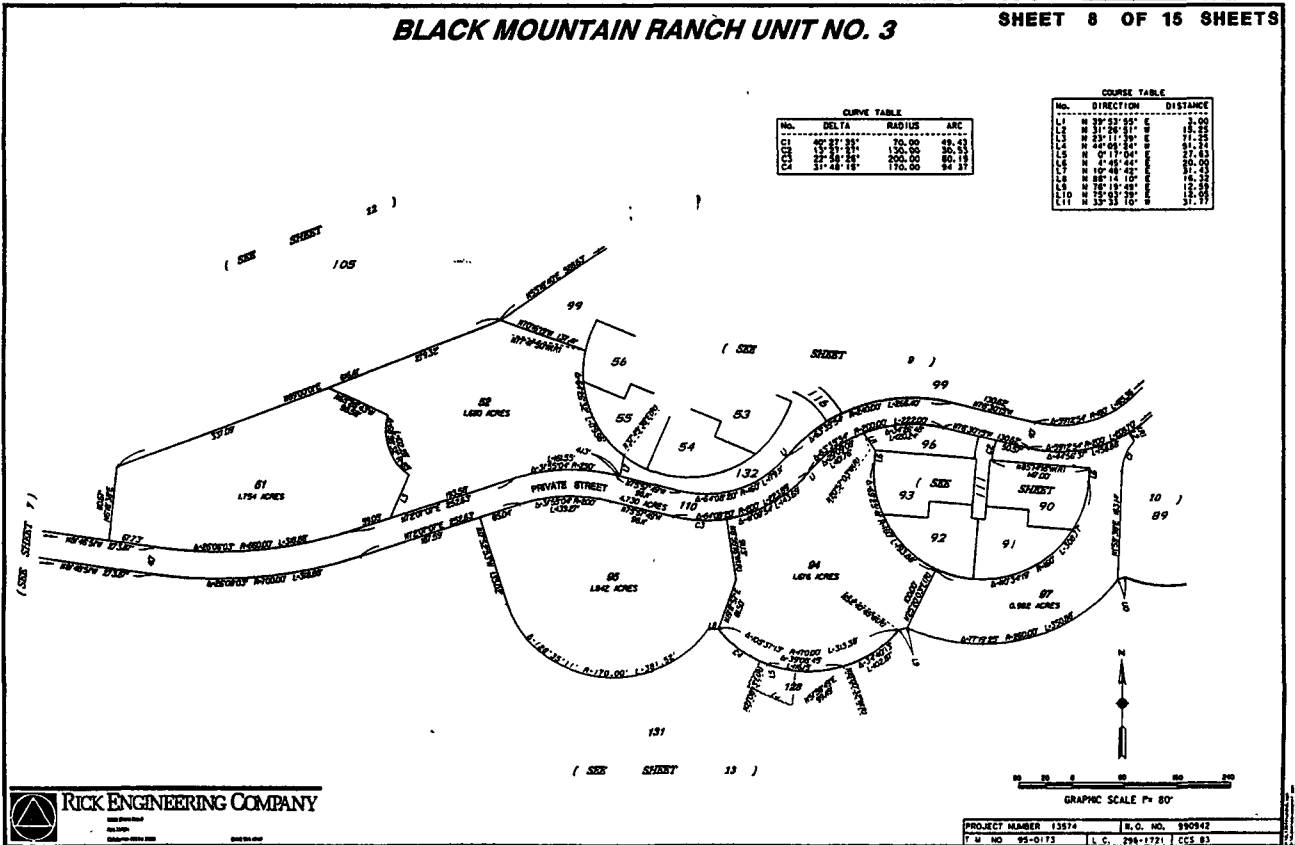


C-327

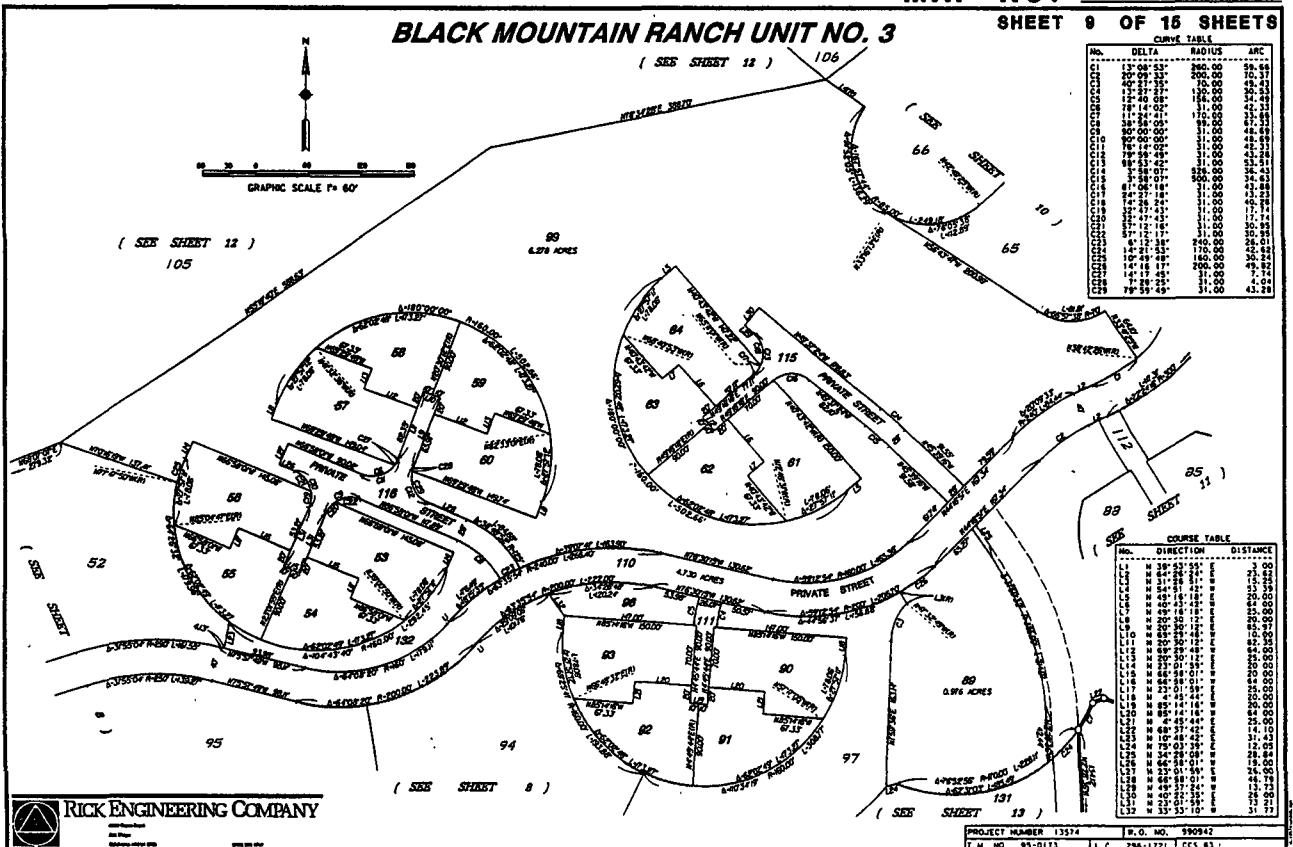
BLACK MOUNTAIN RANCH UNIT NO. 3



C-328



C-329



C-330

BLACK MOUNTAIN RANCH UNIT NO. 23

WE HEREBY CERTIFY THAT WE ARE THE OWNERS OF OR ARE INTERESTED IN THE LAND DESCRIBED WITHIN THE SUBDIVISION...

BEING A SUBDIVISION OF PARCEL 1 AND A PORTION OF PARCEL 7 OF PARCEL MAP NO. 17796 IN THE CITY OF SAN DIEGO...

SUBDIVISION GUARANTEE PREPARED BY FIRST MICHIGAN TITLE INSURANCE COMPANY ORDER NO. 183993-15

WE HEREBY DEDICATE TO PUBLIC USE THE STREETS, "J" STREET, "K" STREET, "L" STREET FOR USE AS PUBLIC STREETS AND APPROXIMATE RIGHTS AND NON-POSSOR VEHICULAR RIGHT-OF-WAY...

WE HEREBY GRANT AND RELEASE TO THE CITY OF SAN DIEGO, A MUNICIPAL CORPORATION, ANY AND ALL RIGHTS TO CONSTRUCT, DIRECT OR PERMIT ANY STRUCTURE TO CONSTRUCT, DIRECT OR PERMIT ANY STRUCTURE...

WE HEREBY GRANT TO THE CITY OF SAN DIEGO, A MUNICIPAL CORPORATION, THE EASEMENT WITH THE RIGHT OF ingress AND EGRESS FOR THE CONSTRUCTION AND MAINTENANCE OF SEWER FACILITIES...

SANTALUCIA, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FORMERLY KNOWN AS BLACK MOUNTAIN BUNDI DEVELOPERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AS OWNER.

BY: SHERIDAN III LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, AS MANAGING MEMBER. BY: TAYLOR WOODROW HOYLE, INC., A CALIFORNIA CORPORATION, ITS FARMING MEMBER.

NAME: TITLE: NAME: TITLE:

CHICAGO TITLE INSURANCE COMPANY, A CALIFORNIA CORPORATION, AS TRUSTEE UNDER DEED OF TRUST RECORDED JUNE 14, 1996 AS FILE NO. 1996-030769 OF OFFICIAL RECORDS.

NAME: TITLE: NAME: TITLE:

THIS MAP SECURES NEEDED DEVELOPMENT RIGHTS AND THE RIGHTS BEING NEEDED SHALL REMAIN IN EFFECT FOR TWO YEARS FROM THE DATE OF RECORDATION...

STATE OF CALIFORNIA COUNTY OF SAN DIEGO ON _____ BEFORE ME, _____ A NOTARY PUBLIC, PERSONALLY APPEARED _____ AND _____ PERSONALLY KNOWN TO ME _____ PROMISED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE _____ TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE WRITEN INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY EXECUTED THE SAME IN THEIR AUTHORIZED CAPACITIES AND BY THEIR SIGNATURES ON THE INSTRUMENT, THE PERSONS OF THE DUESY UPON BEHALF OF WHICH THE PERSONS ACTED, EXECUTED THE INSTRUMENT.

STATE OF CALIFORNIA COUNTY OF SAN DIEGO ON _____ BEFORE ME, _____ A NOTARY PUBLIC, PERSONALLY APPEARED _____ AND _____ PERSONALLY KNOWN TO ME _____ PROMISED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE _____ TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE WRITEN INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY EXECUTED THE SAME IN THEIR AUTHORIZED CAPACITIES AND BY THEIR SIGNATURES ON THE INSTRUMENT, THE PERSONS OF THE DUESY UPON BEHALF OF WHICH THE PERSONS ACTED, EXECUTED THE INSTRUMENT.

NAME: TITLE: NAME: TITLE:

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT BY RESOLUTION NO. _____ OF SAID CITY I HAVE APPROVED THIS MAP AND HAVE ACCEPTED THESE TERMS USED IN THE INSTRUMENT, SIGNED BY THE OWNERS UNDER THE CONDITIONS EXPRESSED THEREIN.

IN WITNESS WHEREOF, SAID CLERK HAS CAUSED THESE PRESENTS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY HIS SEAL, THIS _____ DAY OF _____, 2000.

CHARLES C. GARDNER CITY CLERK BY _____



GEORGE L. BENSON R.C.E. 14384 OFFICE 3/31/2001

DATE: _____

I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION THAT IT SUBSTANTIALLY CONFORMS TO THE ORIGINAL MAP, IF ANY, AND ANY APPROVED ALTERNATIONS THEREOF...

I ALSO CERTIFY THAT THERE ARE NO UNPAID DEBTS DUE UNDER THE INSTRUMENT ACTS OF THE STATE OF CALIFORNIA AGAINST THE TRACT OR SUBDIVISION OR ANY PART THEREOF.

FRANK BELDOK, JR., CITY ENGINEER BY: _____

DATE: _____

I, THOMAS J. PASTUSZKA, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY THE PROVISIONS OF THE SUBDIVISION MAP ACT (SECTION 2 OF TITLE 7 OF THE GOVERNMENT CODE) REGARDING (A) EASEMENTS FOR TAXES AND (B) COMPENSATION OF THE ABSENCE OF LAND FOR UNPAID STATE, COUNTY, MUNICIPAL OR LOCAL TAXES OR SPECIAL ASSESSMENTS COLLECTED AS TAXES EXCEPT THOSE NOT YET PAYABLE, HAVE BEEN COMPLIED WITH.

THOMAS J. PASTUSZKA CLERK OF THE BOARD BY: _____ DEPUTY SUPERVISORS DATE: _____

APPROVED THIS _____ DAY OF _____, 2000, AFTER EXAMINATION OF MAP AND CERTIFICATES HEREON. GABRY CHAN, CITY ATTORNEY BY: _____ DEPUTY

FILE NO. _____

I, GREGORY J. 39TH COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECORDATION THIS MAP FILED AT THE OFFICE OF GEORGE L. BENSON, THIS _____ DAY OF _____, 2000, AT _____ O'CLOCK _____ P.M.

GREGORY J. 39TH COUNTY RECORDER BY: _____ DEPUTY

Table with recording information: L.C. 300-079, NAD83 1940-6279, TM 95-073, W.D. 400650

BLACK MOUNTAIN RANCH UNIT NO. 23

DETAIL FOR BASIS OF BEARINGS

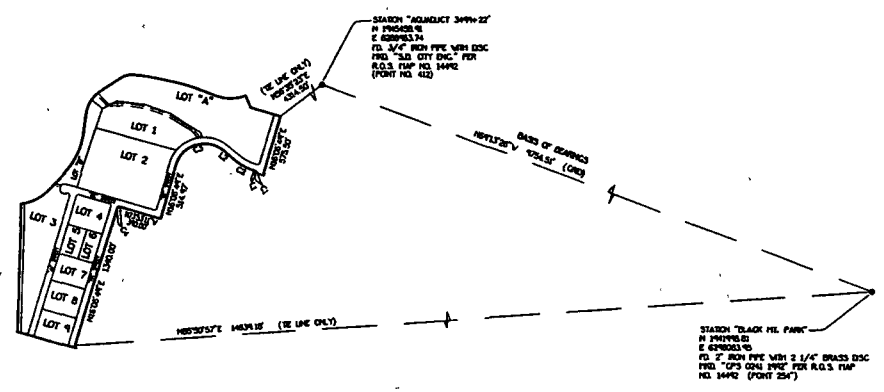


Table with columns: NO, BEARING, DISTANCE. Row 1: 11, N65°10'00"W, 128.75'

Table with columns: NO, BEARING, DISTANCE, ARC. Row 1: C1, S22°00'00"W, 575.00', 28.62'



BASIS OF BEARINGS THE BASIS OF BEARINGS FOR THIS MAP IS THE MEAN OLD STATE GRID CORNER REFERENCE STATION "BLACK MOUNTAIN RANCH" AND "ADJACENT 3994'-22" AS SHOWN ON R.O.S. MAP, I.E. 194718787.

- LEGEND: (O) INDICATES WALL SET 2" X 3" IRON PIPE WITH DISC MARKED "R.C.E. 14384" (O) INDICATES FOUND MONUMENT AS NOTED (O) INDICATES WALL SET SURVEY MONUMENT WITH DISC MARKED "R.C.E. 14384" PER STANDARD DRAWING NO. 17-10 (O) INDICATES RANGAL BEARING (O) INDICATES FIRST AND LAST LOT NUMBERS, RESPECTIVELY (O) INDICATES RECORD DATA AS NOTED

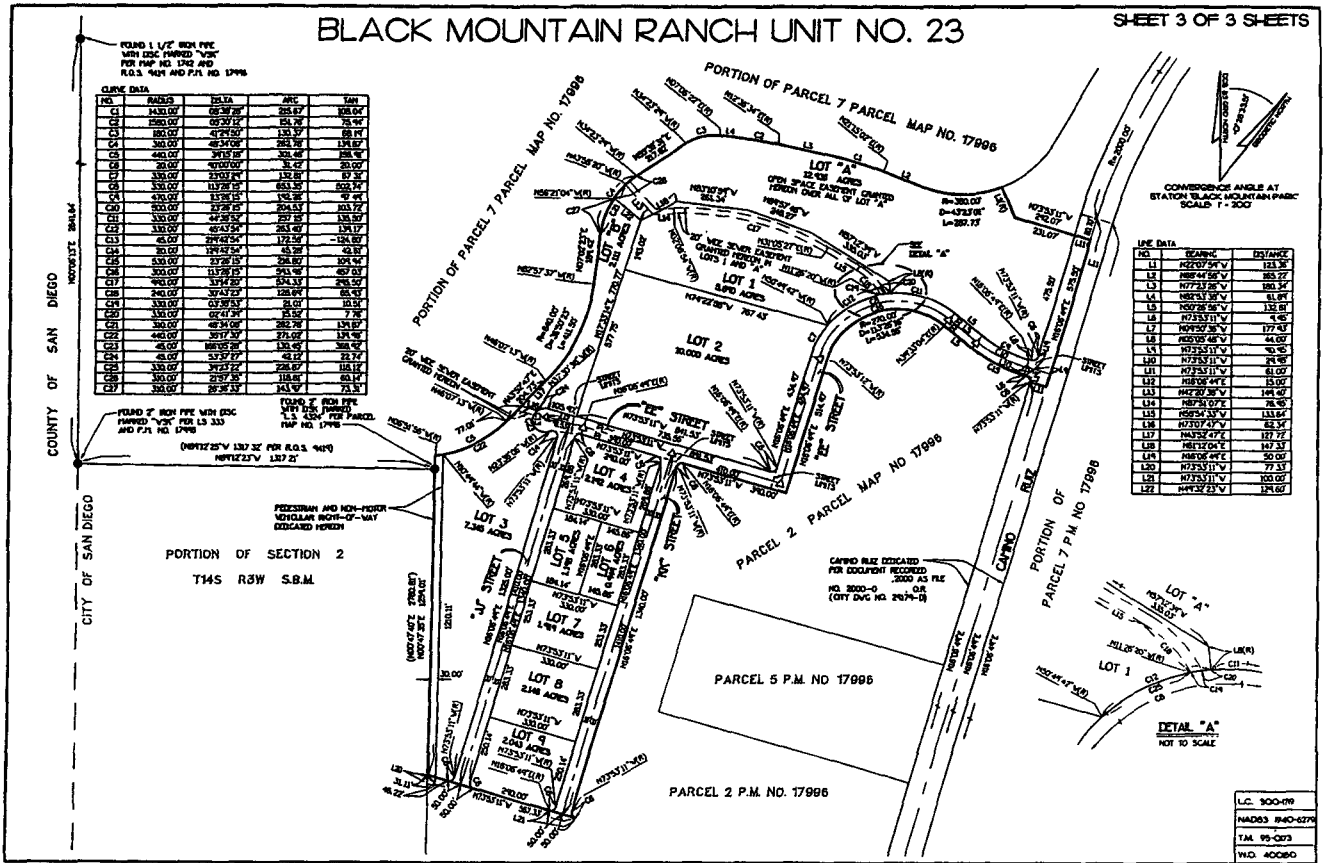
THE CORRECTED SCALE FACTOR AT STATION "BLACK MOUNTAIN RANCH" IS (0.999988). GRID DISTANCE = GROUND DISTANCE X CORRECTED SCALE FACTOR

- NOTES: 1. TOTAL NUMBER OF NUMBERED LOTS = 4 2. TOTAL NUMBER OF LETTERED LOTS = 2 (LOTS "A" AND "B") 3. TOTAL AREA WITH SUBDIVISION BOUNDARY = 21,530 ACRES

- MONUMENTATION NOTES: 1. ALL LOT CORNERS EXCEPT AS DESCRIBED BELOW SHALL BE MONUMENTED BY A 1/4" X 3/8" IRON PIPE MARKED "R.C.E. 14384" 2. LOT CORNERS ALONG THE SIDELINES OF DEDICATED STREET RIGHT-OF-WAY SHALL BE MONUMENTED BY A DISC MARKED "R.C.E. 14384" SET ALONG THE EXTENSION OF THE LOT LINE AT AN OFFSET OF 750 FEET IN THE SECONDARY. THE OFFSET SHALL BE MEASURED PARALLEL OR AT RIGHT ANGLES TO THE RIGHT-OF-WAY LINE. 3. ALL POINTS OF CURVE OF THE SIDELINES OF DEDICATED STREETS SHALL BE MONUMENTED BY A DISC MARKED "R.C.E. 14384" SET AT AN OFFSET OF 700 FEET IN THE SECONDARY. THE OFFSET SHALL BE MEASURED PARALLEL.

Table with recording information: L.C. 300-079, NAD83 1940-6279, TM 95-073, W.D. 400650

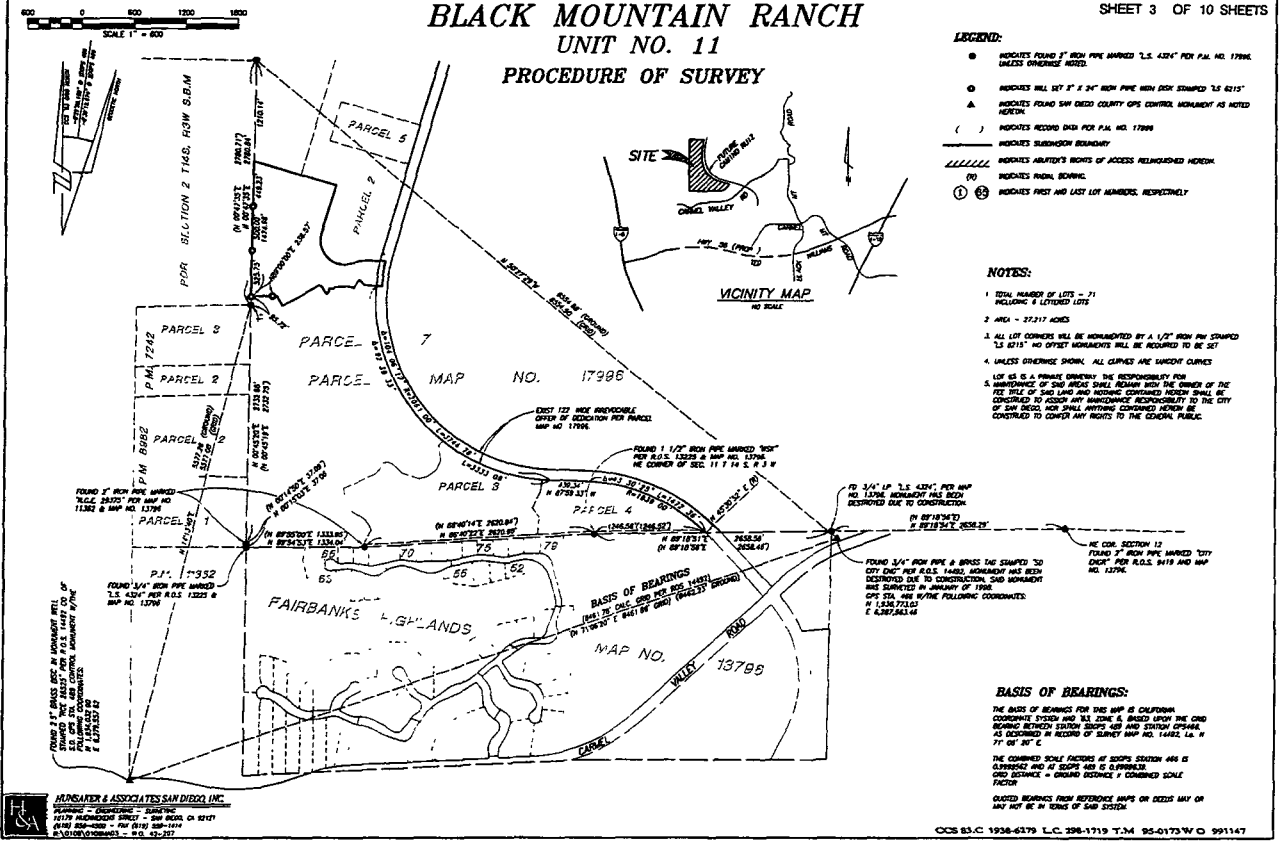
BLACK MOUNTAIN RANCH UNIT NO. 23



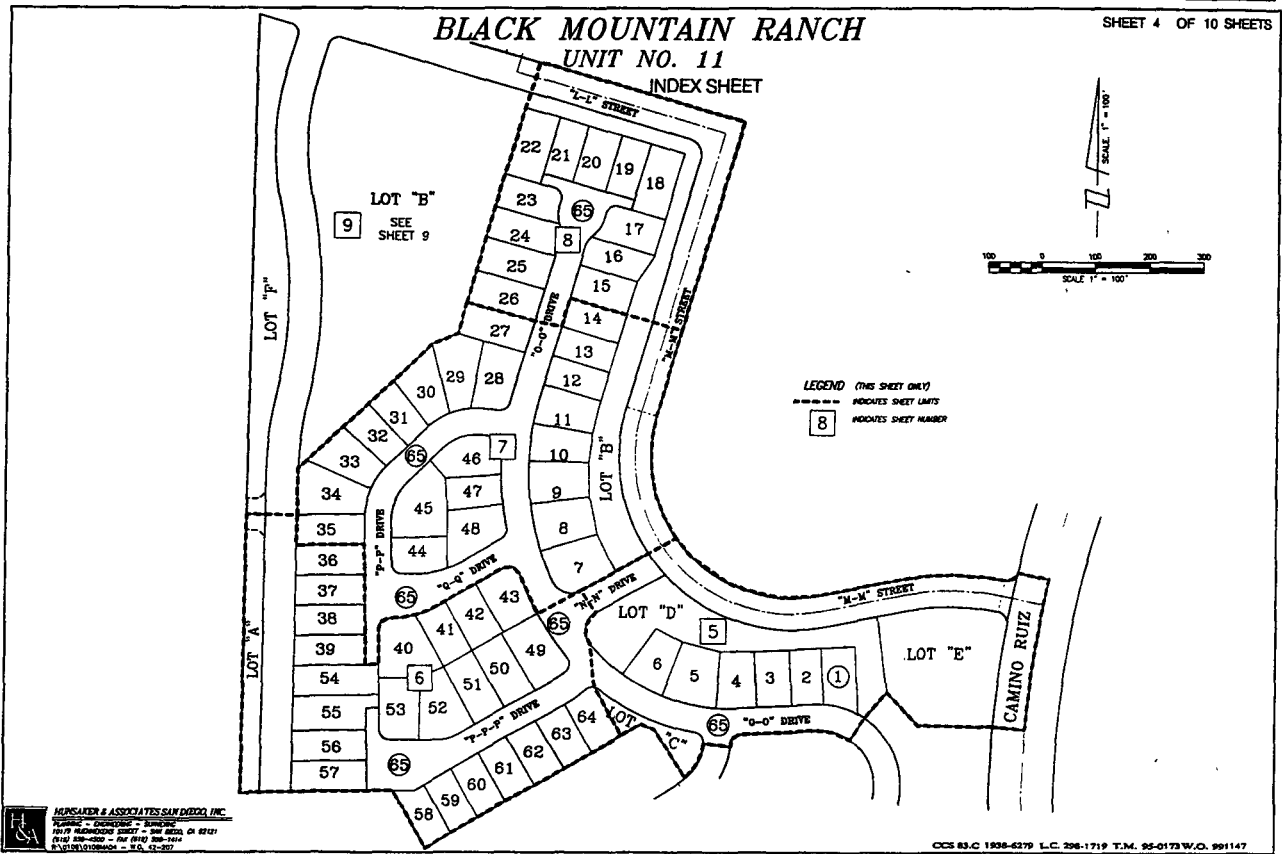
C-339

BLACK MOUNTAIN RANCH UNIT NO. 11

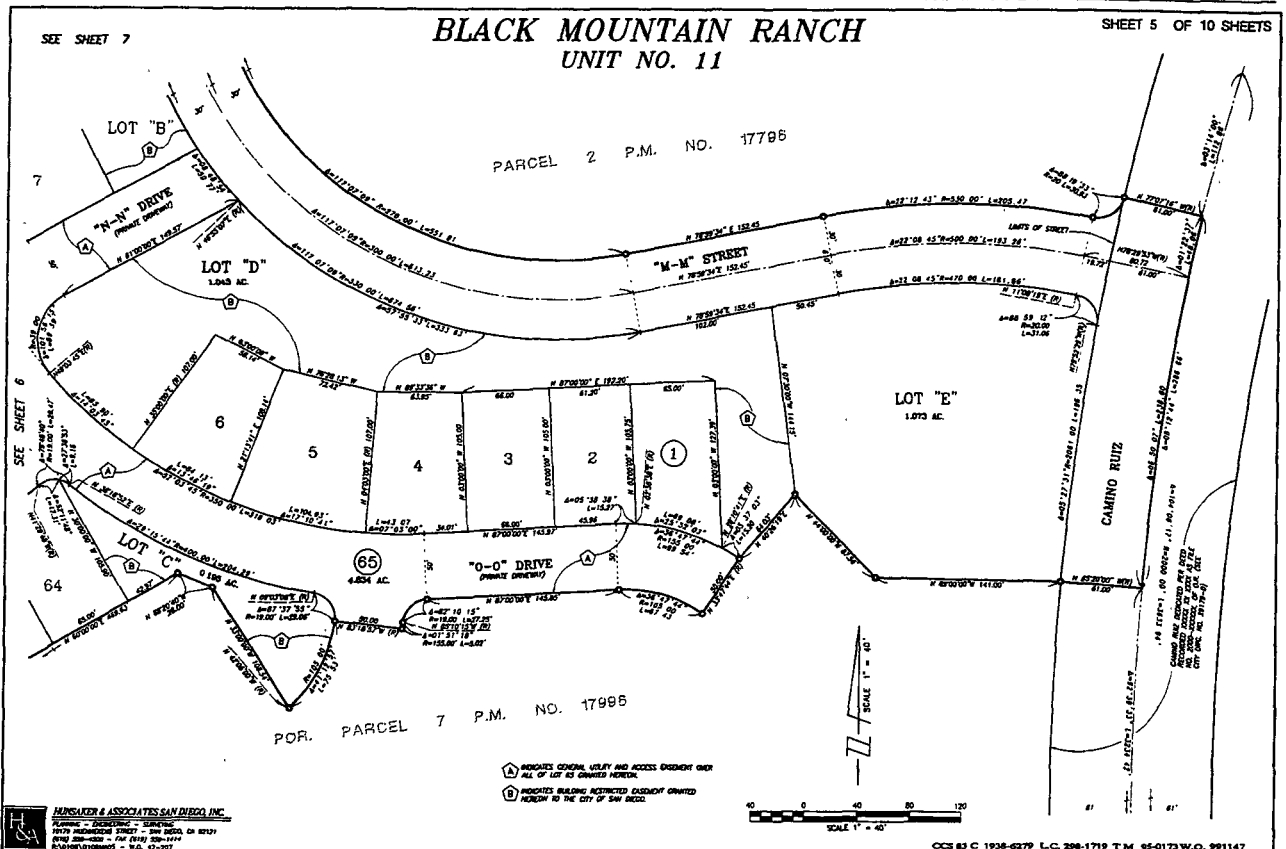
PROCEDURE OF SURVEY



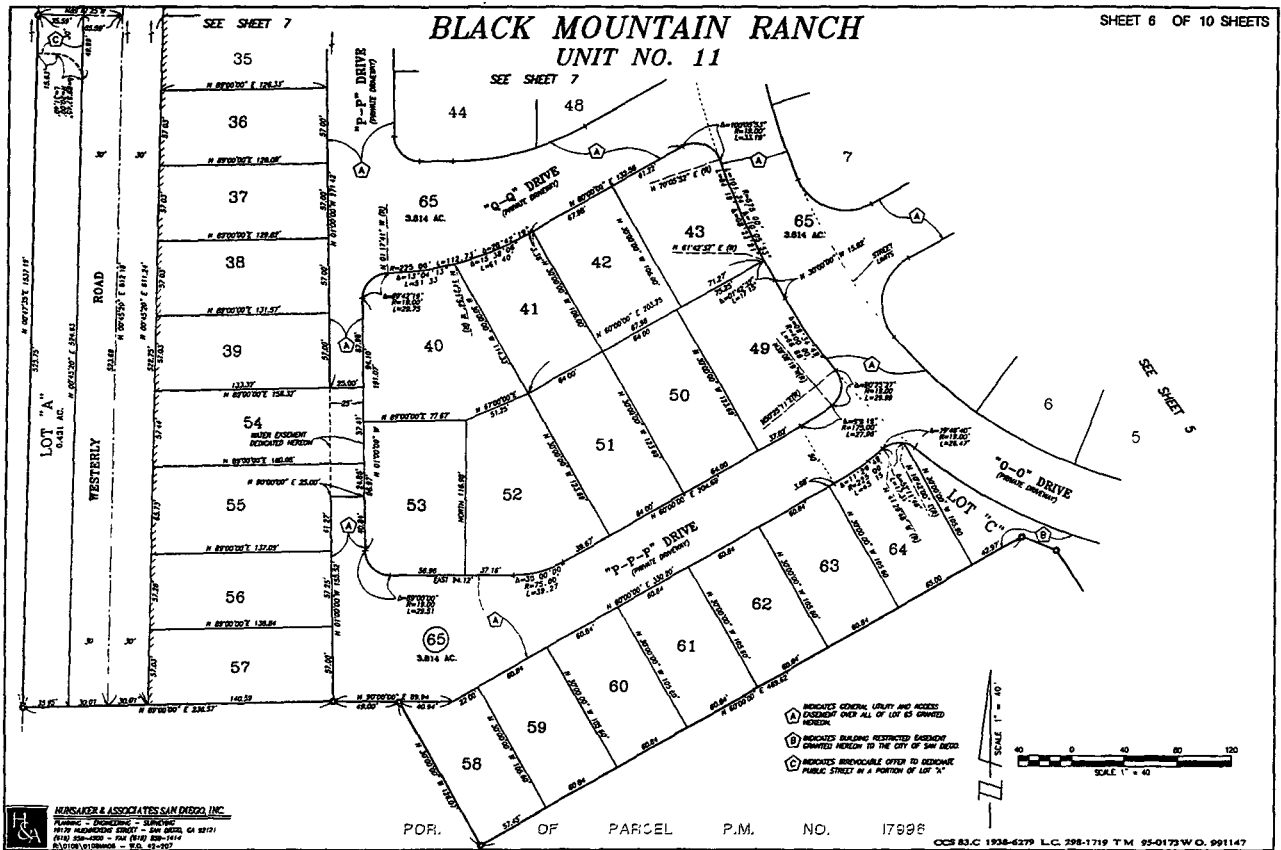
C-340



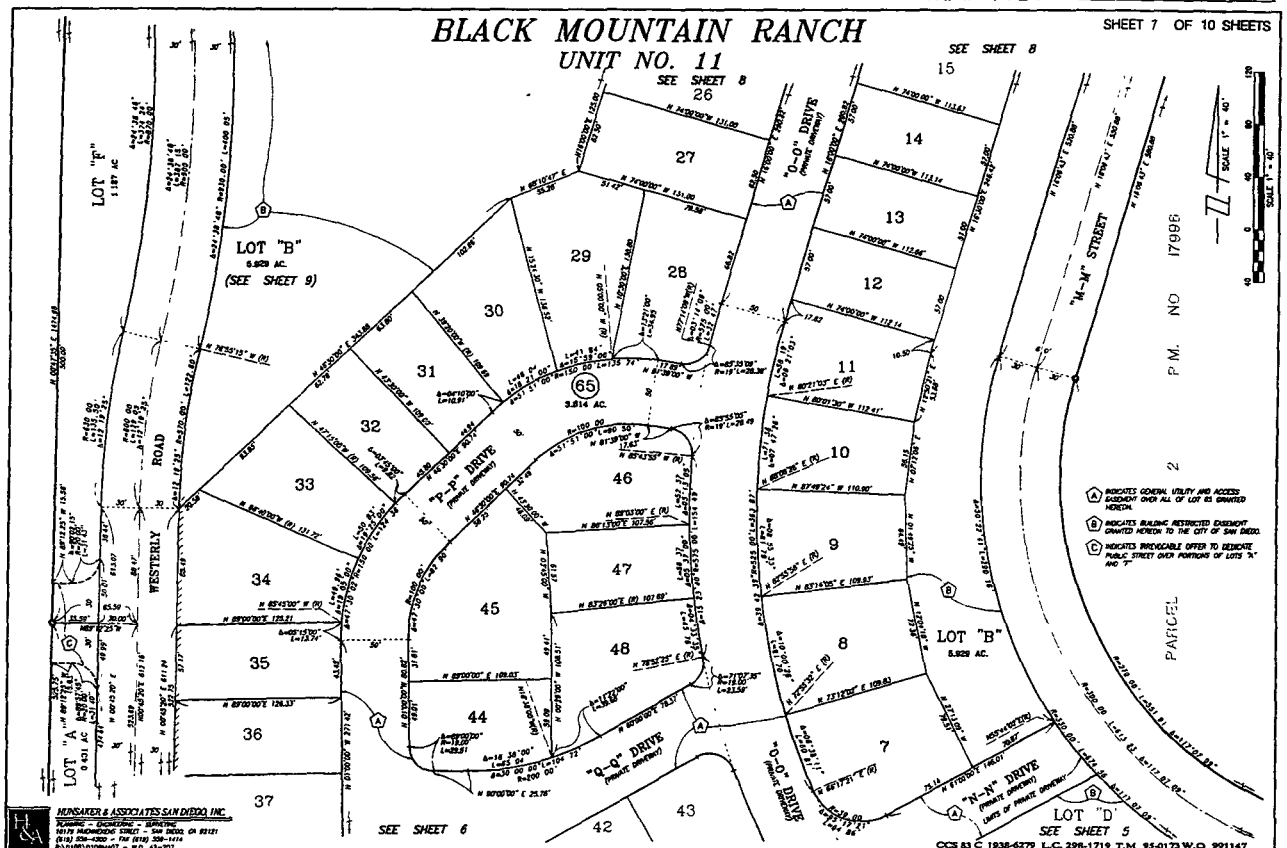
C-341



C-342

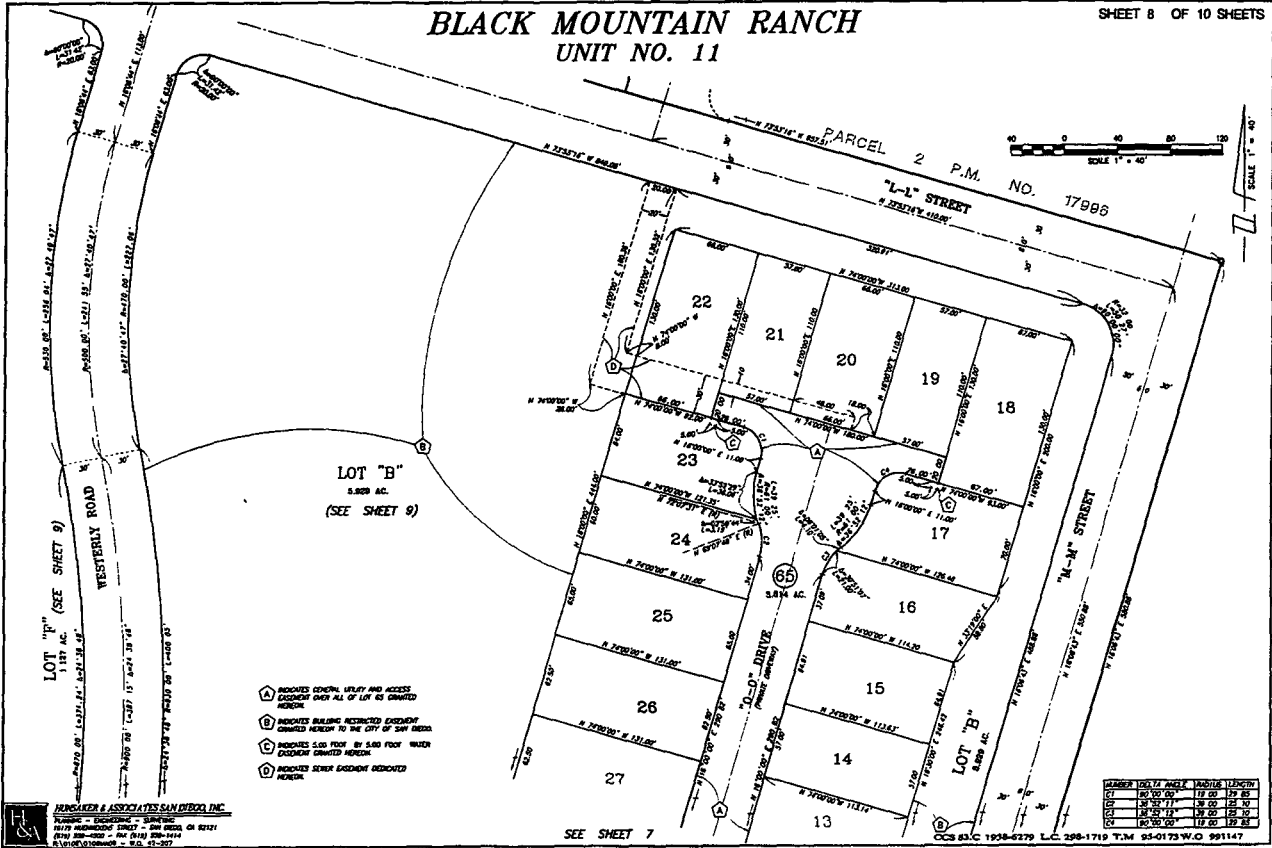


C-343



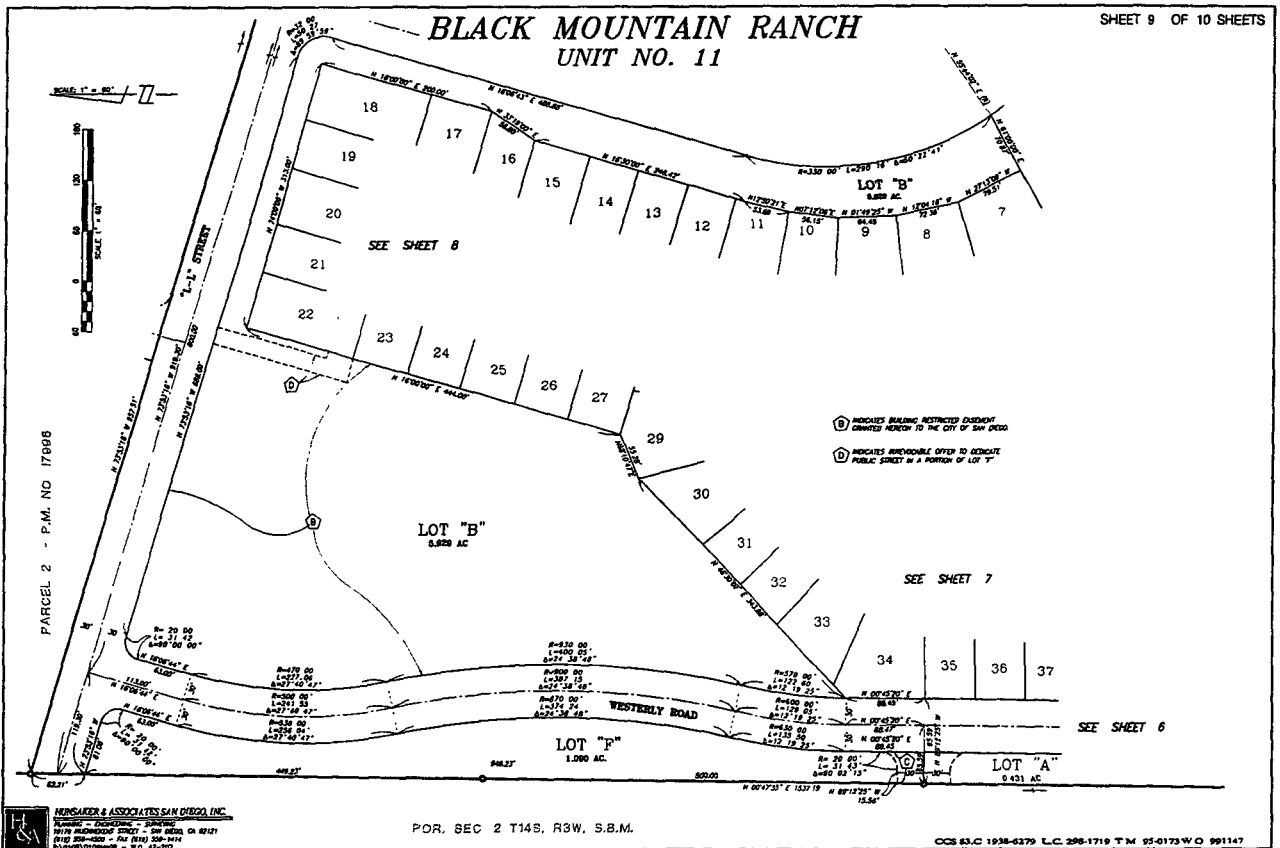
C-344

BLACK MOUNTAIN RANCH UNIT NO. 11



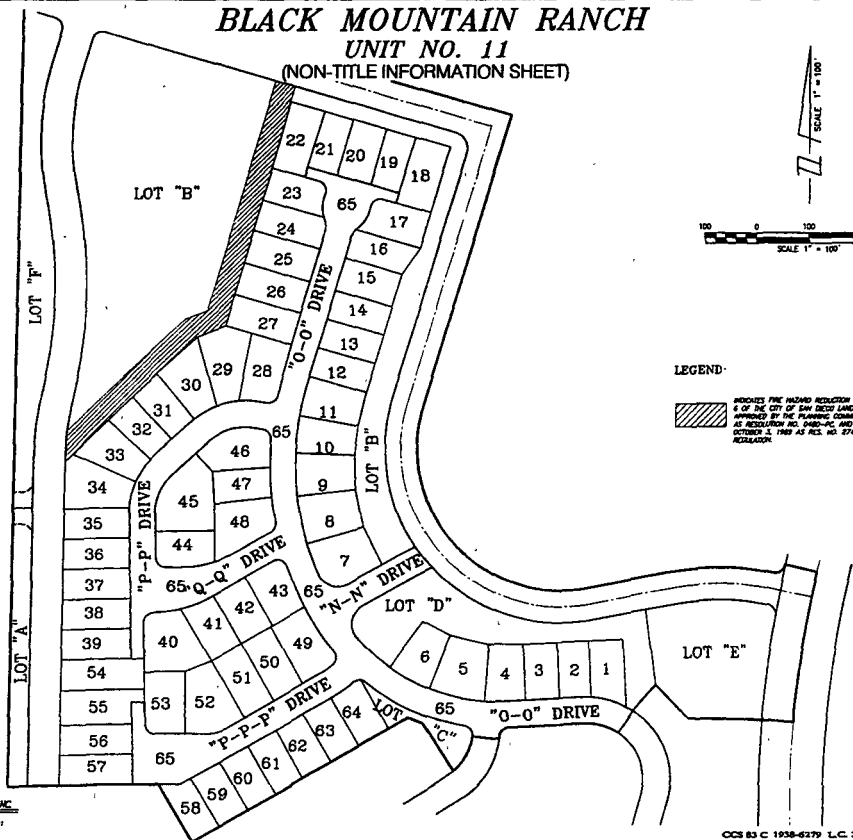
C-345

BLACK MOUNTAIN RANCH UNIT NO. 11



C-346

BLACK MOUNTAIN RANCH UNIT NO. 11 (NON-TITLE INFORMATION SHEET)



LEGEND

INDICATES THE MINIMUM BUILDING ZONE FOR SYSTEMS OF THE CITY OF SAN DIEGO LANDMARKS AND HISTORICAL RESOURCES ACT AS RECORDED IN SD-848-AC AND APPROVED BY THE CITY COUNCIL ON OCTOBER 3, 1983 AS RES. NO. 87038 AND ANY OTHER BUILDING CODE REVISIONS.

HENSLEKER & ASSOCIATES SAN DIEGO, INC.
 Planning - Designing - Surveying
 9119 HARBORVIEW DRIVE - SAN DIEGO, CA 92121
 (619) 526-2200 - FAX (619) 526-1414
 FAX (619) 526-1415 - FAX (619) 526-1416

CDS 83 C 1938-6279 L.C. 296-1719 T.M. 95-0173.W.O. 991147

C-347

BLACK MOUNTAIN RANCH UNIT NO. 12

WE ARE THE OWNERS OF OR ARE INTERESTED IN THE PROPERTY DESCRIBED HEREIN AND HEREBY CERTIFY THAT THE SURVEY OF THIS SUBDIVISION WAS MADE BY ME OR UNDER MY DIRECTION, BETWEEN JANUARY 1984 AND APRIL 1984, AND WAS MADE IN ACCORDANCE WITH THE PROVISIONS AND REQUIREMENTS OF THE MAP ACT AND THE ACTS OF THE LEGISLATURE RELATIVE TO THE SAME.

BEING A SUBDIVISION OF A PORTION OF PARCEL 12 OF PARCEL 10000, PLAT 1788, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 11, 1984. ALL IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

THIS IS A MAP OF A PLANNED RESIDENTIAL DEVELOPMENT PROJECT AS DEFINED IN CHAPTER 4, ARTICLE 1, SECTION 1 OF THE SAN DIEGO MUNICIPAL CODE.

SUBDIVISION GUARANTEED BY FIRST AMERICAN TITLE INSURANCE COMPANY, ORDER NO. 1331870-15.

SHOULD I, L.L.C. A DELAWARE LIMITED LIABILITY COMPANY FORMERLY KNOWN AS BLACK MOUNTAIN RANCH DEVELOPMENT, L.L.C. A DELAWARE LIMITED LIABILITY COMPANY

BY: _____

CHICAGO TITLE INSURANCE COMPANY OF CALIFORNIA, A CALIFORNIA CORPORATION
 TRUSTEE UNDER DEED OF TRUST RECORDED JUNE 14, 1988 AS DOCUMENT NO. 1988-037000 OF OFFICIAL RECORDS.

BY: _____

I, CITY CLERK OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT BY RECOLLECTION NO. _____ THE COUNCIL OF SAID CITY HAS APPROVED THIS MAP, INCLUDING THE LOCATION OF ROAD SURVEY NO. 451 AND THE ABANDONMENT OF CERTAIN EASEMENTS AS RECORDED HEREON PURSUANT TO THE PROVISIONS OF SECTION 54800-1/2 OF THE STATE SUBDIVISION MAP ACT AND HAS ACCEPTED THESE PLOTS IN THE CERTIFICATE JOINED BY THE OWNERS UNDER THE CONDITIONS EXPRESSED THEREON.

EXCEPT THAT SAID COUNCIL HAS SELECTED THE BOUNDARY OF THE PUBLIC TRAIL PORTION OF LOTS _____ INDICATED THEREAFTER TO BE SUBJECT TO PUBLIC STREET AND THE RELINQUISHMENT OF ACCESS RIGHTS IN AND TO THESE PORTIONS OF LOTS 46 AND 58 INCLUDING LIMITED ACCESS RIGHTS TO ADJACENT PUBLIC STREET, ALL AS SHOWN ON THIS MAP WITHIN SAID SUBDIVISION, NOTING THAT SECTION 54800-1/2 OF THE STATE SUBDIVISION MAP ACT OF THE STATE OF CALIFORNIA PROVIDES THAT AN ORDER OF RECALL SHALL REMAIN OPEN AND SUBJECT TO FUTURE APPROVAL BY THE CITY.

IN WITNESS WHEREOF, SAID COUNCIL HAS CHAOSD THESE PRECIPITORS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY ITS SEAL, THIS _____ DAY OF _____ 2000.

CHARLES G. ANGLADELOR BY: _____
 CITY CLERK DEPUTY

I, DANA H. SEEDMAN, A LICENSED LAND SURVEYOR OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE SURVEY OF THIS SUBDIVISION WAS MADE BY ME OR UNDER MY DIRECTION, BETWEEN JANUARY 1984 AND APRIL 1984, AND WAS MADE IN ACCORDANCE WITH THE PROVISIONS AND REQUIREMENTS OF THE MAP ACT AND THE ACTS OF THE LEGISLATURE RELATIVE TO THE SAME.

DANA H. SEEDMAN, L.S. 6815
 BY RECOLLECTION EXP. 5/31/02
 DATE: _____



I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION, THAT IT SUBSTANTIALLY CONFORMS TO THE RECORDING MAP # 451, AND I HAVE APPROVED ATTENDING THEREON THAT IT COMPLES WITH THE SUBDIVISION MAP ACT AND ANY LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVAL OF THE RECORDING MAP AND THAT IT IS TECHNICALLY CORRECT.

I ALSO CERTIFY THAT THERE ARE NO UNPAID BONDING OBLIGATIONS UNDER THE STREET IMPROVEMENT ACTS OF THE STATE OF CALIFORNIA AGAINST THIS SUBDIVISION.

FRANK WELCH JR.
 CITY ENGINEER

BY: _____
 LINDY C. HANDEL, DEPUTY
 L.S. 6804

DATE: _____

APPROVED THIS _____ DAY OF _____ 2000, AFTER EXAMINATION OF MAP AND THE CERTIFICATE THEREON.

CITY ENGINEER BY: _____
 DEPUTY

I, DANA H. SEEDMAN, A LICENSED LAND SURVEYOR OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECOLLECTION THIS MAP FILED AT THE OFFICE OF DANA H. SEEDMAN, INC. AS SHOWN ON THIS MAP WITHIN SAID SUBDIVISION, NOTING THAT SECTION 54800-1/2 OF THE STATE SUBDIVISION MAP ACT OF THE STATE OF CALIFORNIA PROVIDES THAT AN ORDER OF RECALL SHALL REMAIN OPEN AND SUBJECT TO FUTURE APPROVAL BY THE CITY.

IN WITNESS WHEREOF, SAID COUNCIL HAS CHAOSD THESE PRECIPITORS TO BE EXECUTED BY THE CITY CLERK AND ATTESTED BY ITS SEAL, THIS _____ DAY OF _____ 2000.

CHARLES G. ANGLADELOR BY: _____
 CITY CLERK DEPUTY

FILE NO. _____
 COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, HEREBY CERTIFY THAT I HAVE ACCEPTED FOR RECOLLECTION THIS MAP FILED AT THE OFFICE OF DANA H. SEEDMAN, INC. AS SHOWN ON THIS MAP WITHIN SAID SUBDIVISION, NOTING THAT SECTION 54800-1/2 OF THE STATE SUBDIVISION MAP ACT OF THE STATE OF CALIFORNIA PROVIDES THAT AN ORDER OF RECALL SHALL REMAIN OPEN AND SUBJECT TO FUTURE APPROVAL BY THE CITY.

OSCAR J. BATH, COUNTY RECORDER BY: _____
 DEPUTY

FILE # 7610
 CDS 83 C 1938-6279 L.C. 296-1719 T.M. 95-0173.W.O. 991148

C-348

BLACK MOUNTAIN RANCH UNIT NO. 12

STATE OF CALIFORNIA SS.
COUNTY OF SAN DIEGO

ON _____ BEFORE ME _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAMES BEING SUBMITTED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO BE THAT HE/SHE/IT/HEY EXECUTED THE SAME IN HIGHLY FREER AUTHORIZED CONDUCT, AND THAT BY HE/SHE/IT/HEY SIGNATURES ON THE INSTRUMENT, THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:
PLACED PRINT NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS.
COUNTY OF SAN DIEGO

ON _____ BEFORE ME _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAMES BEING SUBMITTED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO BE THAT HE/SHE/IT/HEY EXECUTED THE SAME IN HIGHLY FREER AUTHORIZED CONDUCT, AND THAT BY HE/SHE/IT/HEY SIGNATURES ON THE INSTRUMENT, THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:
PLACED PRINT NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS.
COUNTY OF SAN DIEGO

ON _____ BEFORE ME _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAMES BEING SUBMITTED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO BE THAT HE/SHE/IT/HEY EXECUTED THE SAME IN HIGHLY FREER AUTHORIZED CONDUCT, AND THAT BY HE/SHE/IT/HEY SIGNATURES ON THE INSTRUMENT, THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:
PLACED PRINT NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS.
COUNTY OF SAN DIEGO

ON _____ BEFORE ME _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAMES BEING SUBMITTED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO BE THAT HE/SHE/IT/HEY EXECUTED THE SAME IN HIGHLY FREER AUTHORIZED CONDUCT, AND THAT BY HE/SHE/IT/HEY SIGNATURES ON THE INSTRUMENT, THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

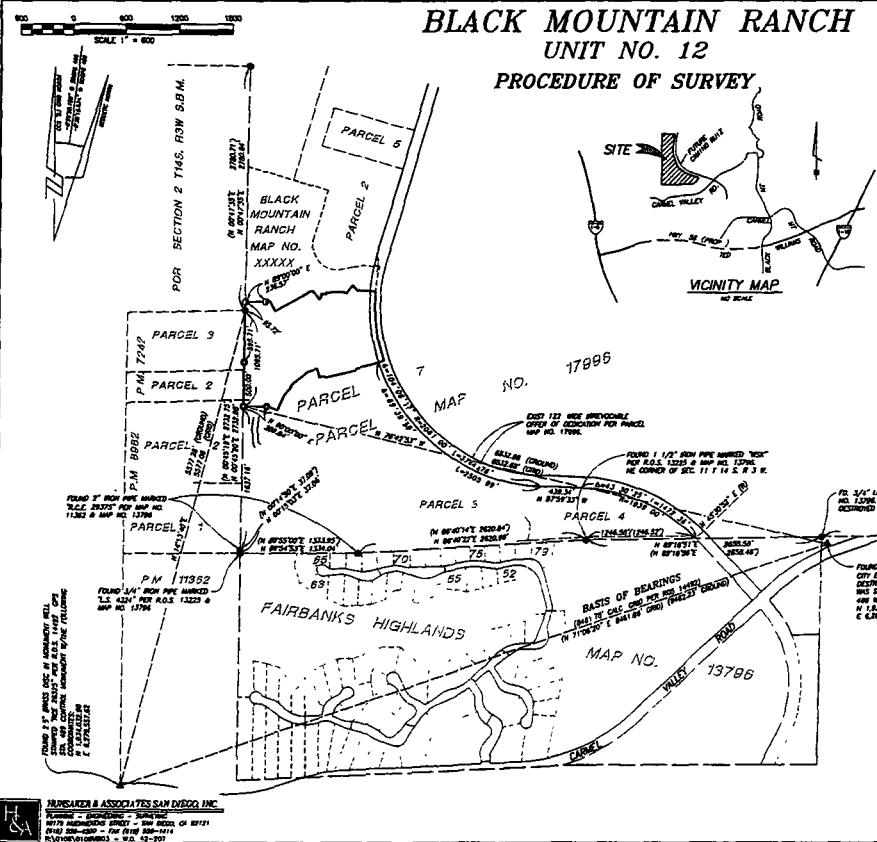
WITNESS MY HAND:
PLACED PRINT NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

HANSKNER & ASSOCIATES SAN DIEGO, INC.
PLANNING - ENGINEERING - SURVEYING
16715 MIDWAY DRIVE - SAN DIEGO, CA 92128
619-596-2300 - FAX 619-596-1414
HANSKNER@HANSKNER.COM - P.O. 43-107

CCS 83.C 1936-6379 L.C. 296-1719 T.M. 93-0173 W.O. 991148

C-349

BLACK MOUNTAIN RANCH UNIT NO. 12 PROCEDURE OF SURVEY



LEGEND:

- INDICATES FOUND 2" IRON PIPE MARKED T.S. 4324" PER P.A. NO. 17986 UNLESS OTHERWISE NOTED.
- INDICATES 2" x 24" IRON PIPE WITH BEST STAMPED T.S. 6215" PER MAP NO. _____ NOT SET PER TO RECONSTRUCTION OF THIS MAP.
- △ INDICATES WILL SET 2" x 24" IRON PIPE WITH BEST STAMPED T.S. 6215".
- INDICATES FOUND SAN DIEGO COUNTY GPS CONTROL MONUMENT AS NOTED HEREON.
- () INDICATES RECORDS OTHER PER P.A. NO. 17986
- INDICATES SUBSTANTIAL BOUNDARY
- INDICATES ADJACENT'S RIGHTS OF ACCESS RECONSTRUCTED HEREON
- INDICATES RURAL BOUNDARY
- (R) INDICATES RURAL AND LAST LAY NUMBER, RESPECTIVELY
- INDICATES ACCESS RIGHTS FROM LOT 48, 49 AND LOT 48 IN AND TO THE PORTION OF LOTS 48, 49 AND 50 MARKED UNRECOVERABLE OPEN TO DEDICATE PUBLIC STREET ACCEPTED HEREON.

NOTES:

1. TOTAL NUMBER OF LOTS = 71
2. ACRES = 34.677 ACRES
3. ALL LOT CORNERS WILL BE MONUMENTED BY A 1/2" IRON PIPE STAMPED T.S. 6215" NO OTHER MONUMENTS WILL BE REQUIRED TO BE SET.
4. UNLESS OTHERWISE SHOWN, ALL CURVES ARE TANGENT CURVES
5. LOTS 63 AND 68 ARE PRIVATE EASES. THE RESPONSIBILITY FOR MAINTENANCE OF SAID EASES SHALL REMAIN WITH THE OWNER OF THE PLOT TITLE OF SAID LAND AND HAVING CONTROLLED HEREON SHALL BE CONSIDERED TO ASSUME ANY MAINTENANCE RESPONSIBILITY TO THE CITY OF SAN DIEGO. SAID EASES SHALL REMAIN CONTROLLED HEREON CONTRASTED TO COVER ANY RIGHTS TO THE GENERAL PUBLIC.
6. UNLESS OTHERWISE SHOWN, ALL CURVES ARE TANGENT CURVES
7. 1/4" x 1/4" IRON PIPE PER MAP NO. 17986 MONUMENT HAS BEEN DESTROYED DUE TO CONSTRUCTION.
8. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
9. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
10. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
11. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
12. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
13. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
14. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
15. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
16. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
17. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
18. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
19. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
20. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
21. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
22. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
23. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
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26. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
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59. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
60. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
61. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
62. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
63. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
64. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
65. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
66. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
67. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
68. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
69. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
70. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986
71. FOUND 1/4" IRON PIPE MARKED T.S. 6215" PER P.A. NO. 17986

BASIS OF BEARINGS:

THE BASIS OF BEARINGS FOR THIS MAP IS CALIFORNIA COORDINATE SYSTEM MAY 11, 2000. MONUMENT HAS BEEN DESTROYED DUE TO CONSTRUCTION. SAID MONUMENT WAS SURVEYED IN JANUARY OF 1998. GPS STA. WAS BY THE FOLLOWING COORDINATES:
N 1344.72133
E 6217.36344

THE COMBINED SCALE FACTORS AT 2000'S EPOCH 448 IS SUBTRACTED AND AT 2000'S EPOCH 448 IS SUBTRACTED. CURVED DISTANCE = GROUND DISTANCE x COMBINED SCALE FACTOR.

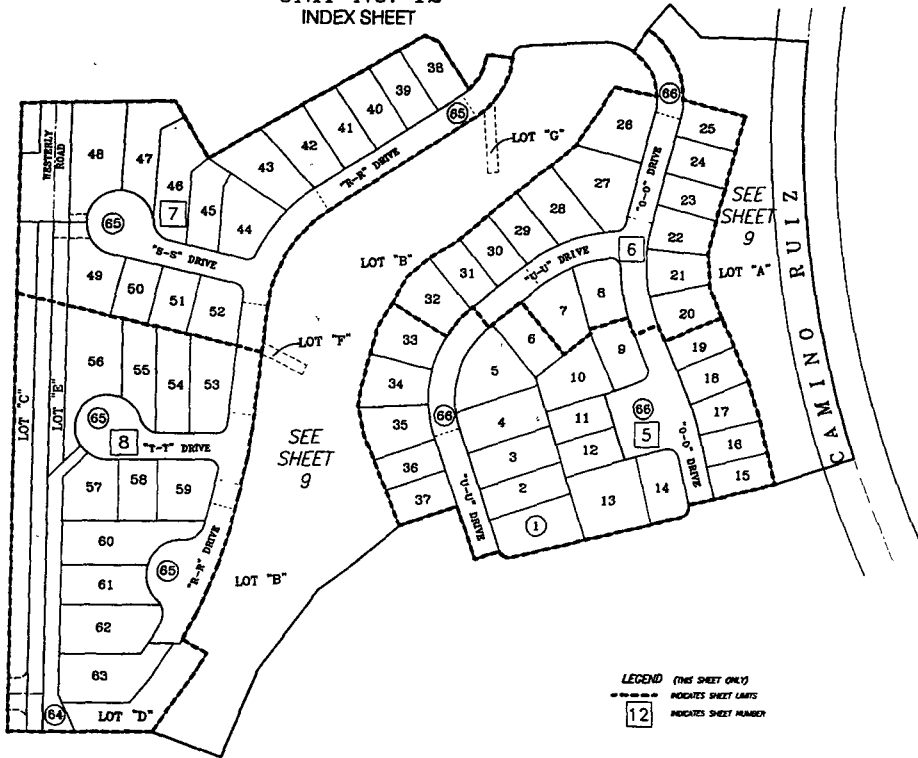
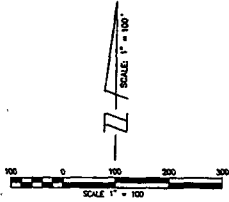
CURVED BEARINGS FROM REFERENCE MAPS OR DEEDS MAY OR MAY NOT BE IN TERMS OF SAID SYSTEM.

HANSKNER & ASSOCIATES SAN DIEGO, INC.
PLANNING - ENGINEERING - SURVEYING
16715 MIDWAY DRIVE - SAN DIEGO, CA 92128
619-596-2300 - FAX 619-596-1414
HANSKNER@HANSKNER.COM - P.O. 43-107

CCS 83.C 1936-6379 L.C. 296-1719 T.M. 93-0173 W.O. 991148

C-350

BLACK MOUNTAIN RANCH UNIT NO. 12 INDEX SHEET

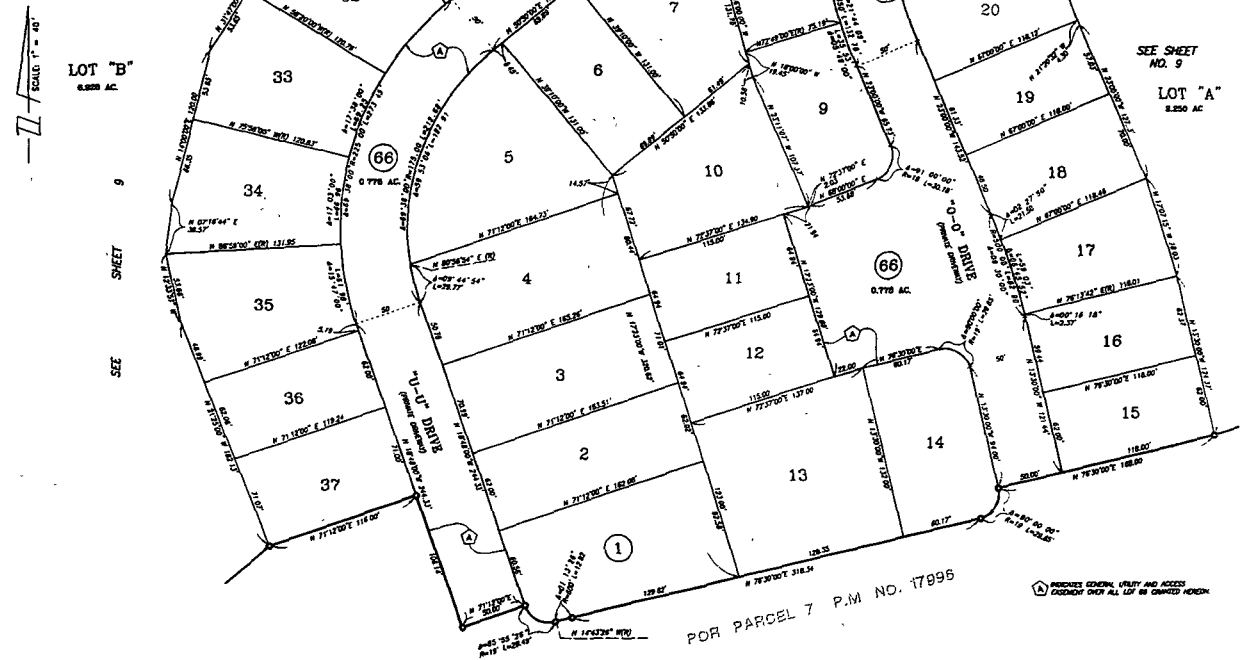
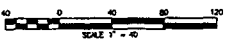


HANSARD & ASSOCIATES SAN DIEGO, INC.
 PLANNING - ENGINEERING - SURVEYING
 10775 MARQUETTE CIRCLE - SAN DIEGO, CA 92121
 (619) 594-0307 - FAX (619) 594-0311
 E-MAIL: HANSARD@AOL.COM - SA 42-207

CCS 83.C 1936-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991148

C-351

BLACK MOUNTAIN RANCH UNIT NO. 12

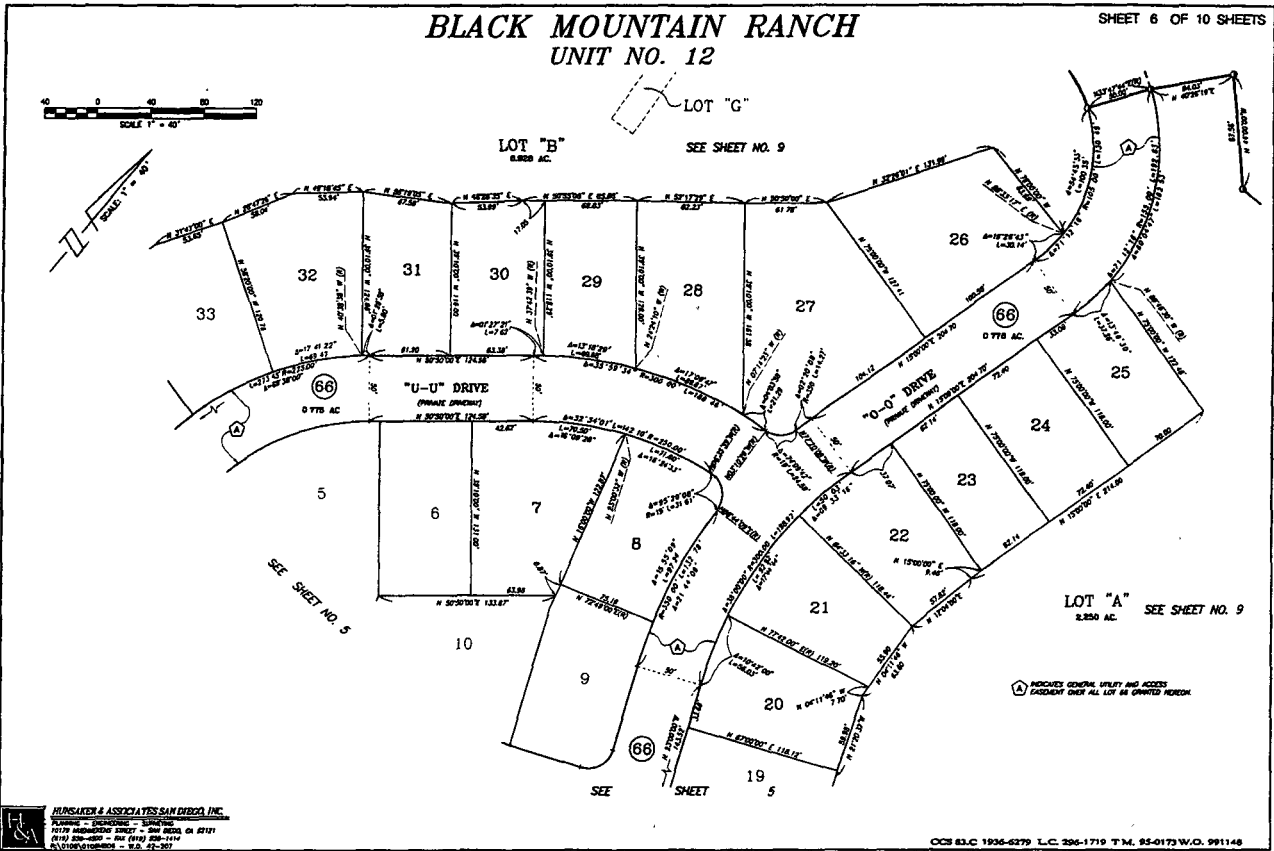


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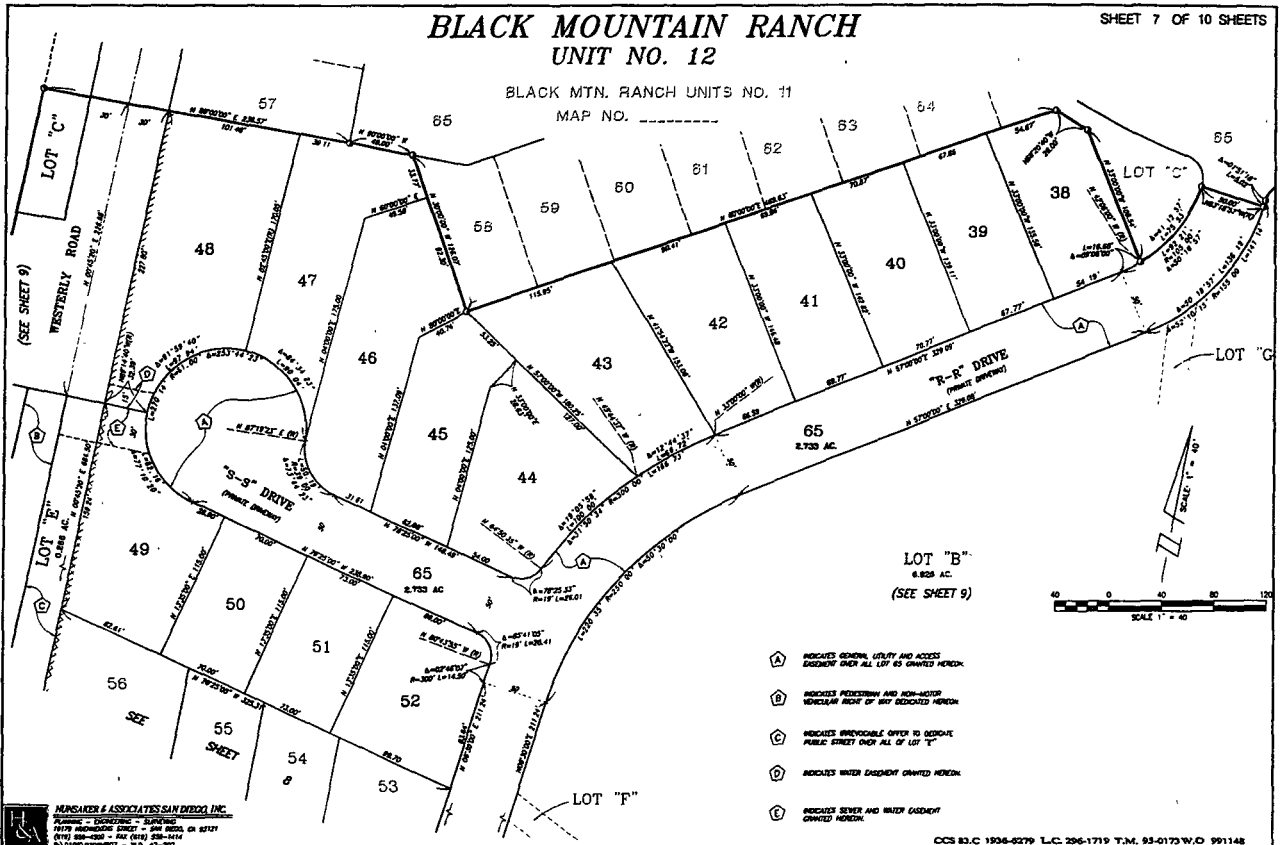
C-352

BLACK MOUNTAIN RANCH UNIT NO. 12



C-353

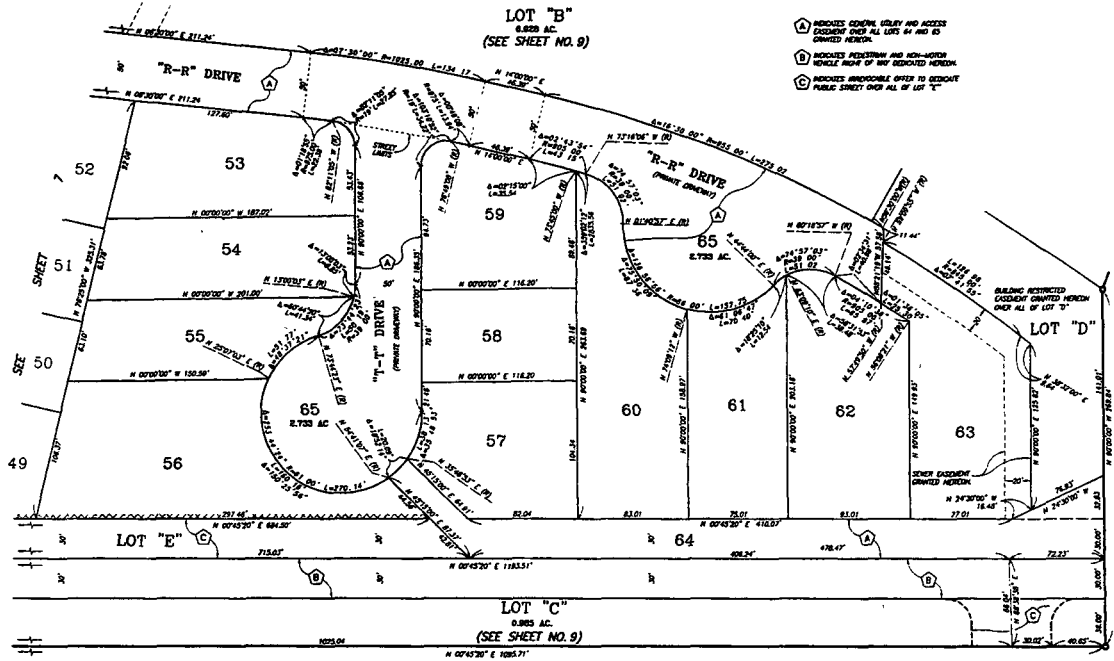
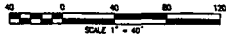
BLACK MOUNTAIN RANCH UNIT NO. 12



C-354

BLACK MOUNTAIN RANCH UNIT NO. 12

SCALE 1" = 40'



- (A) INDICATES GENERAL VEHICLE AND ACCESS EASEMENT OVER ALL LOTS 54 AND 65 GRANTED HEREON.
- (B) INDICATES PEDESTRIAN AND NON-MOTOR VEHICLE EASEMENT OVER ALL OF LOT 7.
- (C) INDICATES UNDIVISIBLE OFFER TO DEDICATE PUBLIC STREET OVER ALL OF LOT 7.

POR. PARCEL 7 P.M. NO. 17989G

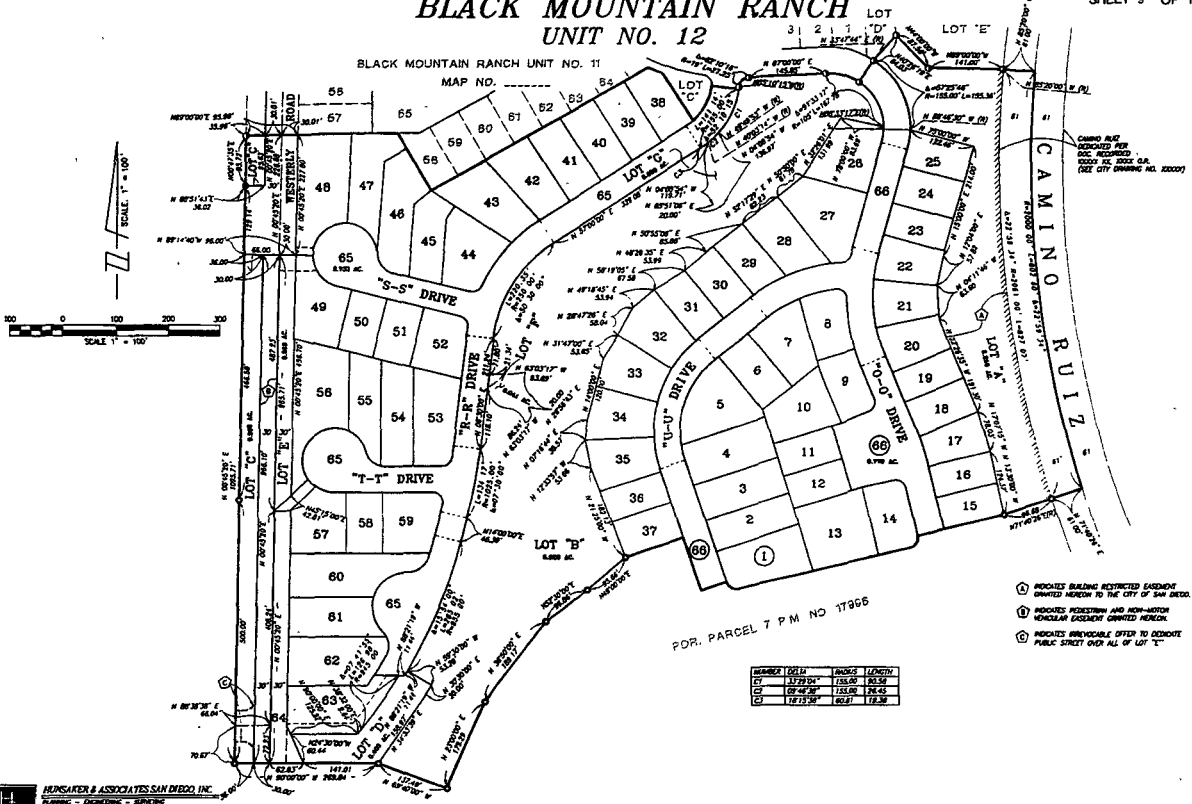
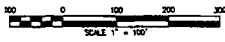
HENSUKER & ASSOCIATES SAN DIEGO, INC.
 16179 HIGHWAY 56 - SAN DIEGO, CA 92121
 (619) 594-4200 - FAX (619) 594-4114
 E-MAIL: HENSUKER@AOL.COM

CCS 83.C 1936-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991148

C-355

BLACK MOUNTAIN RANCH UNIT NO. 12

SCALE 1" = 100'



- (A) INDICATES BUILDING RESTRICTED EASEMENT GRANTED HEREON TO THE CITY OF SAN DIEGO.
- (B) INDICATES PEDESTRIAN AND NON-MOTOR VEHICLE EASEMENT GRANTED HEREON.
- (C) INDICATES UNDIVISIBLE OFFER TO DEDICATE PUBLIC STREET OVER ALL OF LOT 7.

PARCEL	AREA	ACRES	PERCENT
65	2,733.00	6.25	100.00
66	1,777.50	4.06	61.83
67	1,777.50	4.06	61.83

HENSUKER & ASSOCIATES SAN DIEGO, INC.
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C-356

BLACK MOUNTAIN RANCH UNIT NO. 13

STATE OF CALIFORNIA SS
COUNTY OF SAN DIEGO)
ON _____ BEFORE ME, _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____
PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY
EVIDENCE TO BE THE PERSON(S) WHOSE INTEREST(S) IS/ARE SUBSCRIBED TO THE WITHIN
INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/IT/HEY EXECUTED THE SAME IN
HEALTHY/MIND AUTHORIZED COMPETENCE, AND THAT BY HE/SHE/IT/HEY SIGNATURE(S)
ON THE INSTRUMENT, THE PERSON(S) OR THE ENTITY UPON BEHALF OF WHICH THE
PERSON(S) ACTED, DECIDED THE INSTRUMENT.

WITNESS MY HAND _____
PLURAL FIRST NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS
COUNTY OF SAN DIEGO)
ON _____ BEFORE ME, _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____
PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY
EVIDENCE TO BE THE PERSON(S) WHOSE INTEREST(S) IS/ARE SUBSCRIBED TO THE WITHIN
INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/IT/HEY EXECUTED THE SAME IN
HEALTHY/MIND AUTHORIZED COMPETENCE, AND THAT BY HE/SHE/IT/HEY SIGNATURE(S)
ON THE INSTRUMENT, THE PERSON(S) OR THE ENTITY UPON BEHALF OF WHICH THE
PERSON(S) ACTED, DECIDED THE INSTRUMENT.

WITNESS MY HAND _____
PLURAL FIRST NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS
COUNTY OF SAN DIEGO)
ON _____ BEFORE ME, _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____
PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY
EVIDENCE TO BE THE PERSON(S) WHOSE INTEREST(S) IS/ARE SUBSCRIBED TO THE WITHIN
INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/IT/HEY EXECUTED THE SAME IN
HEALTHY/MIND AUTHORIZED COMPETENCE, AND THAT BY HE/SHE/IT/HEY SIGNATURE(S)
ON THE INSTRUMENT, THE PERSON(S) OR THE ENTITY UPON BEHALF OF WHICH THE
PERSON(S) ACTED, DECIDED THE INSTRUMENT.

WITNESS MY HAND _____
PLURAL FIRST NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

STATE OF CALIFORNIA SS
COUNTY OF SAN DIEGO)
ON _____ BEFORE ME, _____ NOTARY
PUBLIC, PERSONALLY APPEARED _____
PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY
EVIDENCE TO BE THE PERSON(S) WHOSE INTEREST(S) IS/ARE SUBSCRIBED TO THE WITHIN
INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/IT/HEY EXECUTED THE SAME IN
HEALTHY/MIND AUTHORIZED COMPETENCE, AND THAT BY HE/SHE/IT/HEY SIGNATURE(S)
ON THE INSTRUMENT, THE PERSON(S) OR THE ENTITY UPON BEHALF OF WHICH THE
PERSON(S) ACTED, DECIDED THE INSTRUMENT.

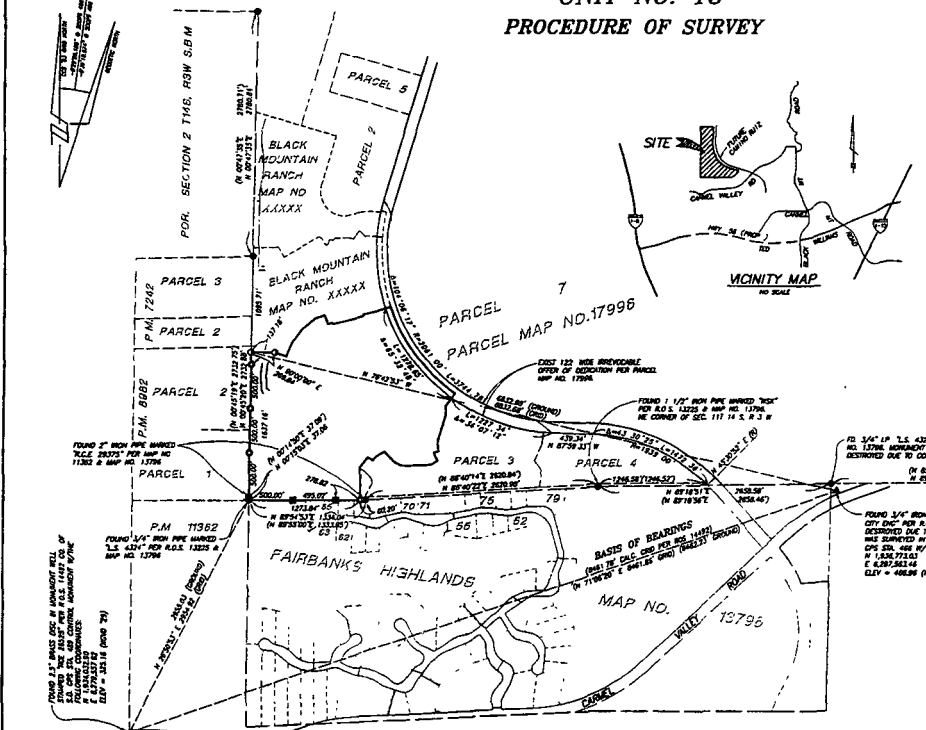
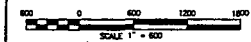
WITNESS MY HAND _____
PLURAL FIRST NAME _____
COMMISSION NUMBER _____
MY COMMISSION EXPIRES _____
PRINCIPAL PLACE OF BUSINESS _____ COUNTY _____

MENSHAKER & ASSOCIATES SAN DIEGO, INC.
PLANNING • ENGINEERING • SURVEYING
1819 BALDWIN STREET • SAN DIEGO, CA 92101
(619) 594-8200 • FAX (619) 594-1411
E-MAIL: M&A@MENSHAKER.COM • WWW.MENSHAKER.COM

CDS 83.C 1936-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991149

C-359

BLACK MOUNTAIN RANCH UNIT NO. 13 PROCEDURE OF SURVEY



- LEGEND:**
- ▬ INDICATES 2" HIGH PIPE MARKED "S. 0000" FOR P.M. NO. 12796, NOT SET PROOF BY RECORDATION OF THIS MAP
 - INDICATES FOUND 2" HIGH PIPE MARKED "S. 4504" FOR P.M. NO. 17906, UNLESS OTHERWISE NOTED.
 - INDICATES 2" x 2 1/2" HIGH PIPE WITH END STAMPED "S. 6212" FOR MAP NO. _____ NOT SET PROOF BY RECORDATION OF THIS MAP
 - INDICATES 2" x 2 1/2" HIGH PIPE WITH END STAMPED "S. 6715"
 - ▲ INDICATES FOUND SAN DIEGO COUNTY GPS CONTROL MONUMENT AS NOTED HEREON.
 - () INDICATES RECORD DATA FOR P.M. NO. 17906
 - ▬▬▬▬ INDICATES SUBDIVISION BOUNDARY
 - ▬▬▬▬ INDICATES ADJUTANT'S RIGHTS OF ACCESS RELINQUISHED HEREON
 - (D) INDICATES BOUNDARY
 - ① ② INDICATES FIRST AND LAST LOT NUMBERS, RESPECTIVELY

- NOTES:**
1. TOTAL NUMBER OF LOTS = 37 INCLUDING A LETTERED LOT
 2. AREA = 82.768 ACRES
 3. ALL LOT CORNERS WILL BE MONUMENTED BY A 1/2" HIGH PIPE STAMPED "S. 6212" NO OFFSET MONUMENTS WILL BE REQUIRED TO BE SET
 4. UNLESS OTHERWISE SHOWN, ALL CURVES ARE TANGENT CURVES
 5. LOT 23 IS A PRIVATE DRIVEWAY. THE RESPONSIBILITY FOR MAINTENANCE OF THIS DRIVEWAY SHALL REMAIN WITH THE OWNER OF THE PEE TITLE OF SAID LAND AND NEIGHING CONTIGUOUS HEREON SHALL BE CONSIDERED AS BEING HIS UNLESS OTHERWISE PROVIDED BY THE CITY OF SAN DIEGO. THIS SHALL APPLY TO ANY CONTIGUOUS PLOT OF LAND AS CONTAINED TO CORNER ANY RIGHTS TO THE CENTER, PUBLIC
 - EXISTING EASEMENT FOR HOUSING PURPOSES TO ANGELA F. LEONARD, MANY LEGAL SUCCESSIONS, ELMH A TRACT, SAN F. BEST LOUSE F. JUMP AUGUST 7 LEGAL, MADE LEGAL, LEGAL AND SITE AND TOGETHER PARAGRAPHS AND MANY PROCEEDING PARAGRAPHS, PLANNING AND SITE, HOLDER OF AN EASEMENT RECORDED 8-18-1977 IN BOOK 1127 PAGE 544 OF DEEDS IS A GENERAL EASEMENT WITH NO LOCATION SET FORTH BY THE DEED AND SHOULD BE PLOTTED ON MAP
 - FOUND 1/2" HIGH PIPE MARKED "S. 12796" FOR P.M. NO. 12796 & MAP NO. 17906. THE CORNER OF SEC. 11 T. 3 S. R. 3 W.
 - FOUND 3/4" HIGH PIPE & BRASS END STAMPED "S. 0000" FOR P.M. NO. 12796. MONUMENT HAS BEEN DESTROYED DUE TO CONSTRUCTION. SAID MONUMENT WAS SURVEYED IN JANUARY OF 1996. CO. OF S.E. GPS ST. 488 HAVING FOLLOWING COORDINATES: N 1324.77161 E 42.9245144 ELEV = 408.96 (MDD 74)
 - FOUND 3/4" HIGH PIPE MARKED "S. 0000" FOR P.M. NO. 12796 & MAP NO. 17906

BASIS OF BEARINGS:
THE BASIS OF BEARINGS FOR THIS MAP IS CALIFORNIA COORDINATE SYSTEM AND T11 ZONE 6, BASED UPON THE GRID BEARING BETWEEN SECTION CORNER 487 AND SECTION CORNER 488 AS SHOWN IN RECORD OF SURVEY MAP NO. 14492, L.A. N 71° 08' 30" E.

THE COMBINED SCALE FACTORS AT 8000 STATION 448 IS 0.9999998 AND AT 8000 IS 0.9999998. GRID BEARING = GROUND BEARING x COMBINED SCALE FACTOR.

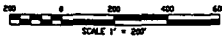
PLOTTED BEARINGS FROM PREVIOUS MAPS OR DEEDS MAY OR MAY NOT BE IN LINE OF THIS SURVEY.

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E-MAIL: M&A@MENSHAKER.COM • WWW.MENSHAKER.COM

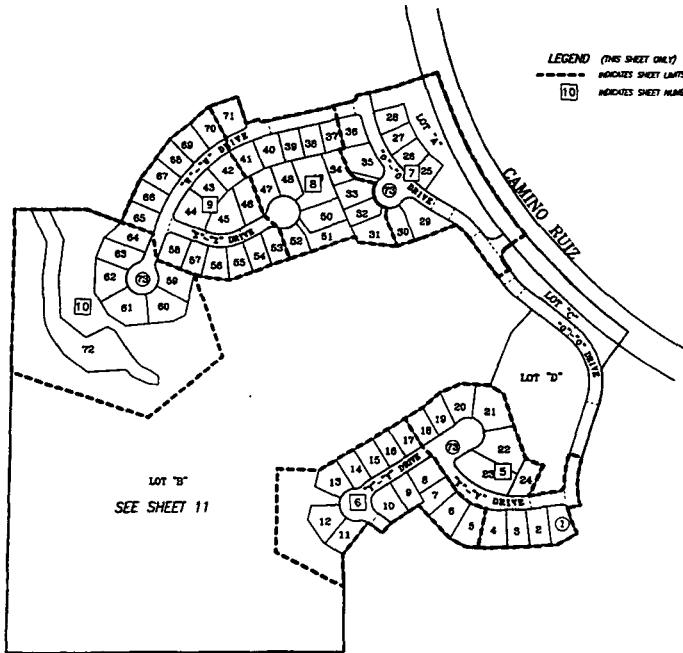
CDS 83.C 1936-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991149

C-360

BLACK MOUNTAIN RANCH
UNIT NO. 13
INDEX SHEET



LEGEND (THIS SHEET ONLY)
 --- INDICATES SHEET LIMITS
 10 INDICATES SHEET NUMBER



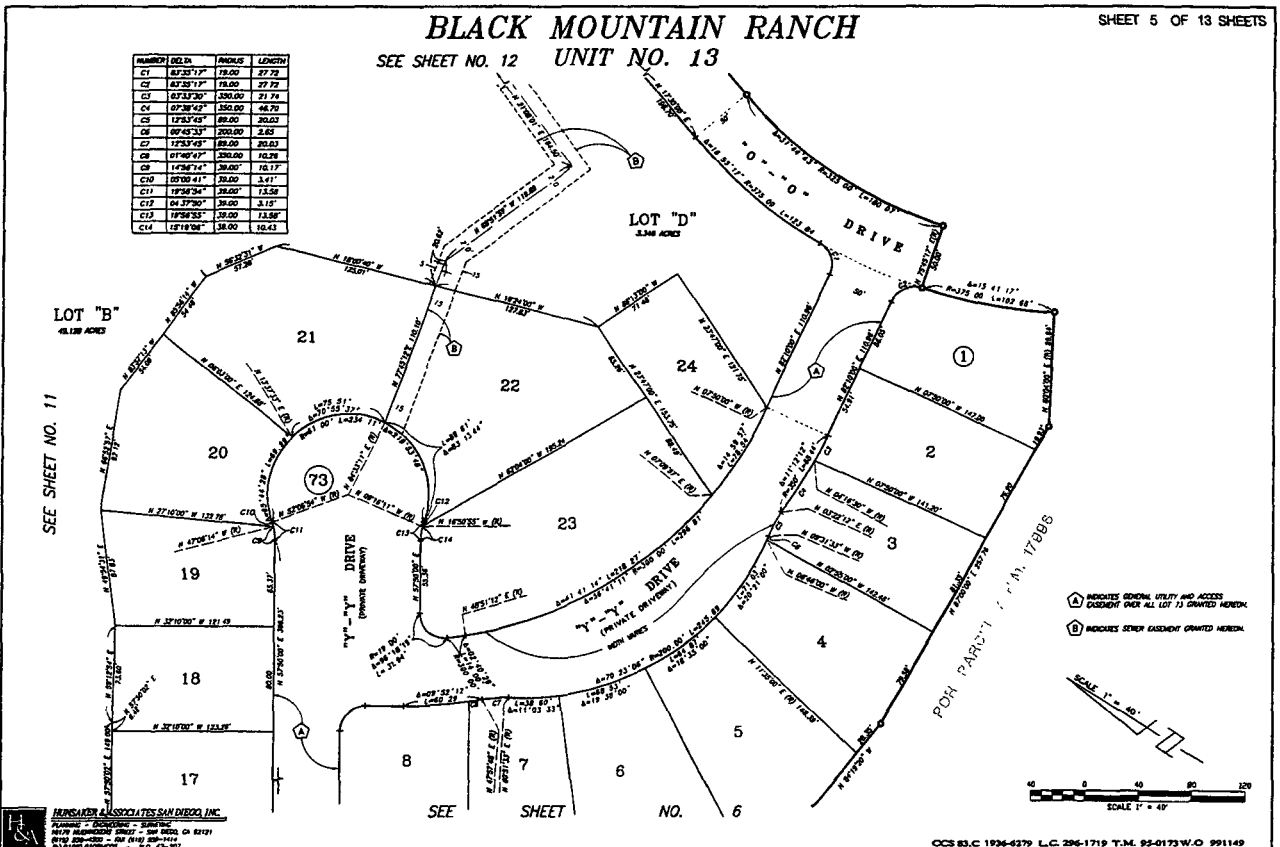
HENSINGER & ASSOCIATES SAN DIEGO, INC.
 PLANNING & ENGINEERING - SURVEYING
 1618 BALBOA STREET - 5TH FLOOR, SAN DIEGO, CA 92101
 (619) 594-8200 - FAX (619) 594-1414
 HENSINGER@COMPUSA.COM - WWW.HA-SD.COM

CCS 83.C 1936-6279 L.C. 296-1719 T.M. 93-0173 W.O. 991149

C-361

BLACK MOUNTAIN RANCH
SEE SHEET NO. 12 UNIT NO. 13

NUMBER	DETA.	ANGLES	LENGTH
C1	87°30'17"	19.00	27.72
C2	82°32'37"	19.00	27.72
C3	87°32'30"	330.00	21.74
C4	87°38'42"	350.00	46.70
C5	173°53'43"	86.00	20.07
C6	89°45'51"	250.00	2.82
C7	173°53'43"	86.00	20.07
C8	87°40'47"	330.00	10.28
C9	147°36'14"	38.00	18.17
C10	107°03'11"	38.00	3.41
C11	173°58'34"	32.00	1.58
C12	84°37'30"	38.00	3.10
C13	173°58'35"	38.00	1.58
C14	127°18'00"	38.00	10.43



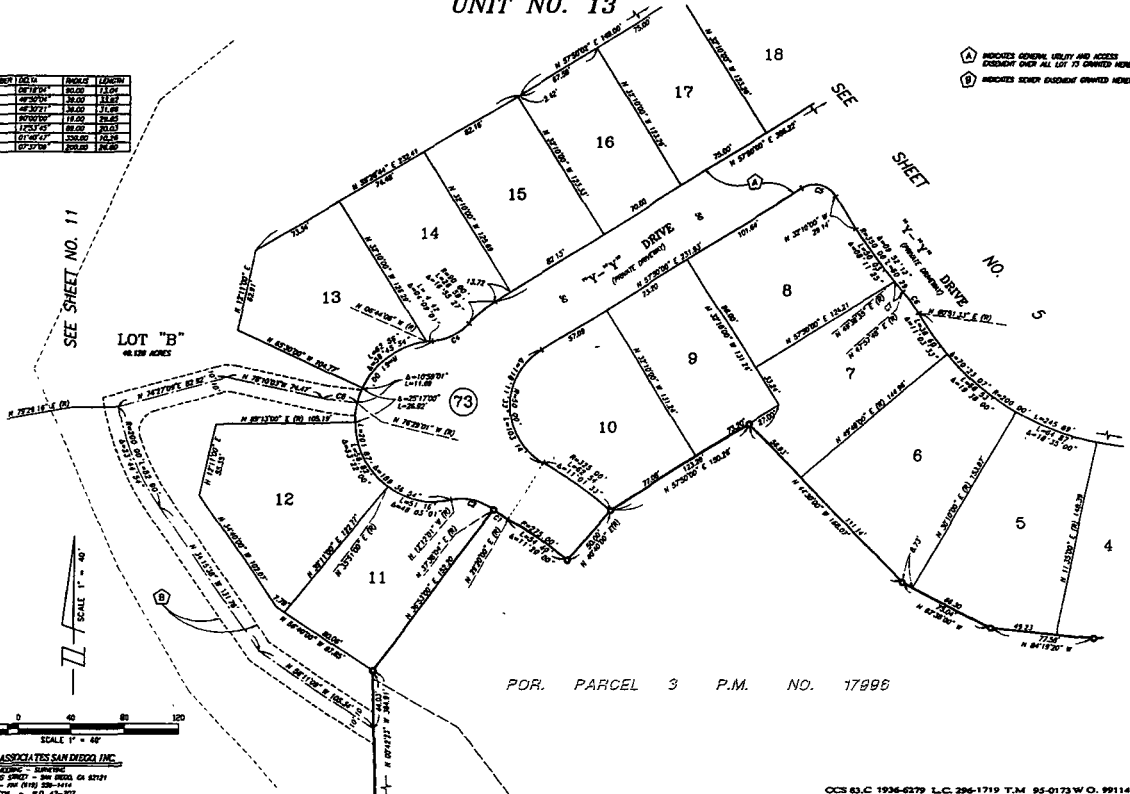
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C-362

BLACK MOUNTAIN RANCH UNIT NO. 13

NUMBER	AREA	LENGTH
1	12.00	11.71
2	12.00	11.71
3	12.00	11.71
4	12.00	11.71
5	12.00	11.71
6	12.00	11.71
7	12.00	11.71
8	12.00	11.71
9	12.00	11.71
10	12.00	11.71
11	12.00	11.71
12	12.00	11.71
13	12.00	11.71
14	12.00	11.71
15	12.00	11.71
16	12.00	11.71
17	12.00	11.71
18	12.00	11.71

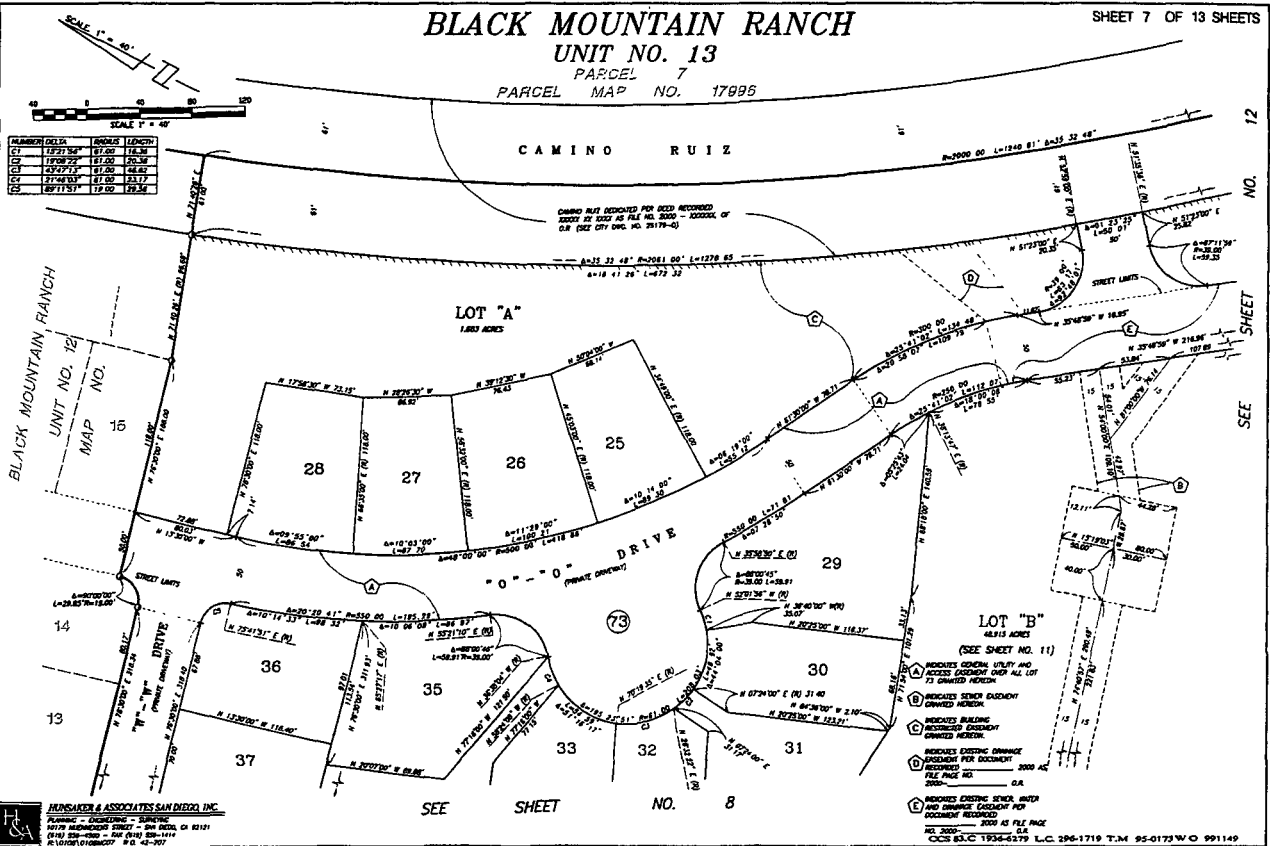


CCS 83.C 1936-8379 L.C. 296-1719 T.M. 95-0173 W.O. 991149

C-363

BLACK MOUNTAIN RANCH UNIT NO. 13

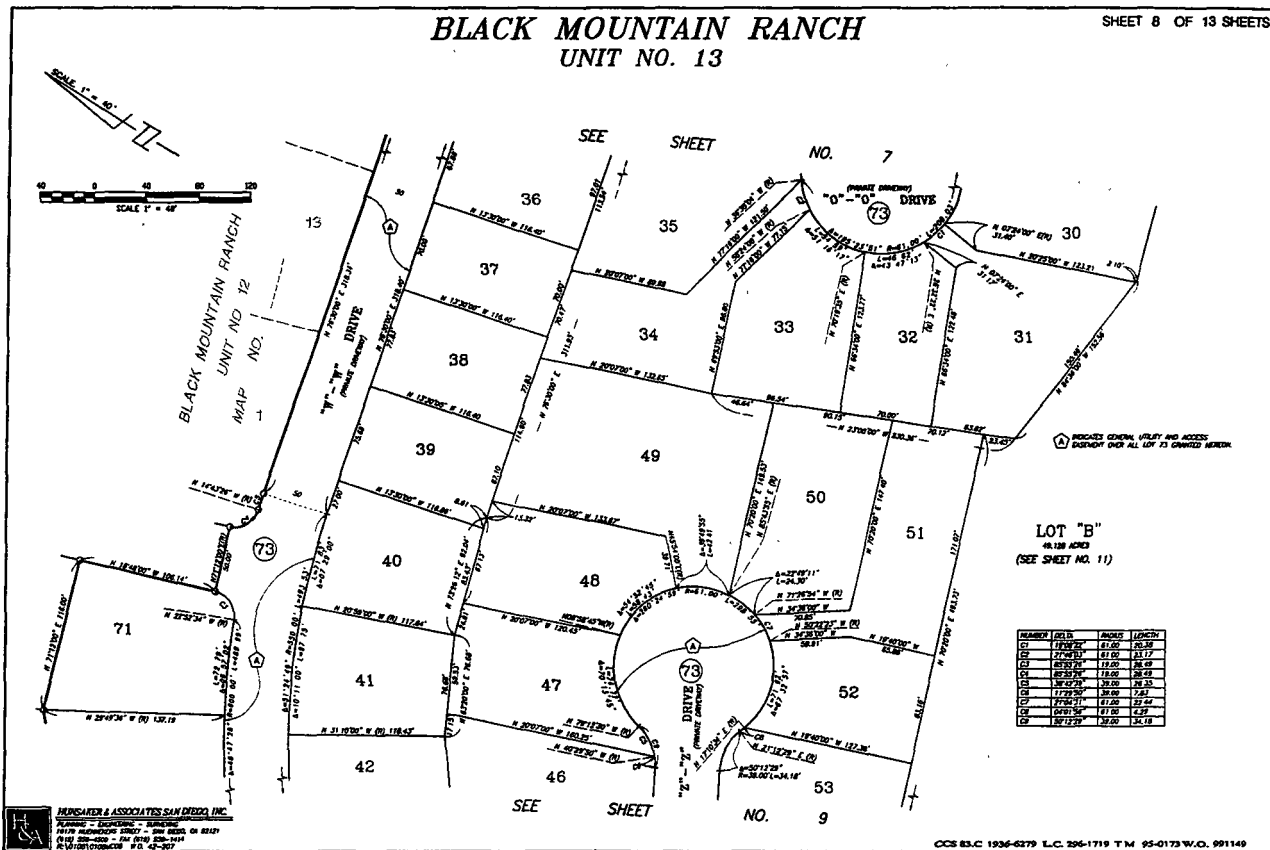
NUMBER	AREA	LENGTH
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2	12.00	11.71
3	12.00	11.71
4	12.00	11.71
5	12.00	11.71
6	12.00	11.71
7	12.00	11.71
8	12.00	11.71
9	12.00	11.71
10	12.00	11.71
11	12.00	11.71
12	12.00	11.71
13	12.00	11.71
14	12.00	11.71
15	12.00	11.71
16	12.00	11.71
17	12.00	11.71
18	12.00	11.71



CCS 83.C 1936-8379 L.C. 296-1719 T.M. 95-0173 W.O. 991149

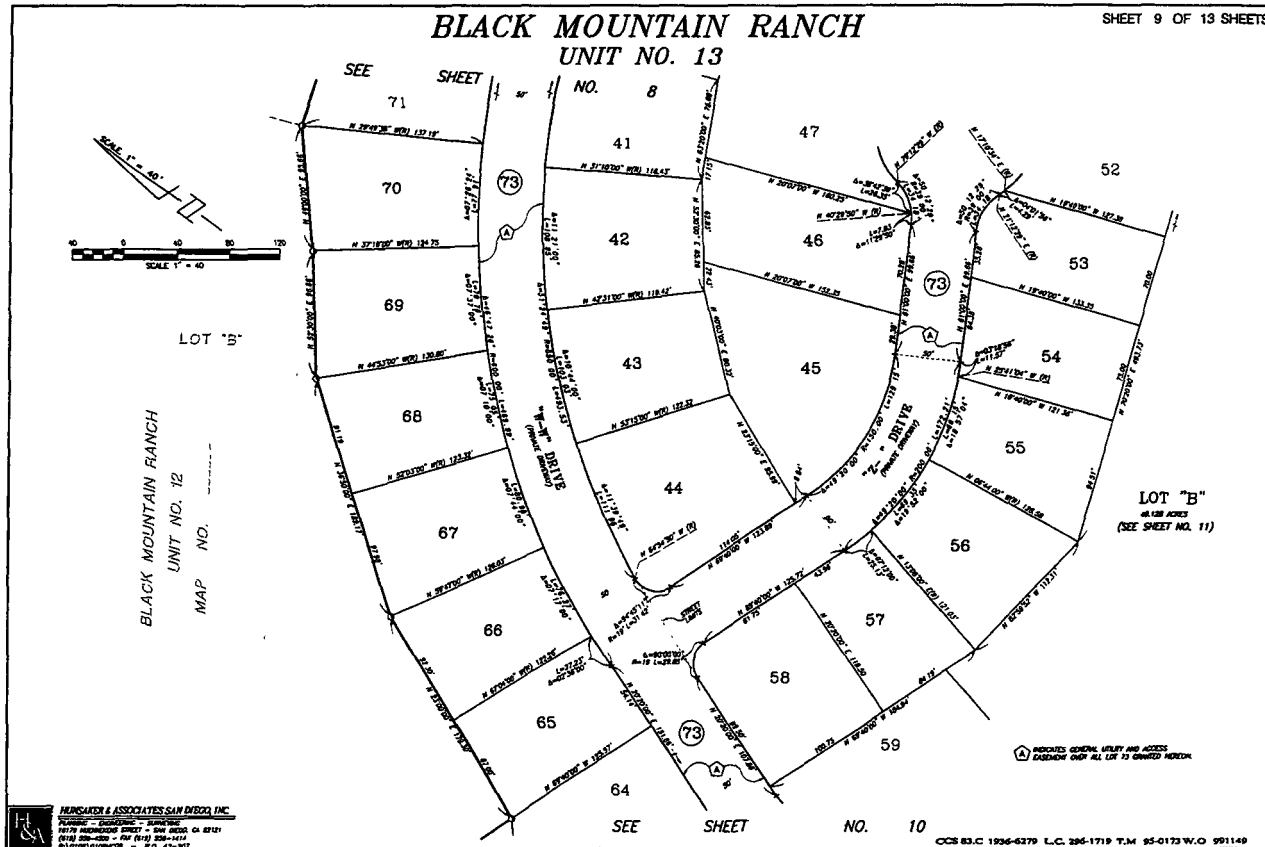
C-364

BLACK MOUNTAIN RANCH UNIT NO. 13

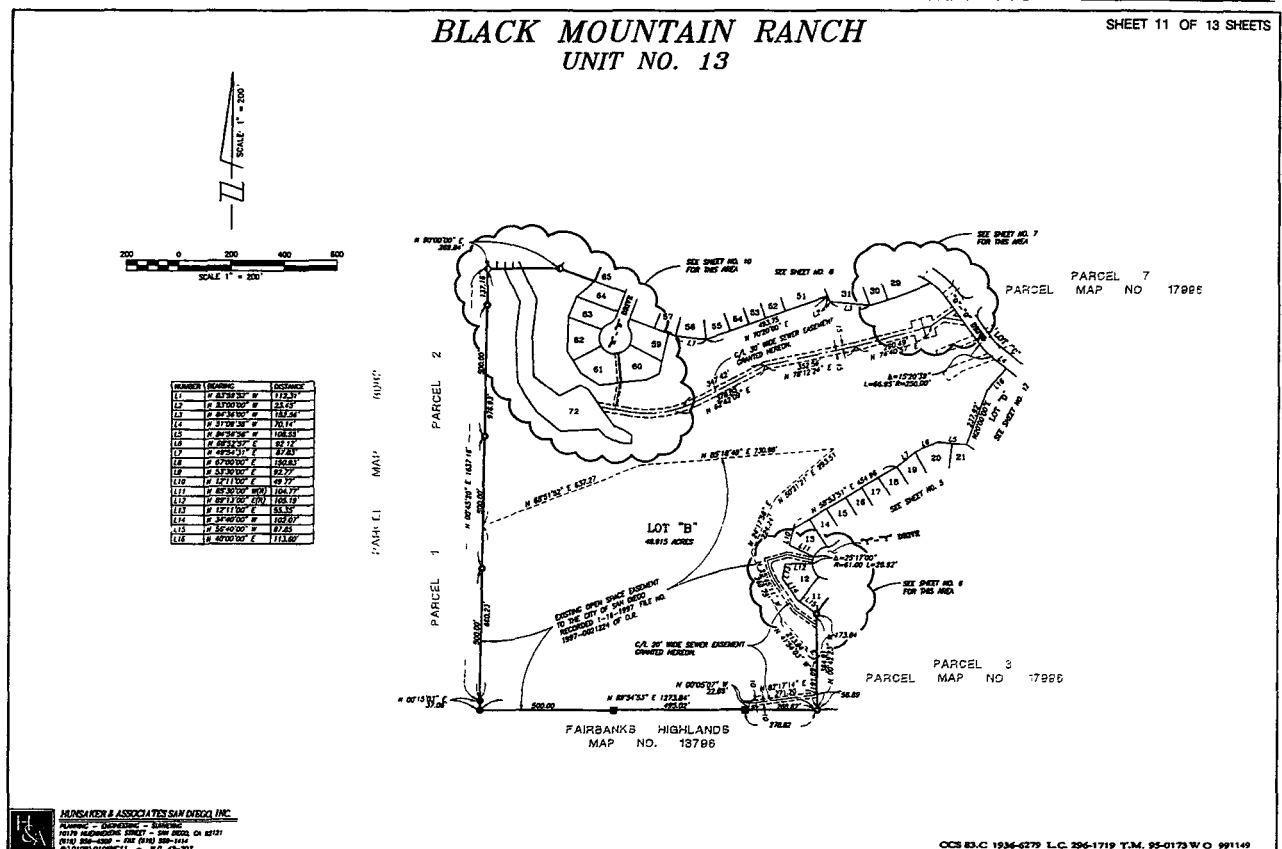
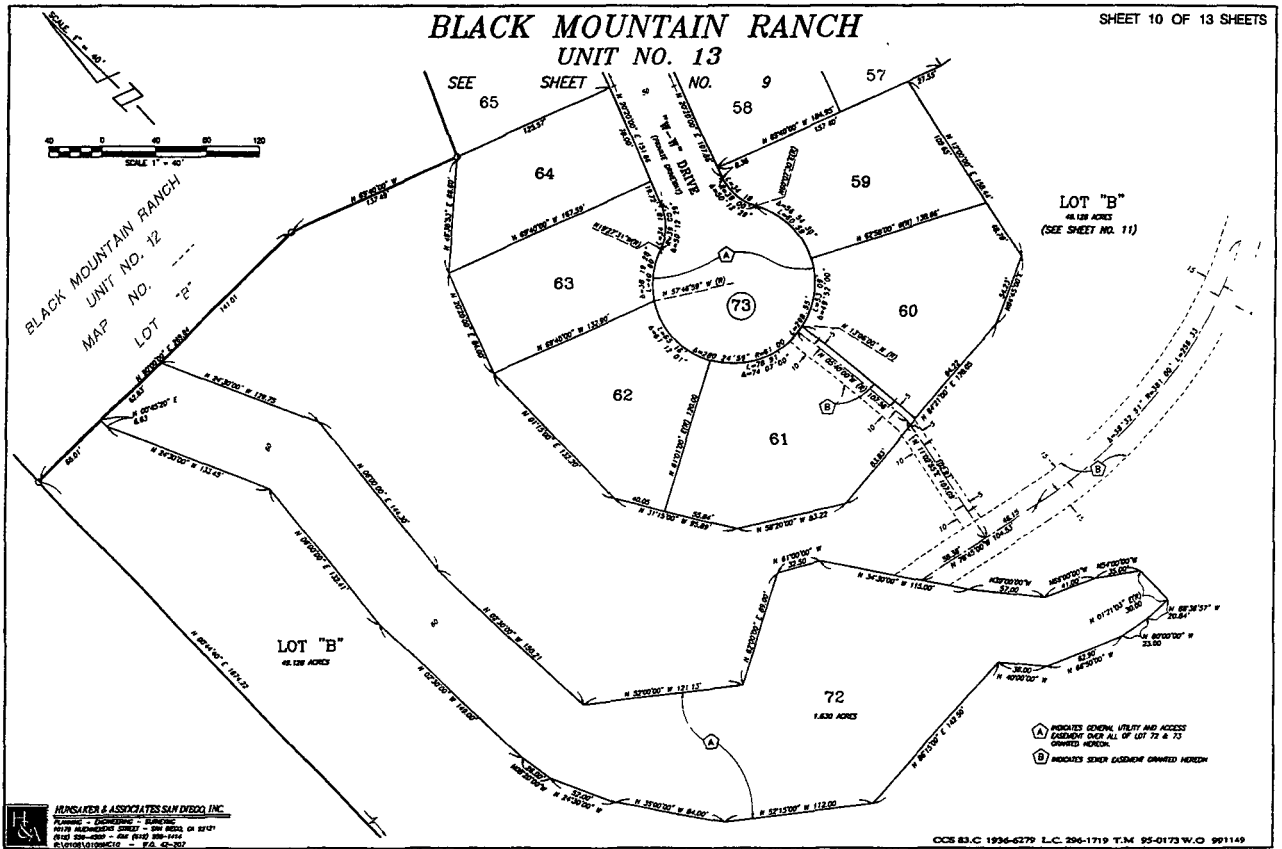


C-365

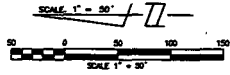
BLACK MOUNTAIN RANCH UNIT NO. 13



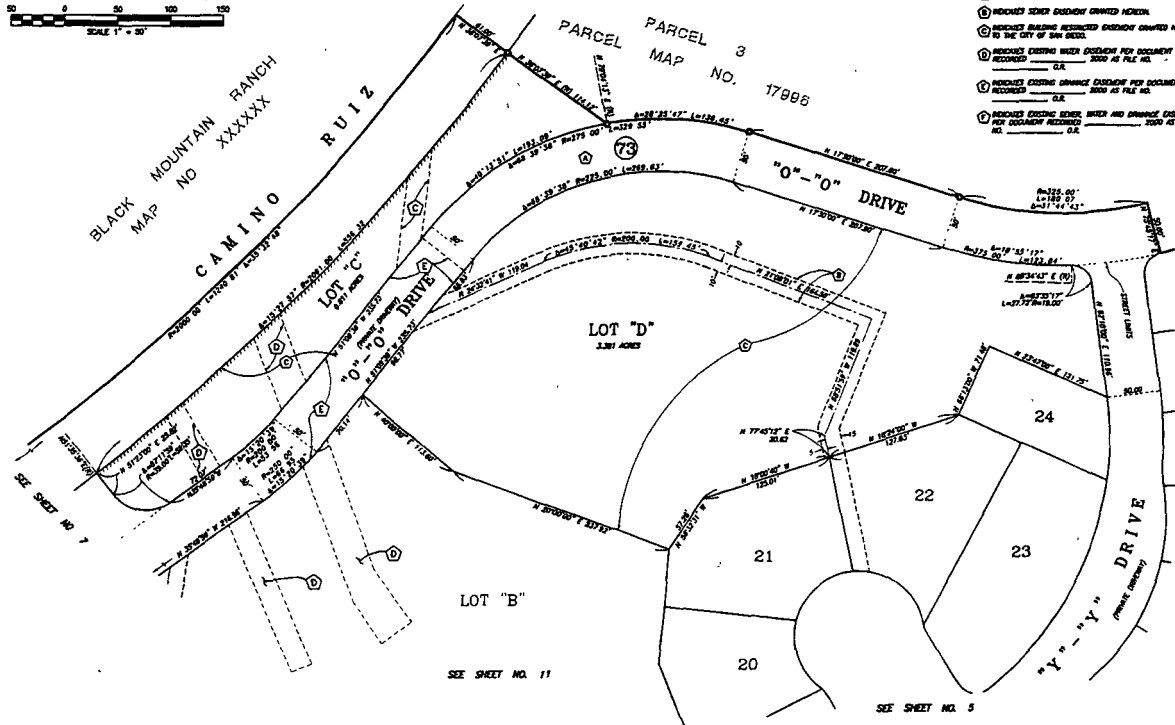
C-366



BLACK MOUNTAIN RANCH UNIT NO. 13



- ① INDICATES GENERAL UTILITY AND ACCESS EASEMENT OVER ALL
- ② LOT 17 OWNED PERSON
- ③ INDICATES EASEMENT GRANTED HEREON
- ④ INDICATES EASEMENT GRANTED HEREON TO THE CITY OF SAN DIEGO
- ⑤ INDICATES EXISTING UTILITY EASEMENT PER DOCUMENT RECORDED _____ O.R. _____ 2000 AS FILE NO.
- ⑥ INDICATES EXISTING CHANCE EASEMENT PER DOCUMENT RECORDED _____ O.R. _____ 2000 AS FILE NO.
- ⑦ INDICATES EXISTING EASEMENT UNDER AN EASEMENT GRANTED PER DOCUMENT RECORDED _____ O.R. _____ 2000 AS FILE NO.

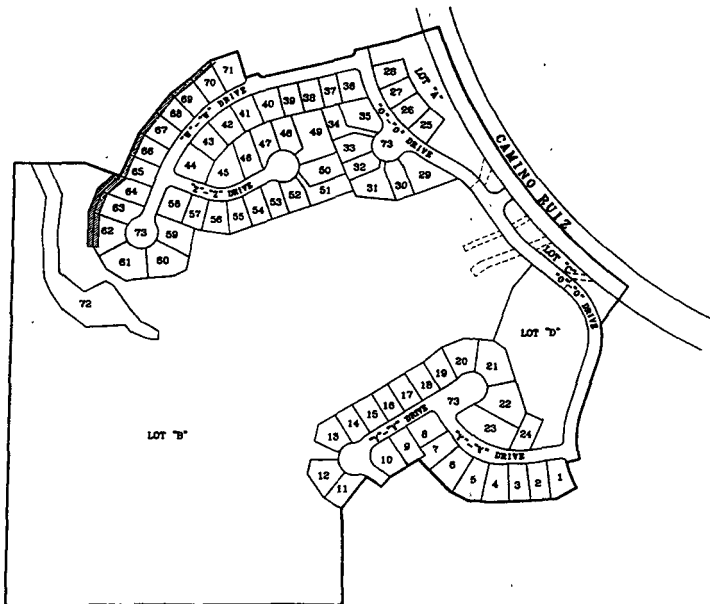
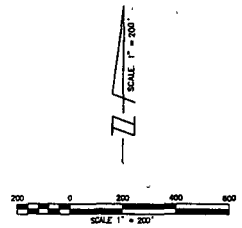


HANSKER & ASSOCIATES SAN DIEGO, INC.
 PLANNING - ENGINEERING - SURVEYING
 16175 MARLBOROUGH STREET - SAN DIEGO, CA 92127
 (619) 594-4200 - FAX (619) 594-1414
 HANSKER@HANSKER.COM - WWW.HANSKER.COM

CDS 83.C 1936-6279 L.C. 286-1719 T.M. 95-0173 W.O. 991149

C-369

BLACK MOUNTAIN RANCH UNIT NO. 13 (NON-TITLE INFORMATION)



LEGEND

INDICATES FIRE HAZARD REDUCTION ZONE PER SECTION 8 OF THE CITY OF SAN DIEGO LANDSCAPE TECHNICAL MANUAL, APPROVED BY THE PLANNING COMMISSION ON MARCH 14, 1995 AS RESOLUTION NO. 8840-PC AND APPROVED BY THE CITY COUNCIL ON OCTOBER 1, 1995 AS RES. NO. 274009 AND ANY OTHER BUILDING CODE REGULATION.

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CDS 83.C 1936-6279 L.C. 286-1719 T.M. 95-0173 W.O. 991149

C-370

BLACK MOUNTAIN RANCH UNIT NO. 14

WE ARE THE OWNERS OF OR ARE INTERESTED IN THE PROPERTY DESCRIBED WITHIN THE SUBDIVISION TO BE SHOWN AS BLACK MOUNTAIN RANCH UNIT NO. 14 AND WE HEREBY CONSENT TO THE PREPARATION AND RECORDATION OF THIS MAP CONSISTING OF 10 SHEETS AND DESIGNATED BY THE CITIES' BODY.

BEING A SUBDIVISION OF A PORTION OF PARCELS 3, 4 AND 7 OF PARCEL MAP NO. 17386, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY JUNE 11, 1988, ALL IN THE CITY OF SAN DIEGO, STATE OF CALIFORNIA, TOGETHER WITH A PORTION OF SAN DIEGO AS DESIGNATED TO PUBLIC USE.

ROAD SURVEY NO. 451 FOR CORRECTIONS RECORDED JULY 5, 1928 IN BOOK 1641, PAGE 438 OF RECORDS, JULY 31, 1947 IN BOOK 1842, PAGE 18 OF OFFICIAL RECORDS, FEBRUARY 4, 1958 IN BOOK 3462, PAGE 238 OF OFFICIAL RECORDS AND MARCH 24, 1958 IN BOOK 3523, PAGE 44 OF OFFICIAL RECORDS HAVE NOT BEEN SHOWN WITH THIS MAP, BECAUSE THEY HAVE BEEN AMENDED PURSUANT TO SECTION 560004.6 AND 1/2 OF THE SUBDIVISION MAP ACT.

THIS IS A MAP OF A PLANNED RESIDENTIAL DEVELOPMENT PROJECT AS SET FORTH IN CHAPTER 1, ARTICLE 1, DIVISION 8 OF THE SAN DIEGO MUNICIPAL CODE.

SUBDIVISION COMPILED BY FIRST AMERICAN TITLE INSURANCE COMPANY, ORDER NO. 12389-15.

WE HEREBY RELINQUISH TO THE CITY OF SAN DIEGO A MUNICIPAL CORPORATION, ANY AND ALL RIGHTS OF ACCESS IN AND TO OR OVER THE ADJACENT AND CONTIGUOUS LOTS 14 AND 15, ALL AS SHOWN ON THIS MAP. THE CITY ENGINEER IS AUTHORIZED TO REJECT ALL OR ANY OF SAID ACCESS RIGHTS IF THERE IS A CHANGE IN CIRCUMSTANCES MAKING ACCESS NECESSARY AND SAFE.

WE HEREBY GRANT TO THE CITY OF SAN DIEGO A MUNICIPAL CORPORATION, THE EASEMENTS FOR CROSSING UTILITY AND ACCESS PURPOSES OVER, UNDER, UPON, AND ACROSS LOTS 14 AND 15, SHOWN ON THIS MAP WITHIN THE SUBDIVISION AND BOUNDARIES OF SAID FACILITIES DESIGNATED AS "CROSSING EASEMENT HERETO" AS SHOWN ON THIS MAP WITHIN THE SUBDIVISION RECORDING JURISDICTION TO THE OWNER OF THE FEES INVOLVED IN SAID EASEMENT HERETO GRANTED. THE CONTINUED USE OF THE SURFACE OF SAID REAL PROPERTY AND SUBJECT TO THE FOLLOWING CONDITIONS, THE EASEMENTS OF BOUNDARIES, NECESSARY UTILITY EASEMENTS AND OTHER EASEMENTS, ON THE PLANNING OR CARRYING OF TRUCKS OR TRAILERS, OR CARRYING OF SURFACE GRADES, OR THE ACQUISITION OF PRIVATELY-OWNED PIPELINES SHALL BE FURNISHED UNLESS AN EASEMENTMENT POINT IS FIRST OBTAINED FROM THE CITY ENGINEER PURSUANT TO THE MUNICIPAL CODE.

WE TO ACCEPT GRANT AND RELINQUISH TO THE CITY OF SAN DIEGO A MUNICIPAL CORPORATION, ANY AND ALL RIGHTS TO CONTRACTS, EJECT OR REMOVE ANY ARCHITECTURAL RESTRICTIONS OR CONSTRAINTS, STRUCTURE, AS PROVIDED FOR IN PLANNED RESIDENTIAL DEVELOPMENT PERMIT NO. 98-0713, (OVER UPON OR ACROSS ALL THAT PORTION OF LOTS 14, 15 AND 16 AS SHOWN ON THIS MAP WITHIN THE SUBDIVISION AND DESIGNATED "PLANNED RESTRICTED EASEMENT GRANTED HERETO" RECORDING TO THE OWNER OF THE FEES INVOLVED IN SAID EASEMENT HERETO GRANTED AND THE RIGHT TO CONVEY EASEMENTS TO ANY PUBLIC UTILITY COMPANY FOR DISTRIBUTION FACILITIES PROVIDED THE SAME ARE INSTALLED UNDERGROUND RESPONSIBILITY FOR MAINTENANCE OF SAID LINES SHALL REMAIN WITH THE OWNER OF THE FEES TITLE OF SAID LAND AND NOTHING CONTAINED HEREIN SHALL BE CONSTRUED TO ASSIGN ANY MAINTENANCE RESPONSIBILITY TO THE CITY OF SAN DIEGO, NOR SHALL ANYTHING CONTAINED HEREIN BE CONSTRUED TO COVER ANY RIGHTS TO THE GENERAL PUBLIC.

WE HEREBY GRANT TO THE CITY OF SAN DIEGO A MUNICIPAL CORPORATION, THE EASEMENTS FOR CROSSING UTILITY AND ACCESS PURPOSES OVER, UNDER, UPON, AND ACROSS LOTS 14 AND 15, SHOWN ON THIS MAP WITHIN THE SUBDIVISION AND BOUNDARIES OF SAID FACILITIES DESIGNATED AS "CROSSING EASEMENT HERETO" INCLUDING THE RIGHT OF ACCESS AND EGRESS FOR THE REPAIR, MAINTENANCE, AND ALTERATION OF ANY UTILITY EQUIPMENT OR FACILITY SITUATED IN OR ON SAID EASEMENT, AND ALSO THE RIGHT OF ACCESS AND EGRESS OF EMERGENCY VEHICLES FOR ACCESS TO THE PROPERTIES WITHIN THE SUBDIVISION OR THE ADJACENT LOTS FOR EMERGENCY PURPOSES, RECORDING HERETO, TO THE OWNER OF THE FEES INVOLVED IN SAID EASEMENT HERETO GRANTED. (1) THE CONTINUED USE OF THE SURFACE OF SAID REAL PROPERTY SUBJECT TO THE FOLLOWING CONDITIONS, THE CARRYING OF THE SURFACE GRADES AND THE INSTALLATION OF PRIVATELY-OWNED UTILITIES, WHICH MAY INCLUDE SEWER AND WATER LINES, WATER SERVICES AND SEWER SERVICES, CABLES, STUDY LINES, FIRE PROTECTION, ELECTRIC LINES, ETC. SHALL BE PROVIDED UNLESS AN EASEMENTMENT POINT IS FIRST OBTAINED FROM THE CITY ENGINEER PURSUANT TO THE MUNICIPAL CODE, AND (2) THE RIGHT TO CONVEY EASEMENTS TO SAN DIEGO GAS AND ELECTRIC COMPANY, PUBLIC UTILITY COMPANY TELEVISION SYSTEM COMPANY, OR OTHER PUBLICLY APPROVED ENTITY PROVIDING A WIRELESS TELEVISION SYSTEM, PROVIDED THE LOCATION OF SAID UTILITIES CONFORM TO THE LOCATION OF SIMILAR UTILITIES IN DESIGNATED STREETS.

THIS MAP SECURES NEEDED DEVELOPMENT RIGHTS AND THE RIGHTS THIS NEEDED SHALL REMAIN IN EFFECT FOR TWO YEARS FROM THE DATE OF RECORDATION (PER MUNICIPAL CODE SECTION 95.0117.1.2)

MARSHNER & ASSOCIATES SAN DIEGO, INC.
PLANNING - DESIGNING - SURVEYING
1619 MARSHNER STREET - SAN DIEGO, CA 92101
619-594-0200 - FAX 619-594-1414
E-MAIL: M&A@M&A.COM - WWW.M&A.COM

I, **DAVID H. SEAGRAM**, A LICENSED LAND SURVEYOR OF THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE SURVEY OF THIS SUBDIVISION WAS MADE BY ME OR UNDER MY SUPERVISION, BETWEEN JANUARY 1998 AND APRIL 1998, AND SAID SURVEY IS TRUE AND CORRECT AS SHOWN; THAT ALL CORNER MONUMENTS AND MARKS SET TOGETHER WITH THESE PLANS, ARE OF THE CORNERS AND OCCUPY THE POSITIONS THEREIN; THAT I SET ALL CORNER MONUMENTS OF THE CORNERS AND OF POINTS ACCURATELY BY METHODS IN THIS MAP WHICH, IN MY BEST JUDGMENT, COMPLY WITH THE REQUIRED PRECISIONS AND ALL SUCH MONUMENTS ARE OR WILL BE SUFFICIENT TO ENABLE THE SURVEY TO BE REPRODUCED (SEE LEGEND ON SHEET NO. 10)



DAVID H. SEAGRAM, L.S. 6715
BY RECORDATION EXPIRES 3/31/02
DATE: _____

I HEREBY STATE THAT THIS MAP WAS EXAMINED BY ME OR UNDER MY DIRECT SUPERVISION, THAT IT SUBSTANTIALLY CONFORMS TO THE STATUTE, MAP ACT AND ALL APPLICABLE REGULATIONS, THAT IT COMPLIES WITH THE SUBDIVISION MAP ACT AND ALL LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVAL OF THE RECORDING MAP AND THAT IT IS TECHNICALLY CORRECT.

I ALSO CERTIFY THAT THERE ARE NO UNPAID BONDS DUE UNDER THE DIRECT APPROVEMENT ACTS OF THE STATE OF CALIFORNIA AGAINST THIS SUBDIVISION.

FRANK BLOCH, JR.
CITY ENGINEER
BY: _____
LEO C. HOWES, DEPUTY
L.S. 4984

DATE APPROVED THIS _____ DAY OF _____, 2001, AFTER EXAMINATION OF MAP AND THE CERTIFICATE THEREIN.

CASY OWEN, CITY ATTORNEY
BY: _____
DEPUTY

I, **THOMAS J. PASTRIZIA**, CLERK OF THE BOARD OF SUPERVISORS, HEREBY CERTIFY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT (DIVISION 8 OF TITLE 17 OF THE GOVERNMENT CODE) REGARDING (A) DEPOSITS FOR SALES AND (B) CERTIFICATION OF THE ACCURACY OF LOTS FOR MARINE COUNTY MEMORIAL AND LOCAL SALES OF SPECIAL ASSIGNMENTS COLLECTED AS TAXES, EXCEPT THOSE NOT YET PAYABLE, HAVE BEEN COMPLIED WITH.

THOMAS J. PASTRIZIA, BY: _____ DATE: _____
CLERK OF THE BOARD OF SUPERVISORS

I, **CLYDE G. CLARK**, OF THE CITY OF SAN DIEGO, CALIFORNIA, HEREBY CERTIFY THAT, BY REGULATION NO. _____, THE BOARD OF SAN CITY HAS APPROVED THIS MAP AND HAS ACCEPTED THOSE FEES LISTED IN THE CERTIFICATE SIGNED BY THE OWNER UNDER THE CONDITIONS SPECIFIED THEREIN. ACCEPTANCE BY THE CITY.

IN WITNESS WHEREOF, SAID COUNCIL HAS CAUSED THESE PRESENTS TO BE EXECUTED BY THE CITY CLERK AND WITNESSED BY HIS SEAL THIS _____ DAY OF _____, 2001.

CHARLES C. ANGELOUR, BY: _____
CITY CLERK DEPUTY

PURSUANT TO SECTION 560004.6 (A)(1)(A)(V), OF THE SUBDIVISION MAP ACT, THE SIGNATURES OF THE FOLLOWING OWNERS OF EASEMENTS HAVE BEEN OBTAINED, THEIR INTEREST BEING SUCH THAT IT CANNOT BE OPEN INTO FEES TITLE AND SAID SIGNATURE IS NOT REQUIRED BY THE GOVERNING BODY.

J. ANGELO F. LUGARDO, 1619 MARSHNER STREET, SAN DIEGO, CA 92101
FRANK J. JAMES, 1619 MARSHNER STREET, SAN DIEGO, CA 92101
DOUGLAS F. BARNHART AND **MARY MARGARET BARNHART**, 1619 MARSHNER STREET, SAN DIEGO, CA 92101
OF AN EASEMENT RECORDED 5-15-1957 IN BOOK 1327, PAGE 434 OF RECORDS.

BLACK MOUNTAIN RANCH UNIT NO. 14

STATE OF CALIFORNIA) SS.
COUNTY OF SAN DIEGO)

ON _____ BEFORE ME, _____ NOTARY PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) APPEAR(S) SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE(S)/SHE(S) EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITIES, AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT, HE PERSONAL(S) OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND: _____
PLEASE PRINT NAME: _____
COMMISSION NUMBER: _____
BY COMMISSION EXPIRES: _____
PRINCIPAL PLACE OF BUSINESS: _____ COUNTY

STATE OF CALIFORNIA) SS.
COUNTY OF SAN DIEGO)

ON _____ BEFORE ME, _____ NOTARY PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) APPEAR(S) SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE(S)/SHE(S) EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITIES, AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT, HE PERSONAL(S) OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND: _____
PLEASE PRINT NAME: _____
COMMISSION NUMBER: _____
BY COMMISSION EXPIRES: _____
PRINCIPAL PLACE OF BUSINESS: _____ COUNTY

STATE OF CALIFORNIA) SS.
COUNTY OF SAN DIEGO)

ON _____ BEFORE ME, _____ NOTARY PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) APPEAR(S) SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE(S)/SHE(S) EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITIES, AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT, HE PERSONAL(S) OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND: _____
PLEASE PRINT NAME: _____
COMMISSION NUMBER: _____
BY COMMISSION EXPIRES: _____
PRINCIPAL PLACE OF BUSINESS: _____ COUNTY

STATE OF CALIFORNIA) SS.
COUNTY OF SAN DIEGO)

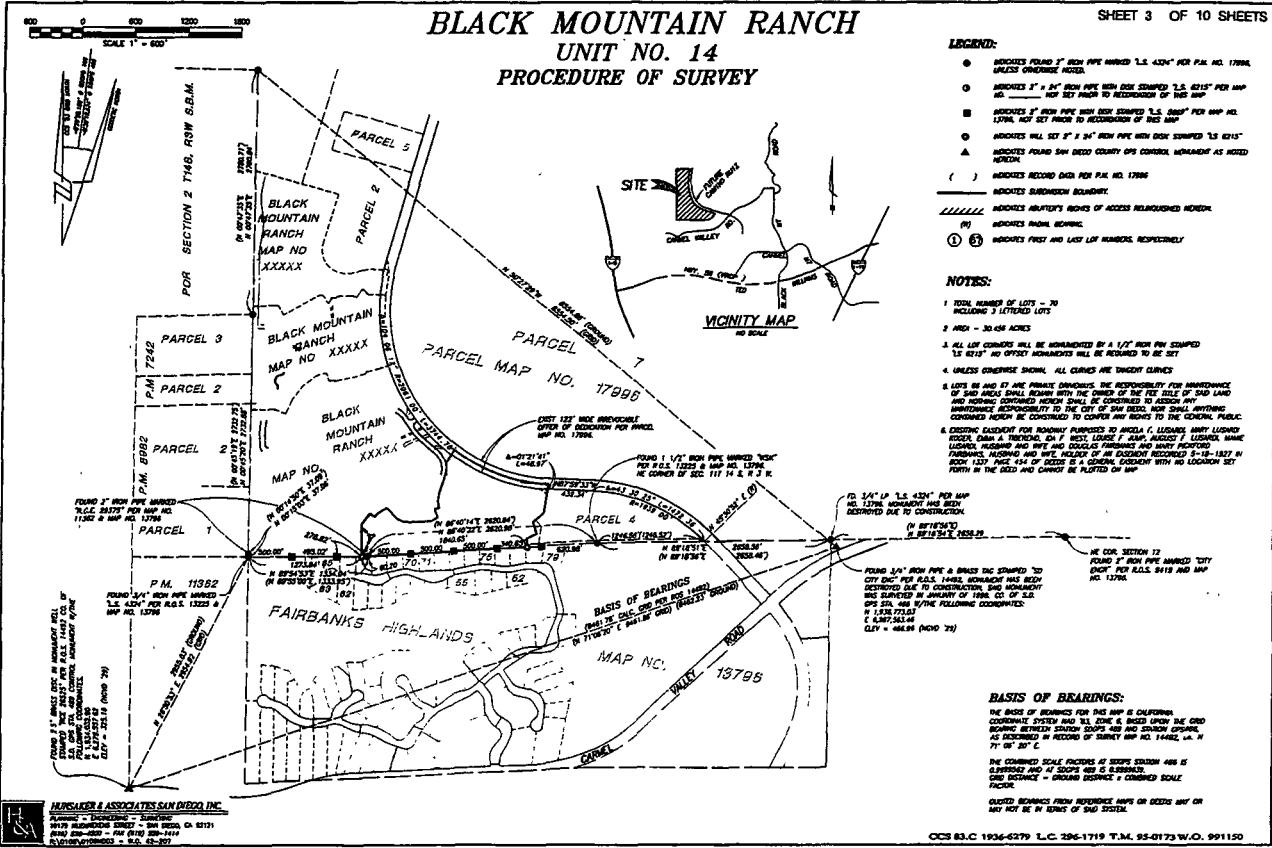
ON _____ BEFORE ME, _____ NOTARY PUBLIC, PERSONALLY APPEARED _____

PERSONALLY KNOWN TO ME OR PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) APPEAR(S) SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE(S)/SHE(S) EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITIES, AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT, HE PERSONAL(S) OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND: _____
PLEASE PRINT NAME: _____
COMMISSION NUMBER: _____
BY COMMISSION EXPIRES: _____
PRINCIPAL PLACE OF BUSINESS: _____ COUNTY

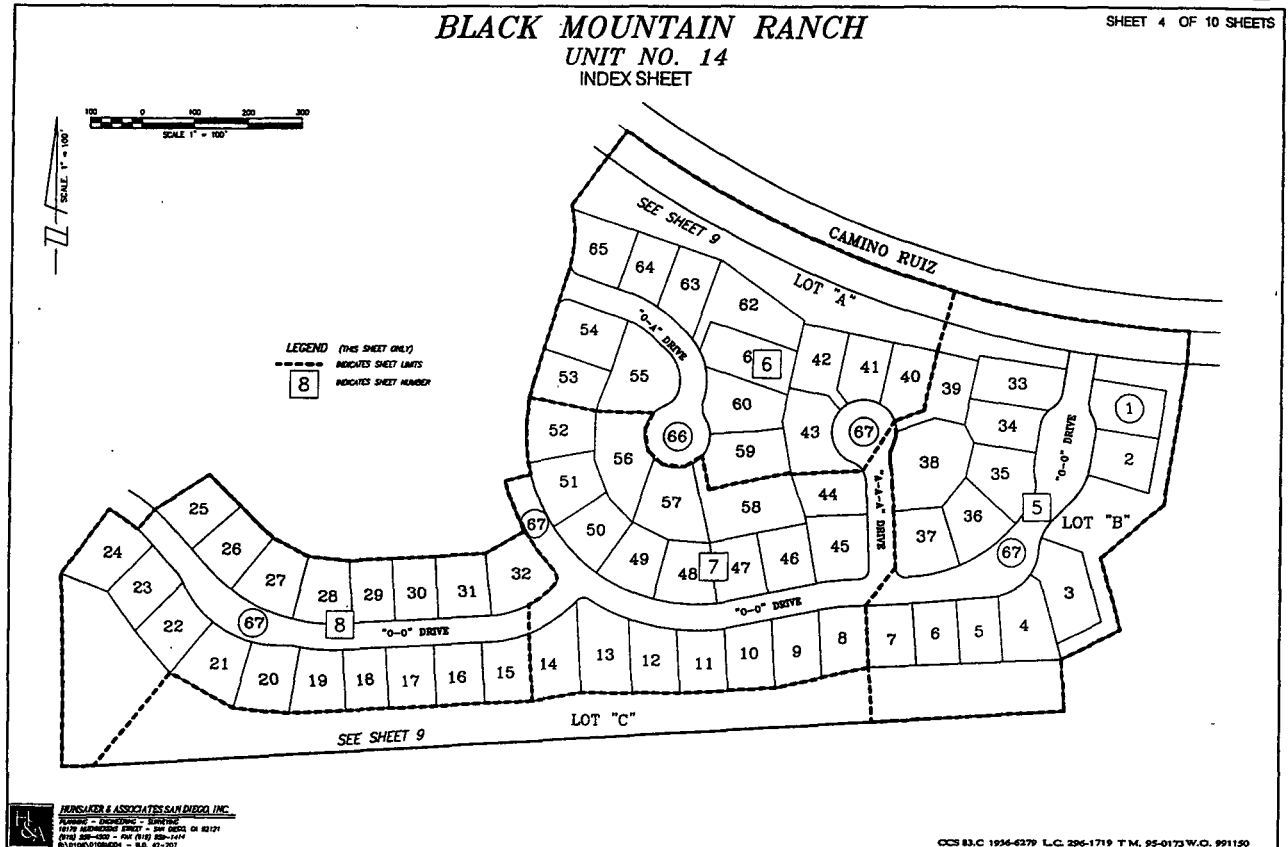
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E-MAIL: M&A@M&A.COM - WWW.M&A.COM

BLACK MOUNTAIN RANCH UNIT NO. 14 PROCEDURE OF SURVEY

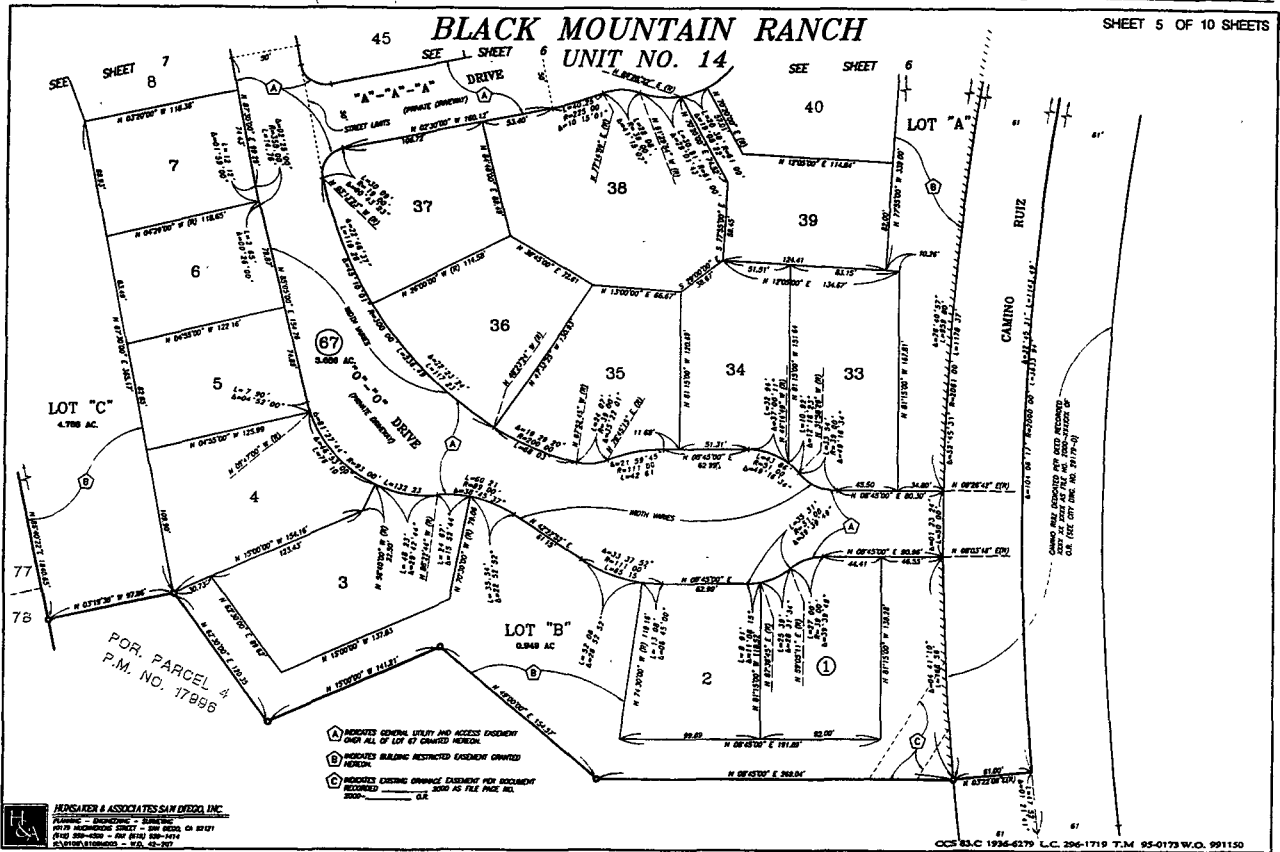


C-373

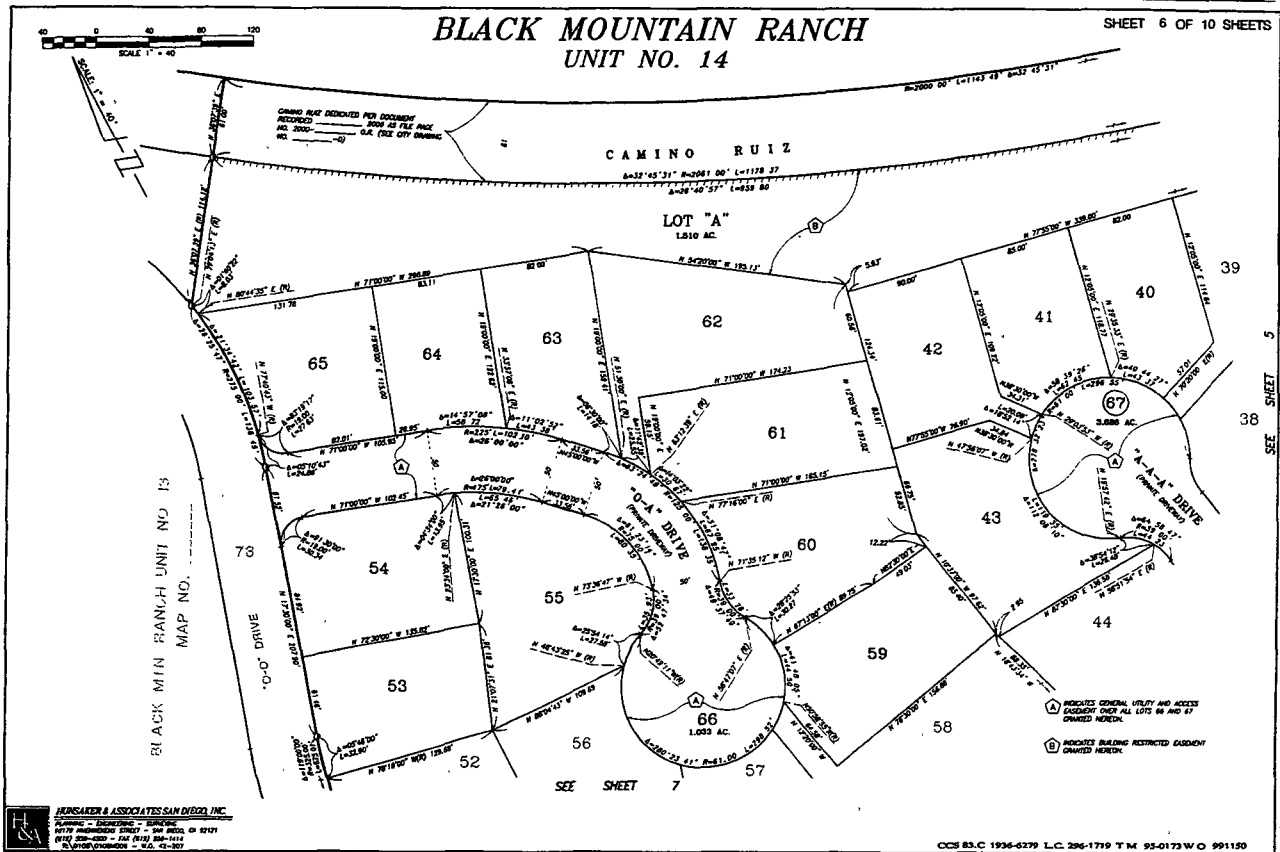
BLACK MOUNTAIN RANCH UNIT NO. 14 INDEX SHEET



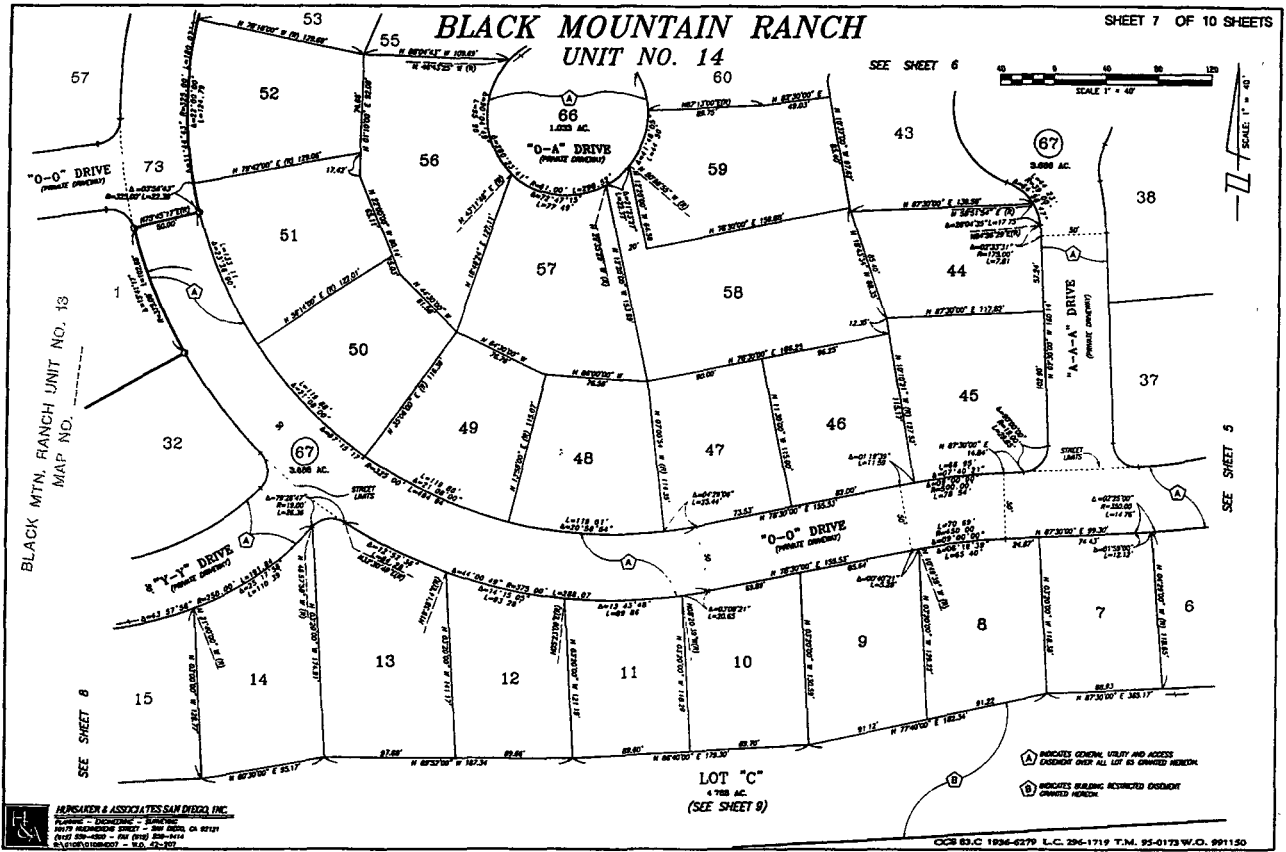
C-374



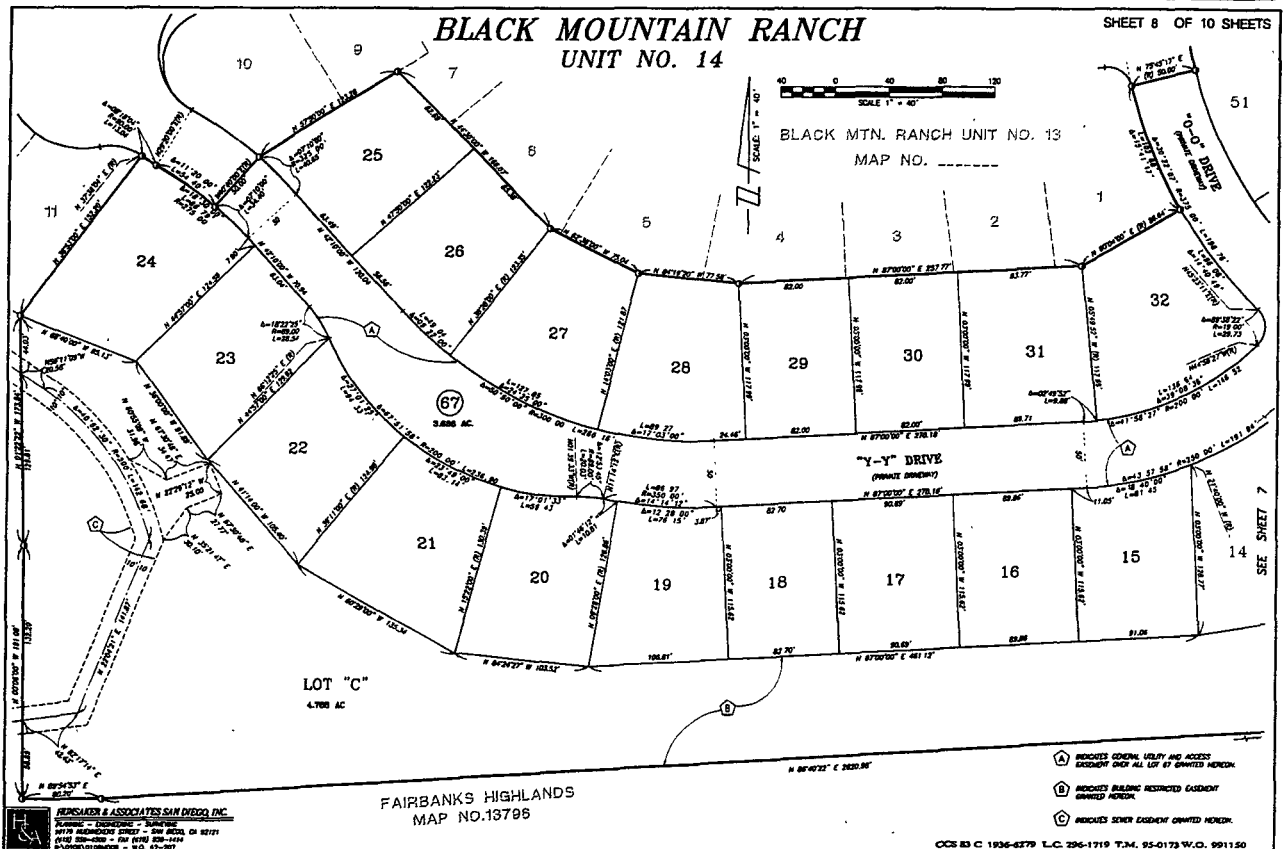
C-375



C-376



C-377



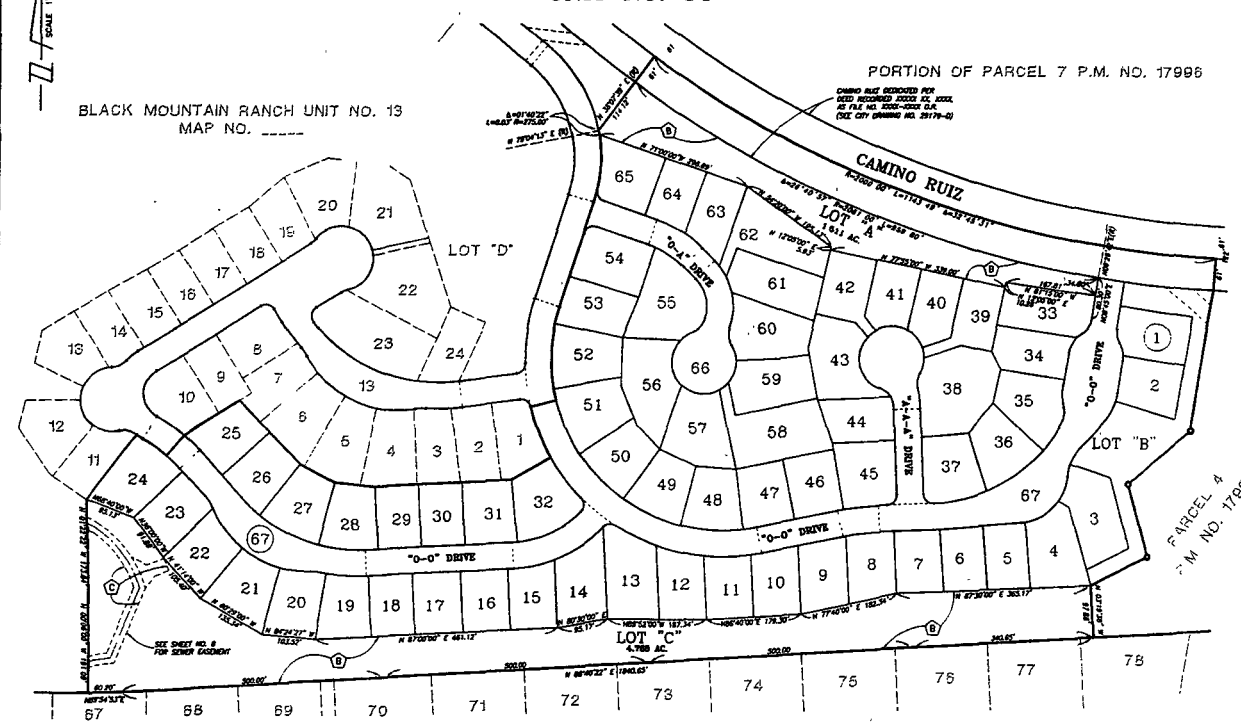
C-378

BLACK MOUNTAIN RANCH UNIT NO. 14

BLACK MOUNTAIN RANCH UNIT NO. 13
MAP NO. -----

PORTION OF PARCEL 7 P.M. NO. 17998

CAMINO RUIZ
CITY RECORD BOOK 2002, P. 2002
AS P.L.C. NO. 2002-008, L.C.
(SEE CITY DRAWING NO. 29179-0)



HENDERSON & ASSOCIATES SAN DIEGO, INC.
PLANNING - ENGINEERING - SURVEYING
1675 WASHINGTON STREET - SAN DIEGO, CA 92101
(619) 584-0000 - FAX (619) 584-1474
H:\PROJECTS\1002019 - U.O. 43-207

FAIRBANKS HIGHLANDS
MAP NO. 13796

(B) INDICATES BUILDING RESTRICTED ZONING
OWNED HEREIN TO THE CITY OF SAN DIEGO.
(C) INDICATES SENIOR HOUSING OZONED HEREIN.

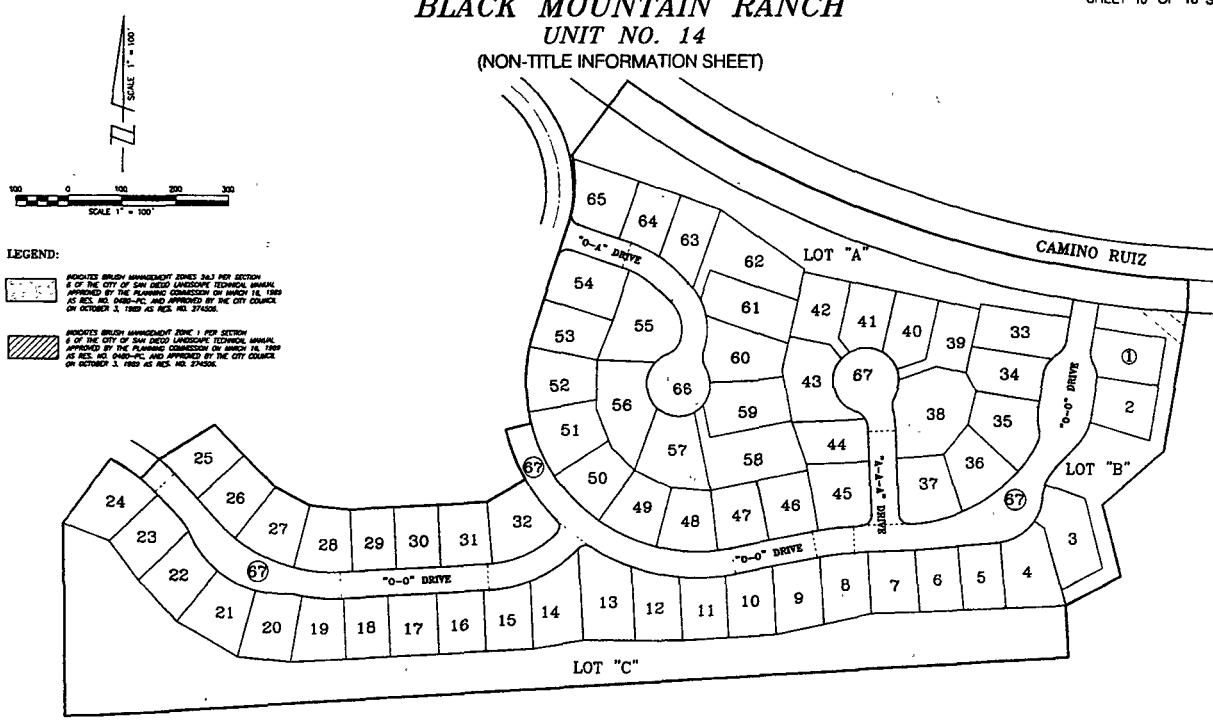
CDS 83.C 1924-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991150

C-379

BLACK MOUNTAIN RANCH UNIT NO. 14 (NON-TITLE INFORMATION SHEET)

LEGEND:

- (Dotted pattern) INDICATES BUILDING MANAGEMENT ZONE 2.1 PER SECTION 6 OF THE CITY OF SAN DIEGO LANDSCAPE TECHNICAL MANUAL, APPROVED BY THE PLANNING COMMISSION ON MARCH 16, 1989 AS RES. NO. 2480-PC, AND APPROVED BY THE CITY COUNCIL ON OCTOBER 1, 1989 AS RES. NO. 274336.
- (Hatched pattern) INDICATES BUILDING MANAGEMENT ZONE 1 PER SECTION 6 OF THE CITY OF SAN DIEGO LANDSCAPE TECHNICAL MANUAL, APPROVED BY THE PLANNING COMMISSION ON MARCH 16, 1989 AS RES. NO. 2480-PC, AND APPROVED BY THE CITY COUNCIL ON OCTOBER 1, 1989 AS RES. NO. 274336.



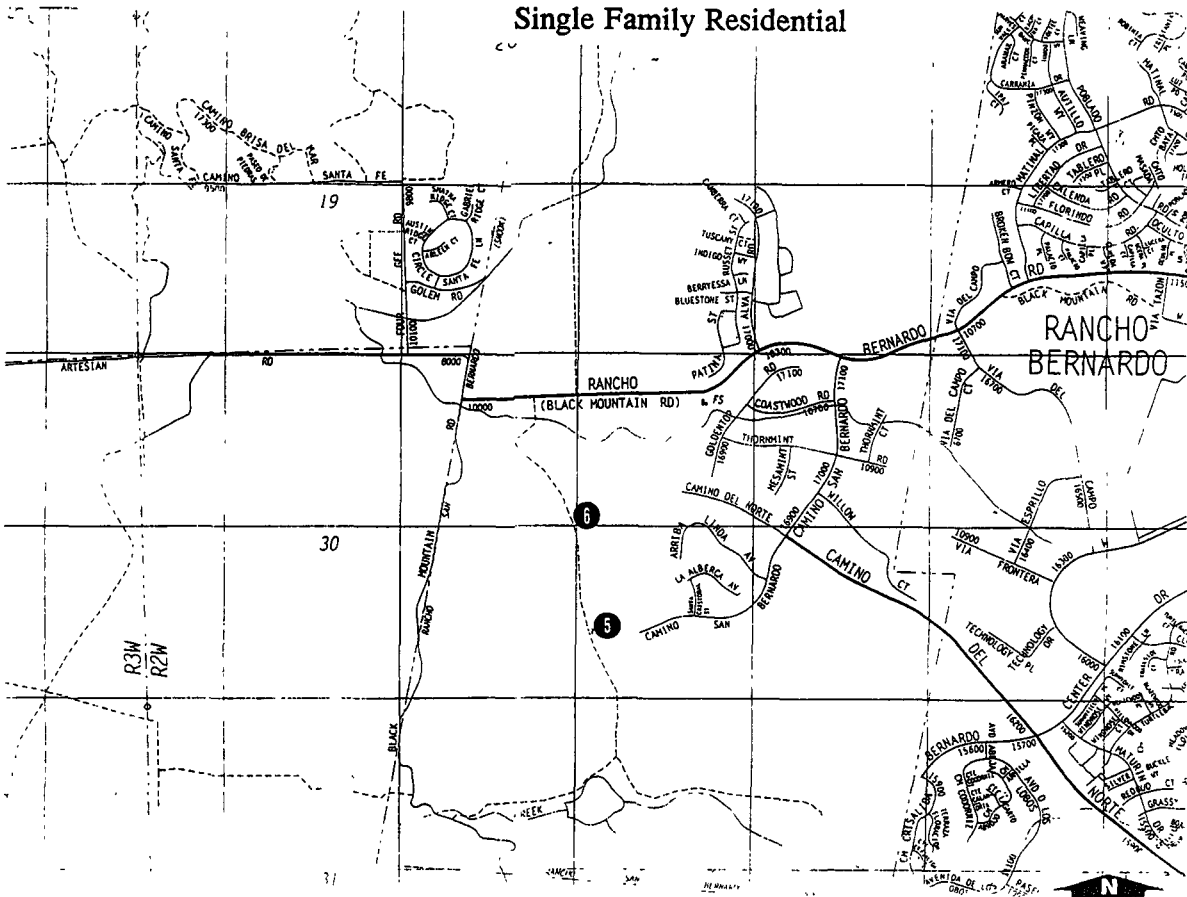
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H:\PROJECTS\1002019 - U.O. 43-207

CDS 83.C 1924-6279 L.C. 296-1719 T.M. 95-0173 W.O. 991150

C-380

Comparable Land Sales

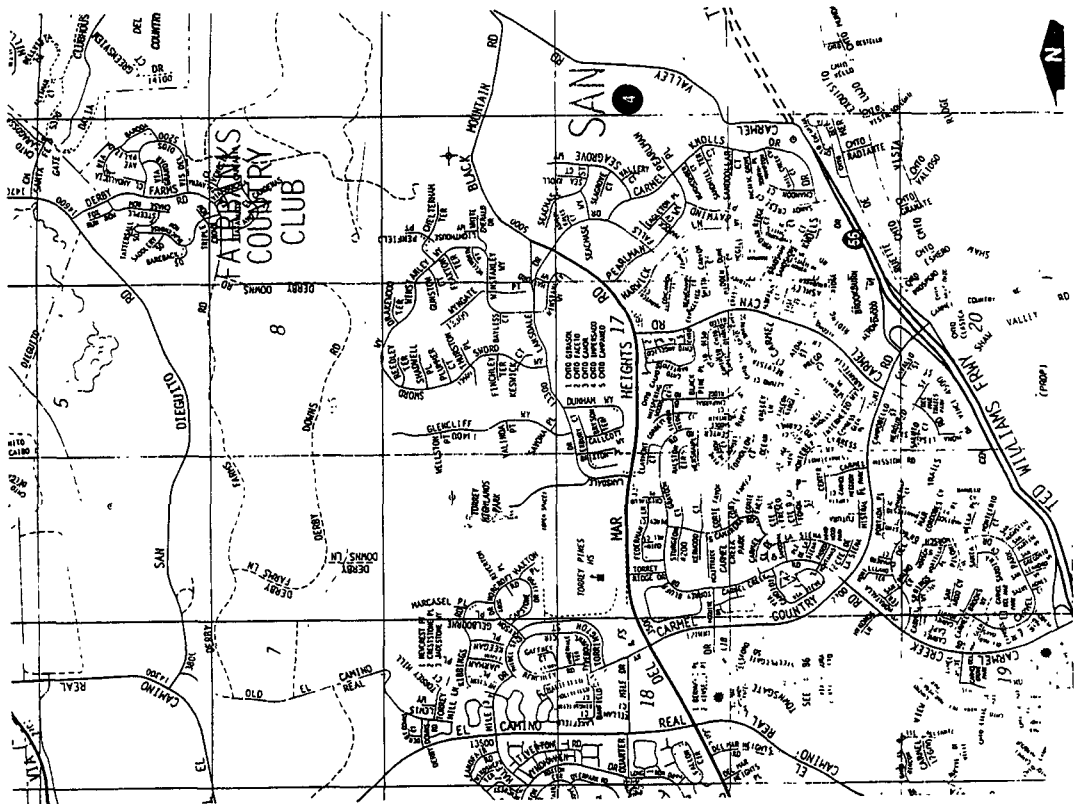
Single Family Residential



C-384

Comparable Land Sales

Single Family Residential



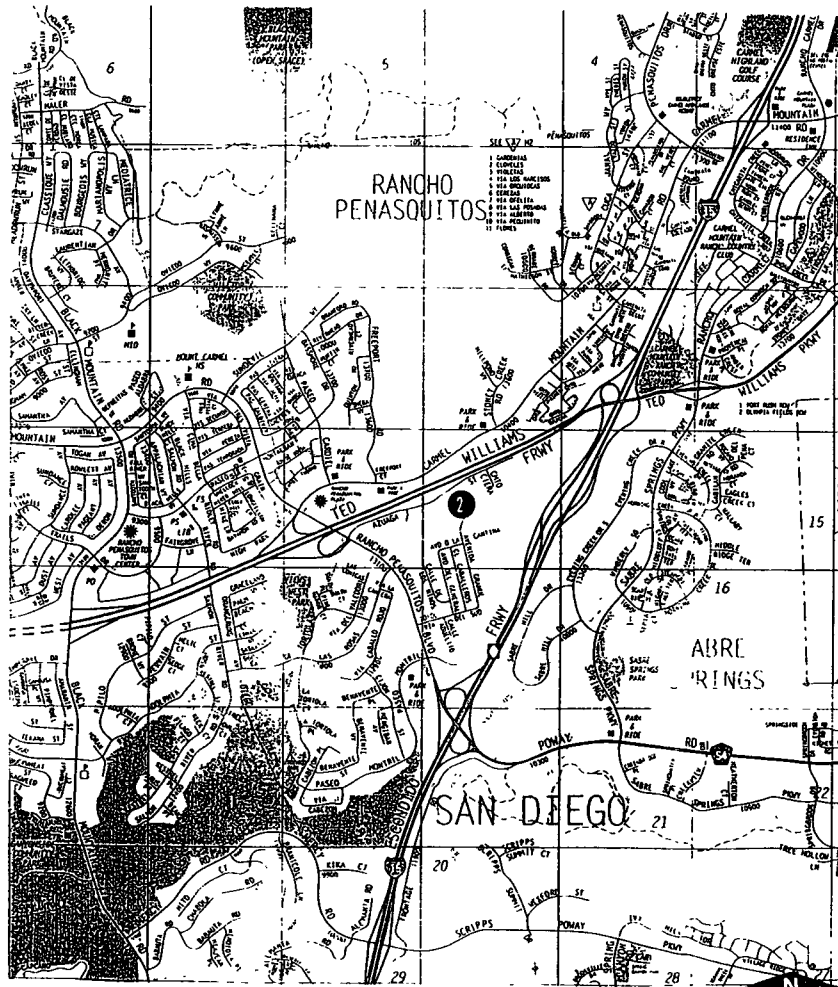
C-383

Comparable Land Sales

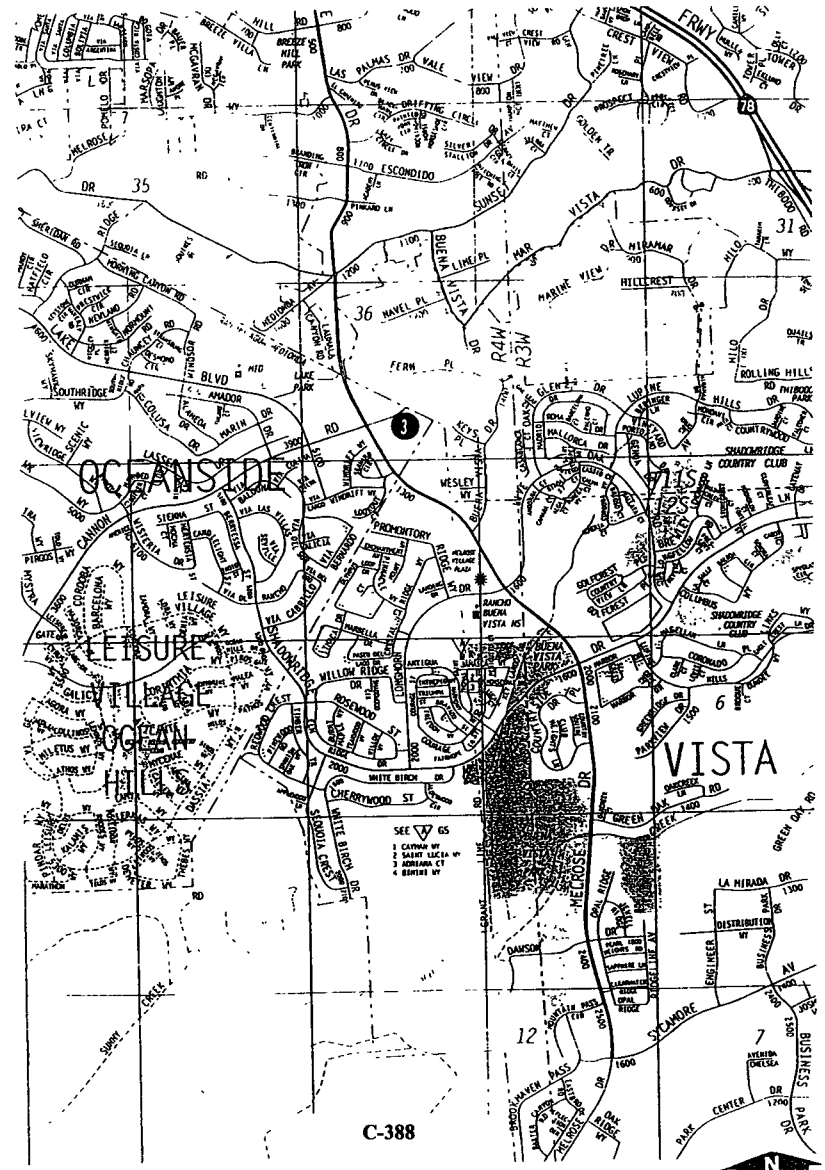
Church

Comparable Land Sales

Church



C-387



C-388

Comparable Land Sales

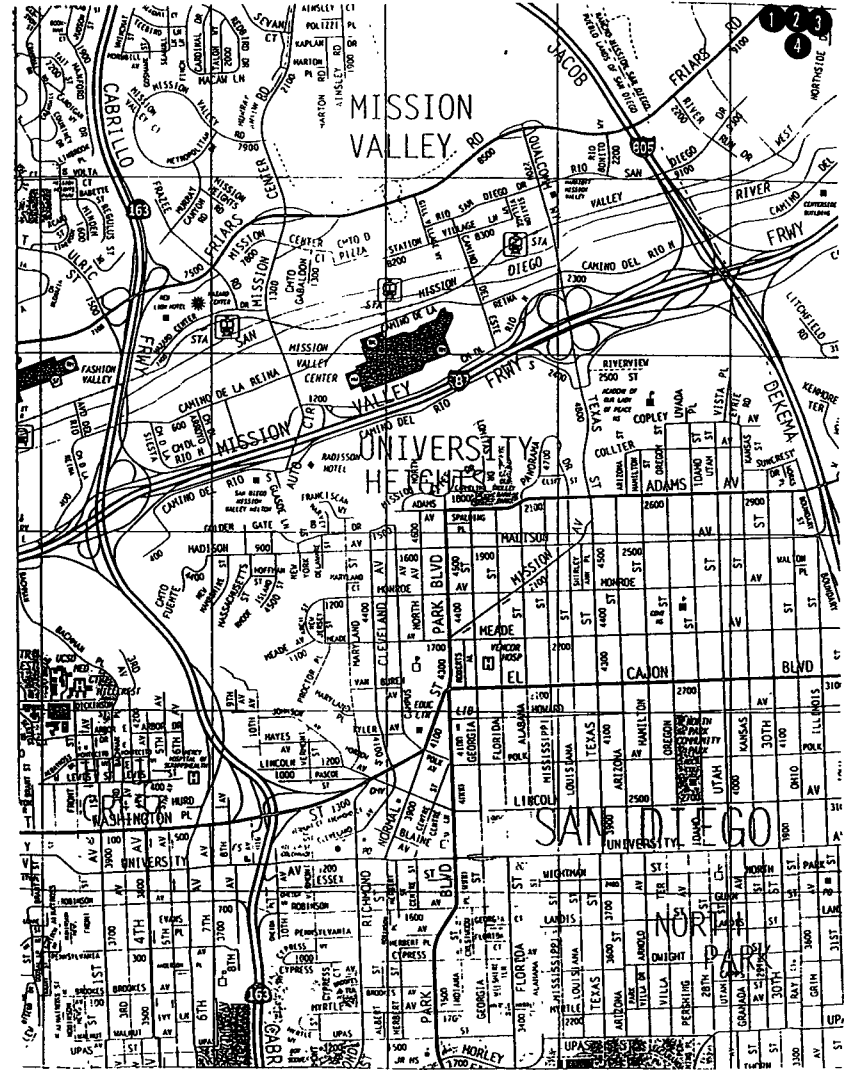
Church



C-389

Comparable Land Sales

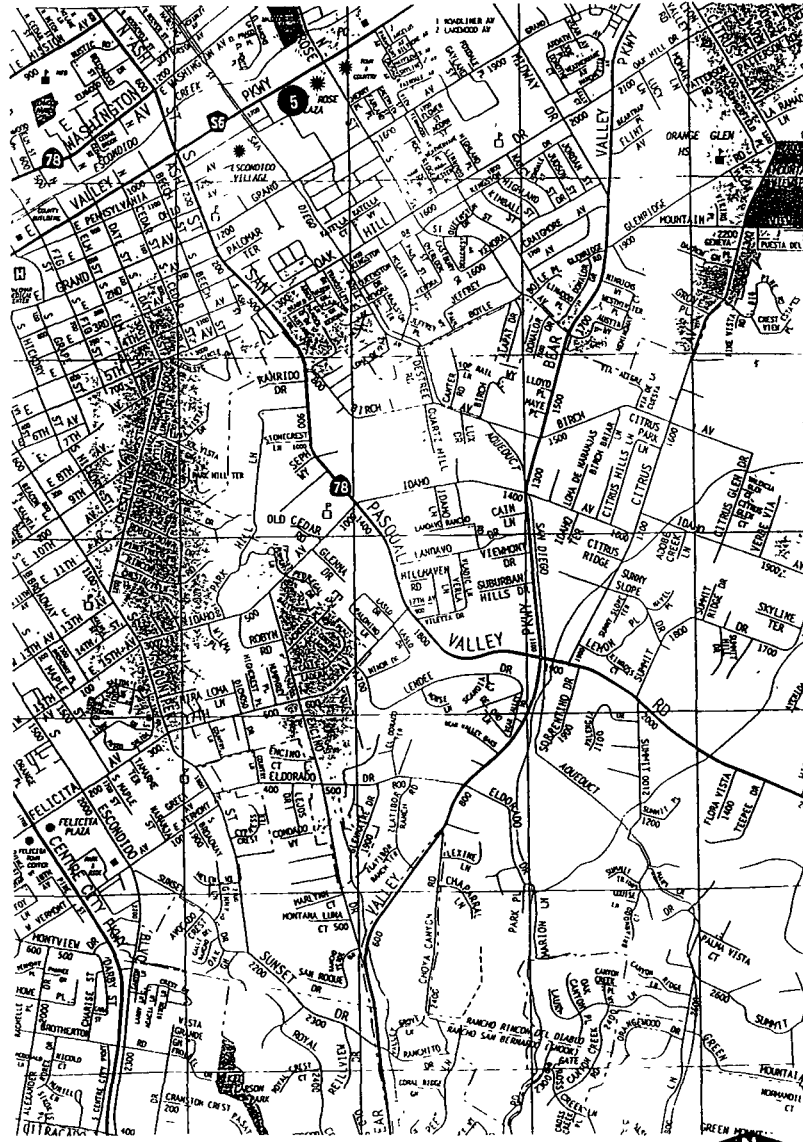
Retail



C-390

Comparable Land Sales

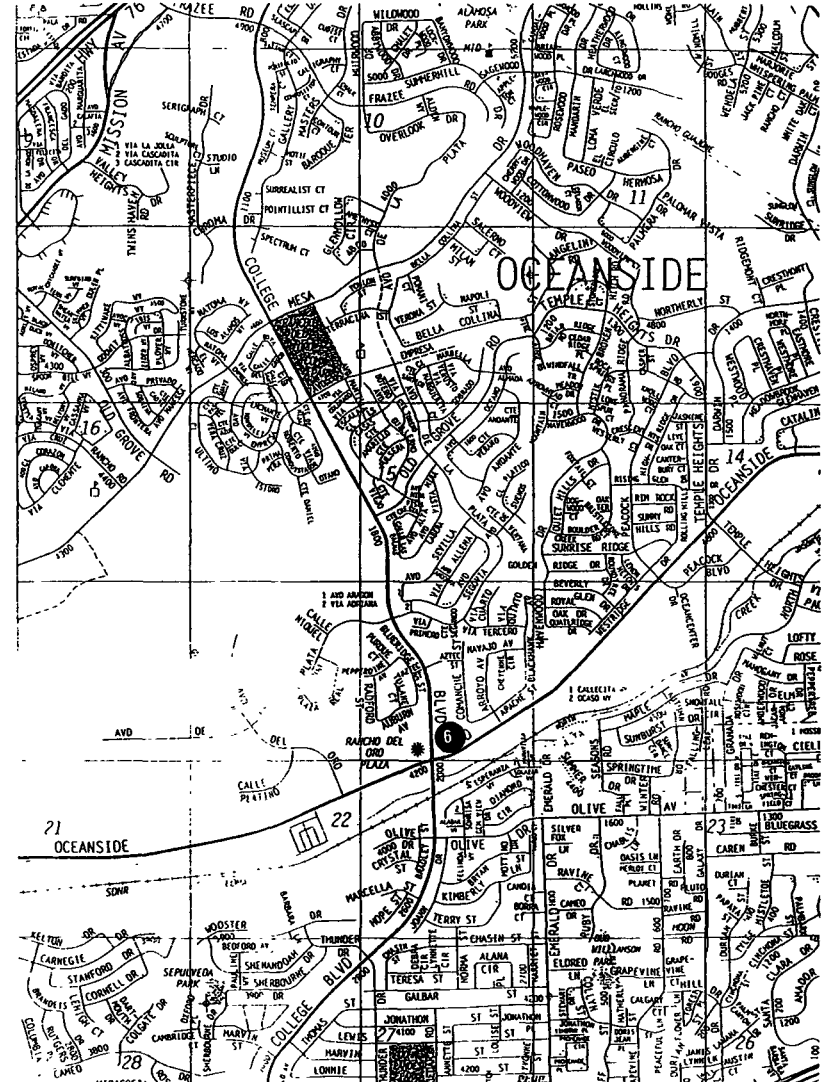
Retail



C-391

Comparable Land Sales

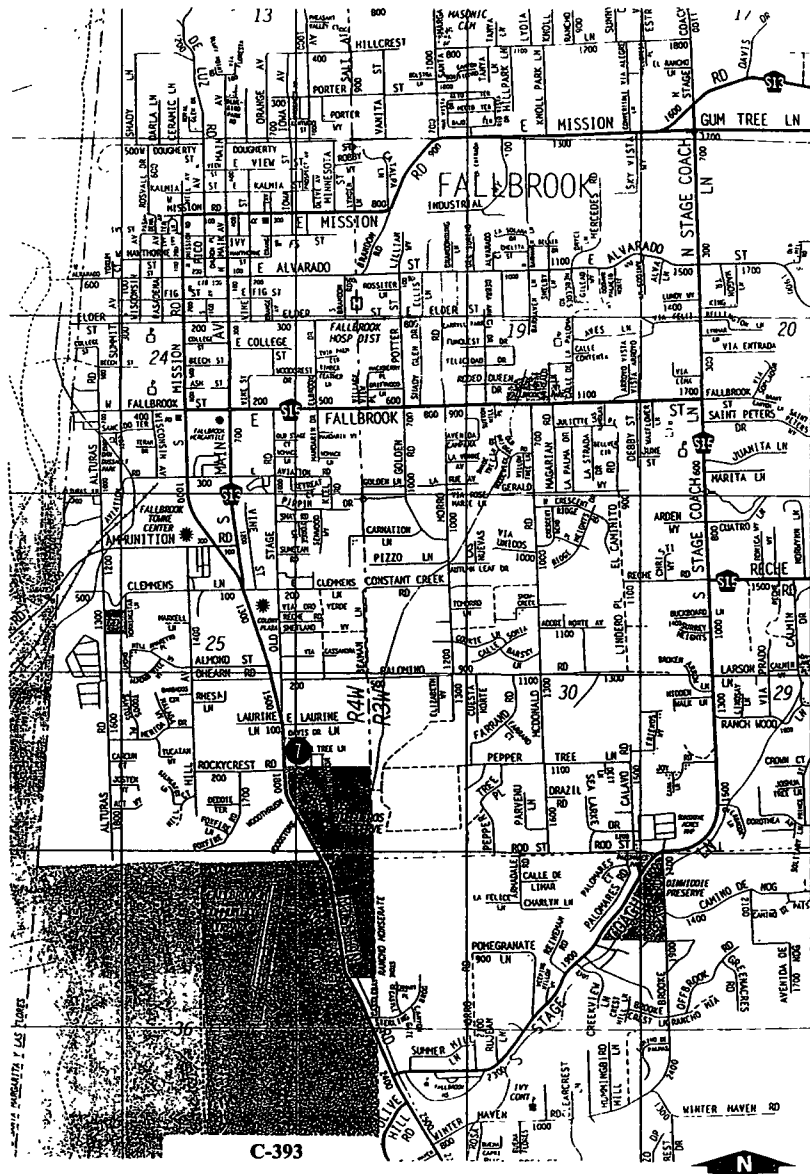
Retail



C-392

Comparable Land Sales

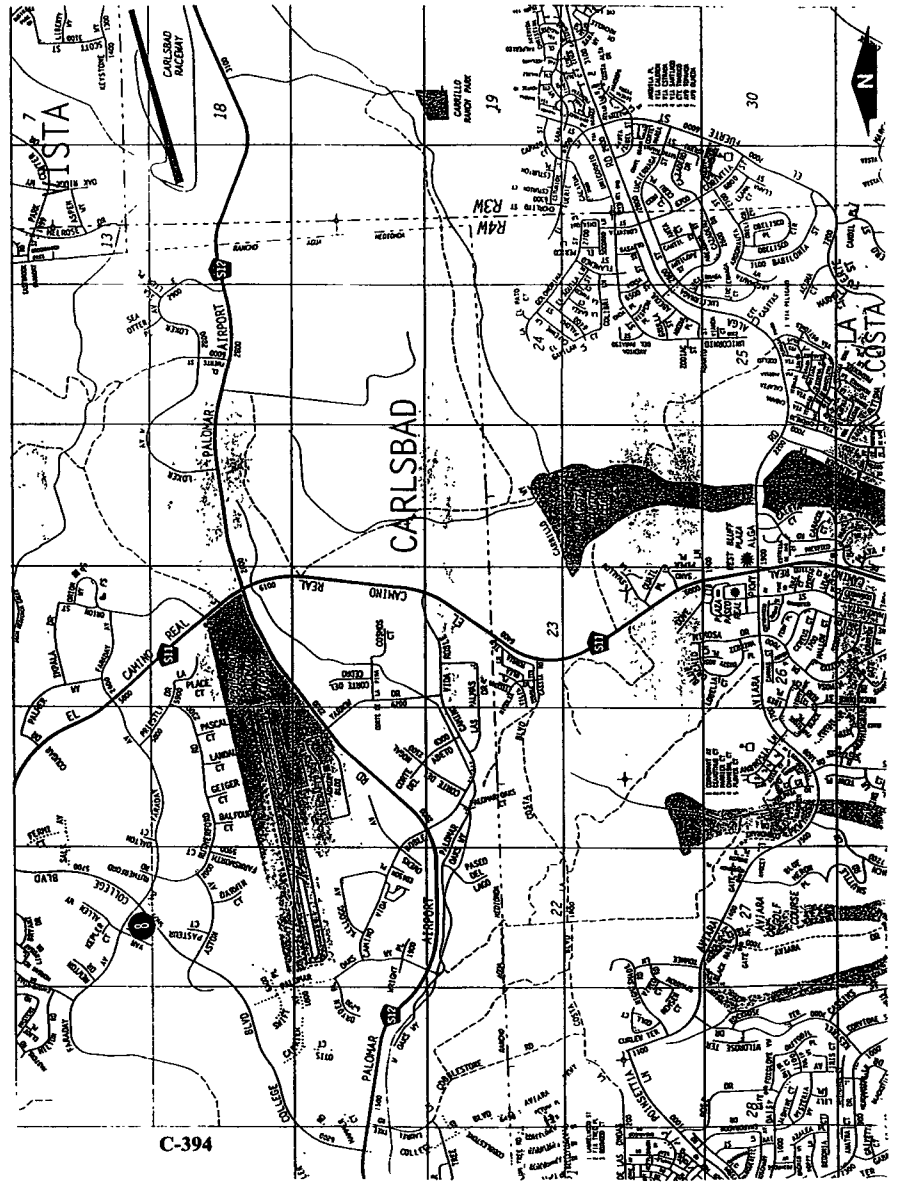
Retail



C-393

Comparable Land Sales

Retail



C-394

EXHIBIT H

Comparable Single Family Land Data 2

Project: Torrey Del Mar

Location: South side of Carmel Valley Road, west of the future extension of Camino Ruiz and east of Via Abertura, San Diego

Assessor's Parcel No.: Portion 306-011-11, 12, 13, 14, 18 **Thomas Bros. Map Code:** 1188-J-3

Size: A portion of 124.09 gross acres; 73.62 net acres

Zoning: A1-10

Utilities: Available (need extension)

Date of Sale: December, 1999 **Document No.:** N/A

Sale Price: \$30,629,930

Price/Lot: \$205,570

Terms: All cash

Cash Equivalent Price: \$30,629,930

Buyer: Barrett American

Seller: D.R. Horton SD Holding Company, Inc.

Source: Gunder Creager, Colliers International, broker

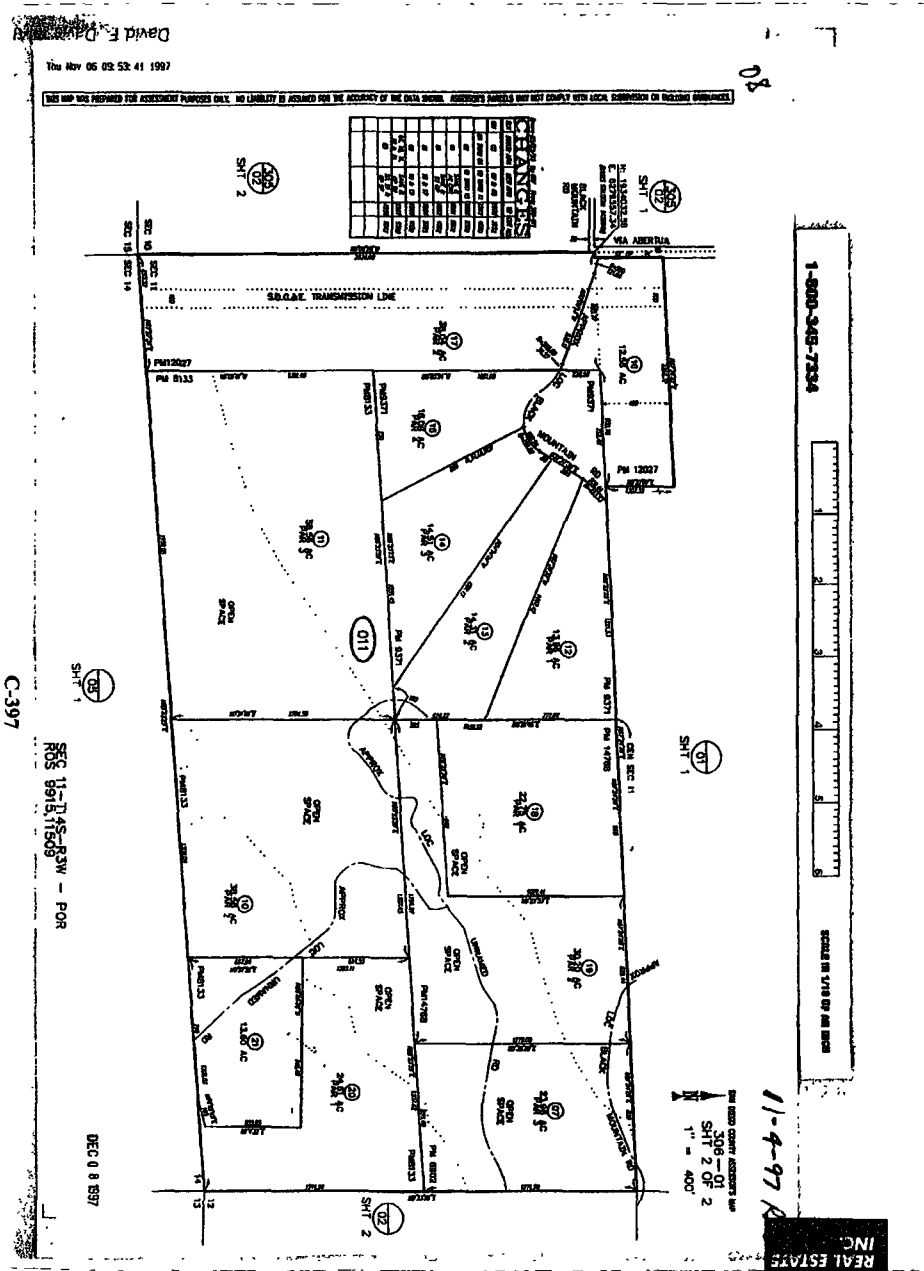
Comments: D. R. Horton purchased the larger project site in three transactions beginning in October, 1998 with the final transaction closing on March 5, 1999. The project consists of 320 market rate single family residences and 112 affordable multi-family units in addition to open space. In December, 1999, 69 lots were sold to Cornerstone Communities at a finished lot cost basis of \$238,000. The project will consist of 149, 5,000 square foot minimum lots. The on and offsite costs and fees are \$32,430 per unit.



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 3

Project: Torrey Del Mar
Location: South side of Carmel Valley Road, west of the future extension of Camino Ruiz and east of Via Abertura, San Diego
Assessor's Parcel No.: Portion 306-011-11, 12, 13, 14, 18
Map Code: 1188-J-3
Size: A portion of 124.09 gross acres; 73.62 net acres
Zoning: A1-10
Utilities: Available (need extension)
Date of Sale: December, 1999
Document No.: N/A
Sale Price: \$14,168,805
Price/Lot: \$205,345
Terms: All cash
Cash Equivalent Price: \$14,168,805
Buyer: Cornerstone Communities
Seller: D.R. Horton SD Holding Company, Inc.
Source: Gunder Creager, Colliers International, broker
Comments: D. R. Horton purchased the larger project site in three transactions beginning in October, 1998 with the final transaction closing on March 5, 1999. The project consists of 320 market rate single family residences and 112 affordable multi-family units in addition to open space. In December, 1999, 69 lots were sold to Cornerstone Communities at a finished lot cost basis of \$241,606. The project will consist of 69, 5,000 square foot minimum lots. The on and offsite costs and fees are \$36,261 per unit.



C-397

C-398

David F. Davis
The Nov 06 09 53:23:41 41 1997

THIS MAP WAS PREPARED FOR ASSUMED PURPOSES ONLY, AND LIABILITY IS ASSIGNED FOR THE ACCURACY OF THE DATA SHOWN. INTERESTED PARTIES MUST VERIFY WITH LOCAL DEPARTMENT OR RELEVANT AGENCIES.

D.F. DAVIS
REAL ESTATE
INC.

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 4

Project: Seabreeze Farms

Location: West side of Carmel Valley Road, south of Black Mountain Road, San Diego

Assessor's Parcel No.: 305-030-20 **Thomas Bros. Map Code:** 1188-D/E-4/5

Size: 73.04 acres

Zoning: A1-10

Utilities: Available (need extension)

Date of Sale: September 30, 1999 **Document No.:** 659330
The property was under contract for approximately 240 days

Sale Price: \$29,000,000

Price/Lot: \$198,630 (average)

Terms: All cash to seller

Cash Equivalent Price: \$29,000,000

Buyer: Barrett American and Centex Homes (Seabreeze LLC)

Seller: Seabreeze Farms, LP

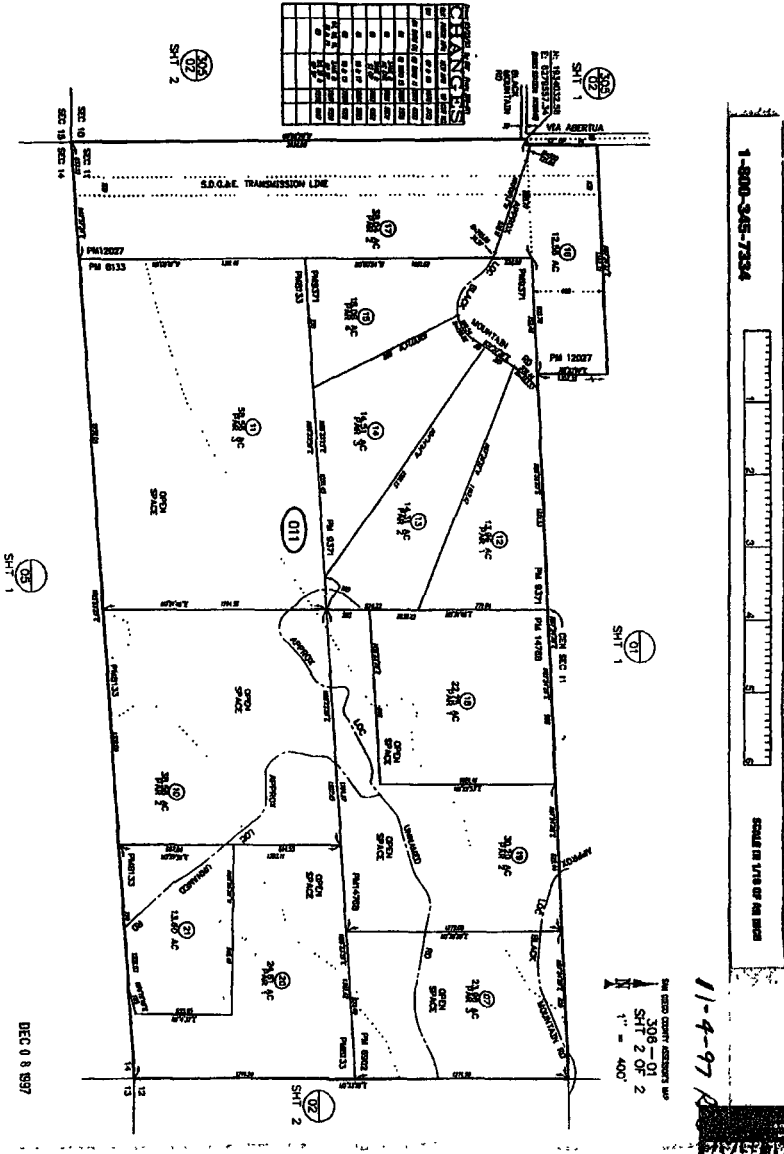
Source: Gunder Creager, Colliers International, broker

Comments: The property was previously in escrow in August, 1998 for \$27,000,000 for the purchase of 146 lots, with an equestrian center and 38 affordable housing units that were also required in a tentative map approval (but assigned no value in the sale). 45 of the lots are 6,000 square feet and 101 of the lots are 5,000 square feet. The current transaction is a joint purchase by Barrett American and Centex Homes with Centex buying 55, 5,000 square foot lots at a finished lot cost of \$258,100; Centex buying 45, 6,000 square foot lots at a finished lot cost of \$258,100; and Barrett buying 46, 5,000 square foot lots at a finishing cost of \$280,000. The average finished lot cost is \$265,000. The on and offsite costs and fees average \$66,370 per unit for the three product types.

C-399

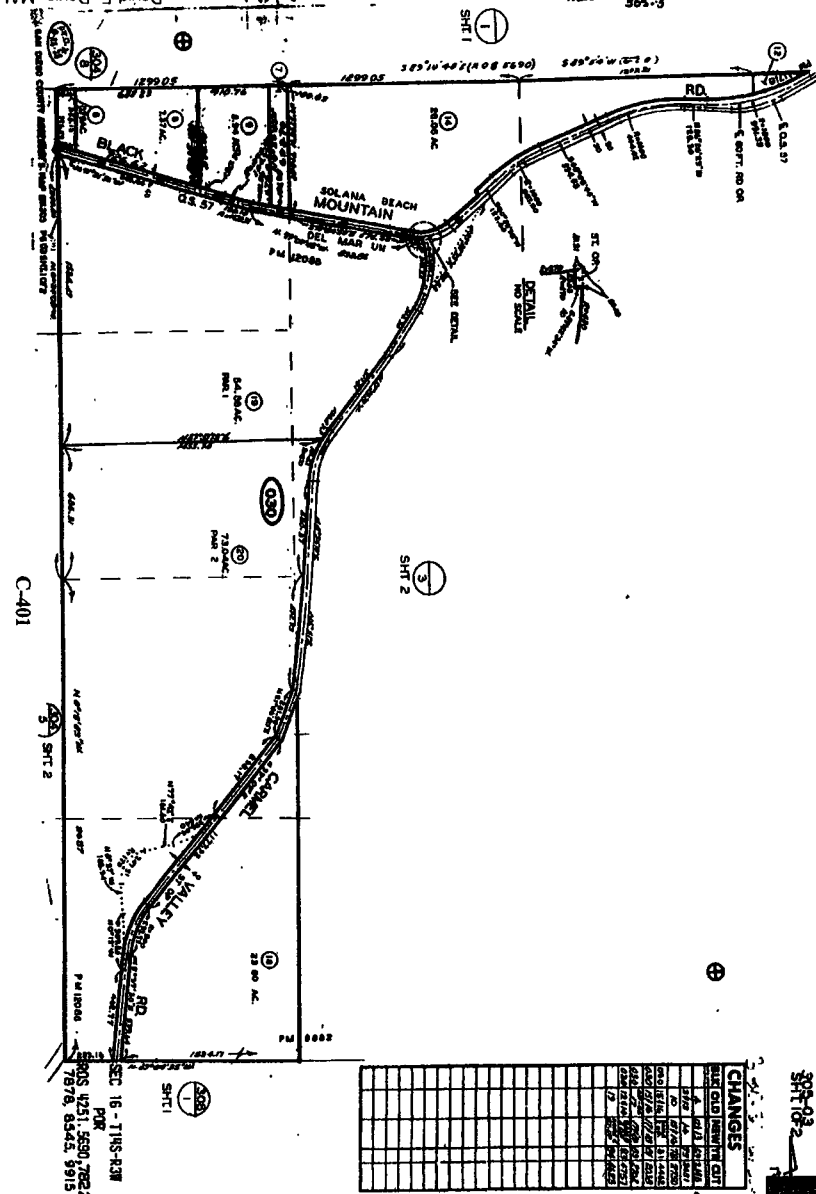
ROSS 11-1-48-RNW - POR
ROSS 9915,11509

DEC 0 8 997



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David F. Davis, MAI



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 5

Project: 4S Ranch (Fieldstone Homes)

Location: Northwest corner of Camino San Bernardo and 4S Ranch Parkway (4S Ranch), San Diego County

Assessor's Parcel No.: N/A **Thomas Bros. Map Code:** 1169-E/F-3

Size: N/A

Zoning: Residential (Planned Community)

Utilities: Available (need extension)

Date of Sale: Offers and counter offers between August and October, 1999
Closed December, 1999 **Document No.:** N/A

Sale Price: \$18,377,350

Price/Lot: \$178,421

Terms: All cash

Cash Equivalent Price: \$18,377,350

Buyer: Fieldstone Homes

Seller: 4S Ranch - Kelwood Development

Source: Confidential

Comments: The finished lot cost is estimated at \$202,225 for the 103, minimum 5,040 square foot lots. Pricing will range from \$409,000 to \$429,000 and average approximately \$433,000 for homes ranging from 2,940 to 3,240 square feet. The on and offsite costs and fees are \$23,804 per unit.



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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 6

Project: 4S Ranch (Ryland Homes)

Location: Southwest corner of Camino del Norte and 4S Ranch Parkway (4S Ranch), San Diego County

Assessor's Parcel No.: N/A **Thomas Bros. Map Code:** 1169-E/F-3

Size: N/A

Zoning: Residential (Planned Community)

Utilities: Available (need extension)

Date of Sale: Offers and counter offers Between August and October, 1999
Closed December, 1999 **Document No.:** N/A

Sale Price: \$13,998,925

Price/Lot: \$186,652

Terms: All cash

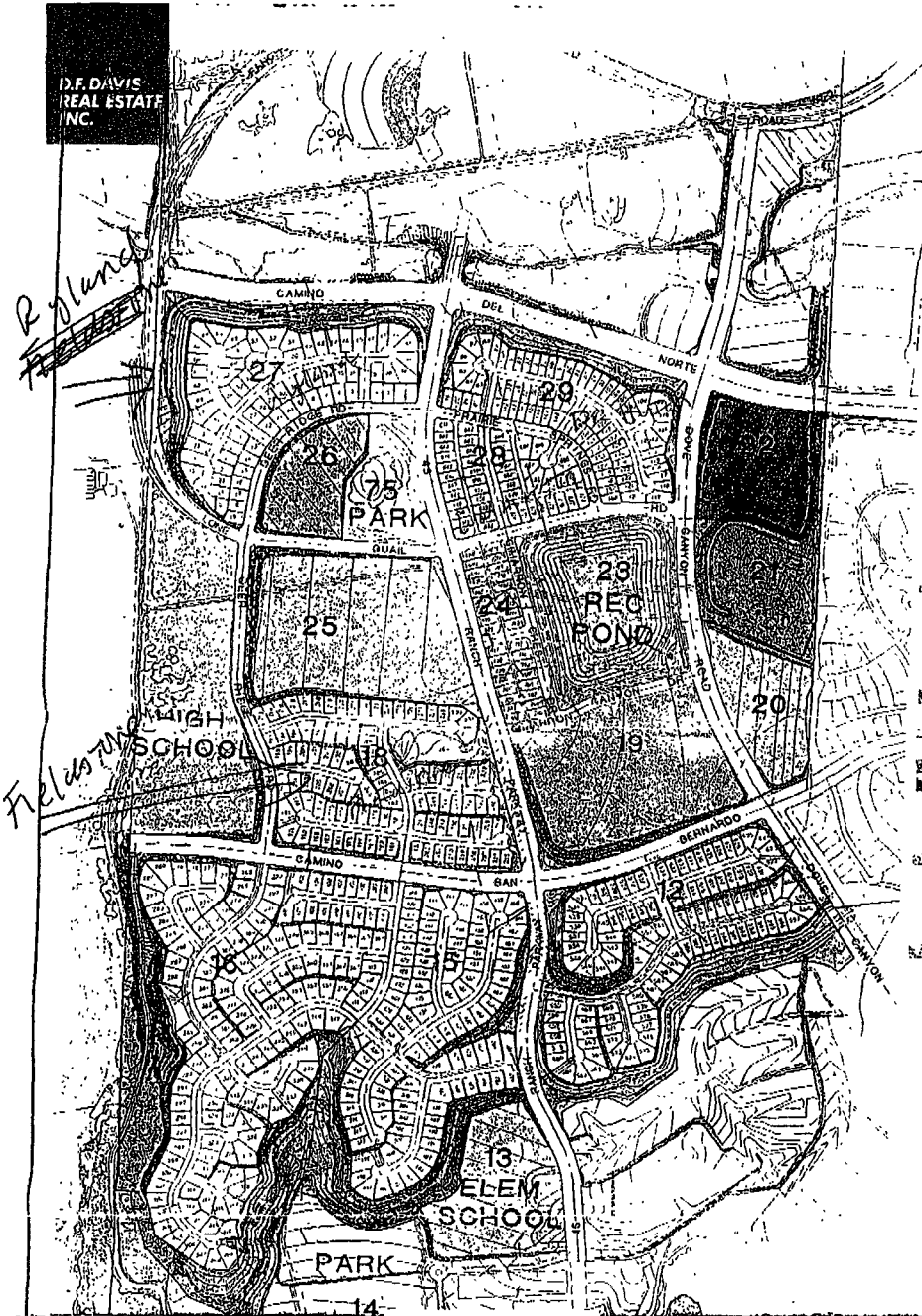
Cash Equivalent Price: \$13,998,925

Buyer: Ryland Homes

Seller: 4S Ranch - Kelwood Development

Source: Confidential

Comments: The finished lot cost is estimated at \$208,061 for the 75, minimum 6,000 square foot lots. Pricing will range from \$565,000 to \$615,000 and average approximately \$590,000 for homes ranging from 2,575 to 3,582 square feet. The on and offsite costs and fees are \$21,409 per unit.



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 7

Project: Cal-Coast Homes at Rancho Cielo

Location: Both sides of Camino del Arriba, west of Via Ambiente and north of Calle Ambiente, San Diego County (Rancho Cielo)

Assessor's Parcel No.: 265-491-24, 28, 29 **Thomas Bros.
Map Code: 1148-H-6**

Size: 5.3 gross acres

Topography: Rolling terrain with level pads terraced into hillsides (good views)

Street Improvements: Under construction

Utilities: Available

Zoning: R-R-1, San Diego County with Specific Plan

Recording Data: In negotiation, March, 1999 **Document No. N/A**

Price: \$1,350,000

Price/Lot: \$450,000

Terms: All-cash

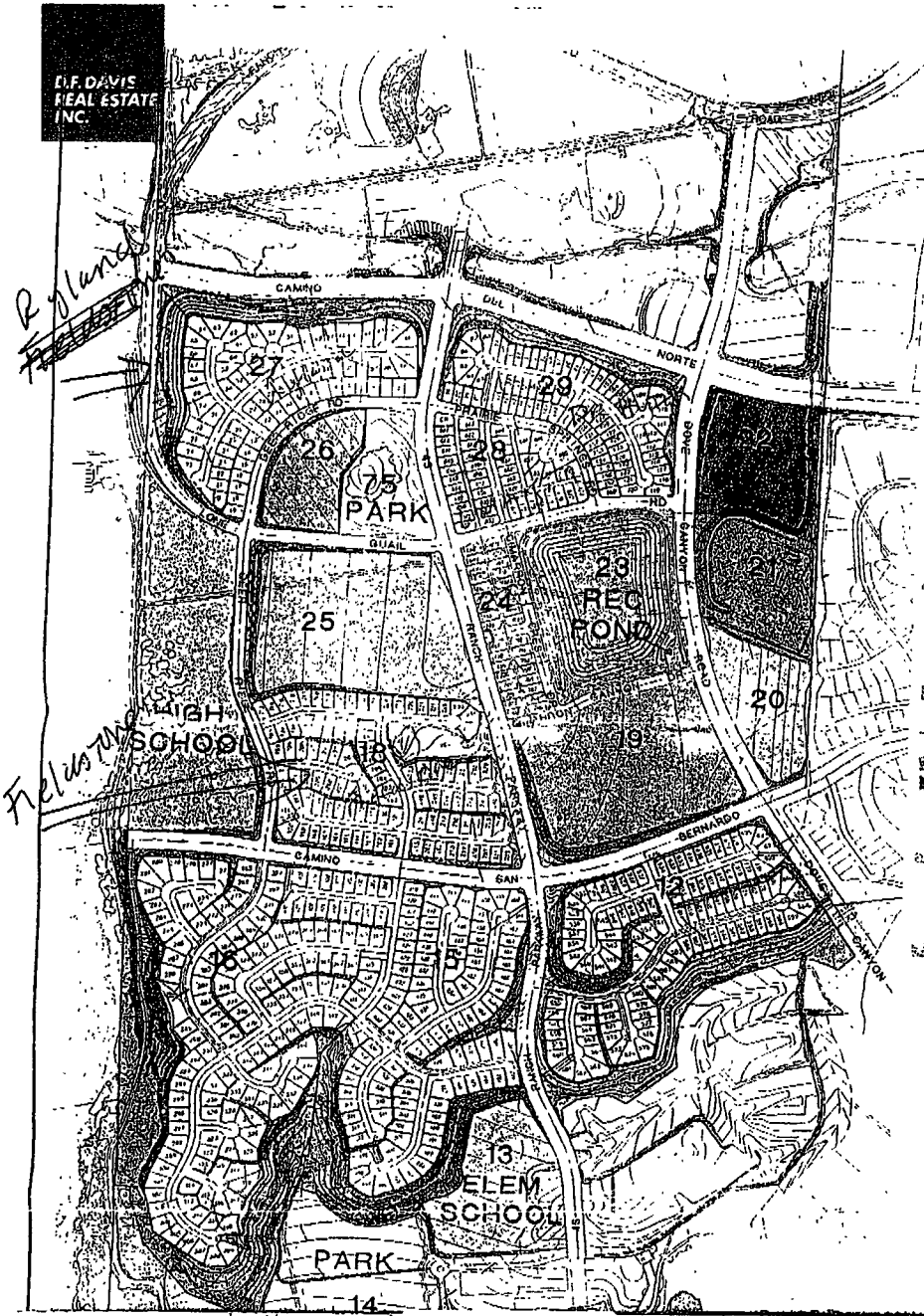
Cash Equivalent Price: \$1,350,000

Buyer: Cal-Coast Homes

Seller: Rancho Cielo Estates

Source: Dave Dacus, Rancho Cielo Company, seller

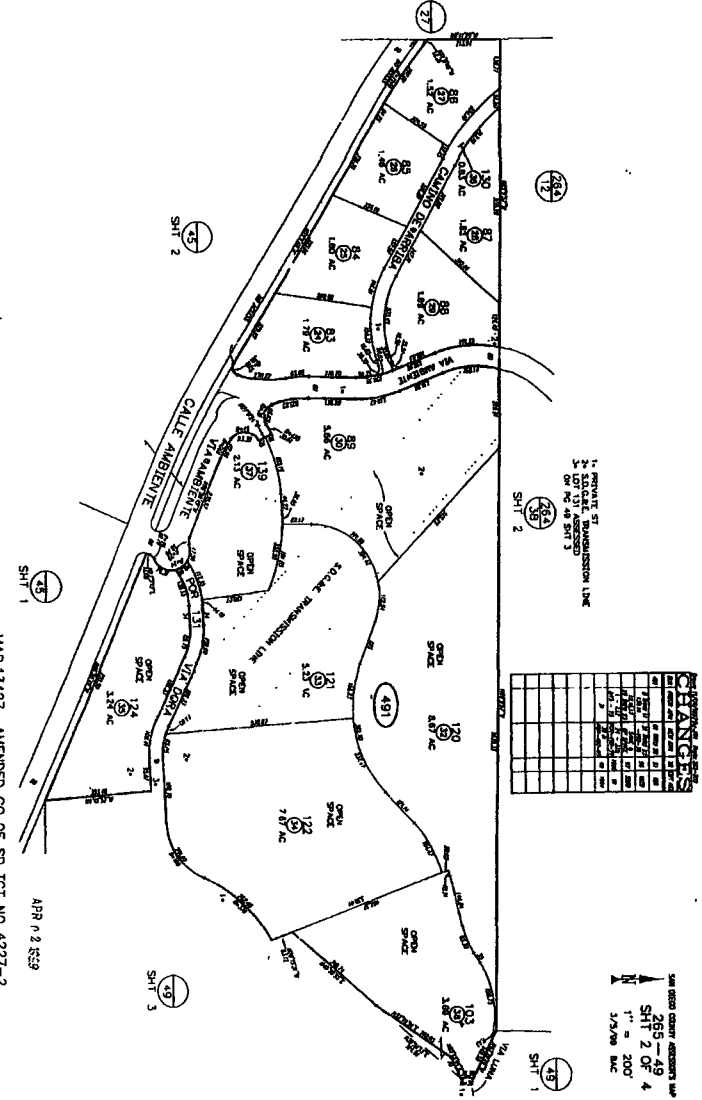
Comments: This sale is for the purchase of the 3 lots in near Lot Group A of the Rancho Cielo Development. The remaining fees to achieve a "finished lot" are \$22,500 per lot indicating a finished lot cost of \$472,500 per lot. The average pad sizes are 18,000 square feet. The lots have good view amenities; however, this property is situated at one of the lower elevations in the project.



David F Davis, MAI

MAP 13427 - AMENDED CO OF SD TCT NO 4227-2

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSUMER'S PARCELS MAY NOT COMPLY WITH LEGAL SUBDIVISION OR RECORD ORDINANCES.



1-800-345-7334



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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 8

- Project:** EPAC at Rancho Cielo
- Location:** Both sides of Punta Del Sur and La Milla, south of Via Ambiente, San Diego County (Rancho Cielo)
- Assessor's Parcel No.:** 265-490-24 through 26, 28
264-381-01 through 08
264-380-01 through 04
- Size:** 41.65 gross acres; 23.09 acres net
- Topography:** Rolling terrain with level pads terraced into hillsides (excellent views)
- Street Improvements:** Under construction
- Utilities:** Available
- Zoning:** R-R-1, San Diego County with Specific Plan
- Recording Data:** In negotiation, March, 1999; Closed November 4, 1999
- Document No.:** 778497
- Price:** \$8,160,000
- Price/Lot:** \$510,000
- Terms:** All-cash to seller, an \$11,860 construction loan with China Trust Bank
- Cash Equivalent Price:** \$8,160,000
- Buyer:** EPAC
- Seller:** Rancho Cielo Estates
- Source:** Dave Dacus, Rancho Cielo Company, seller
- Comments:** This is the purchase of 16 of the 17 finished lots in Lot Group C of the Rancho Cielo Development. All that was reported was that the lots would be purchased at a finished lot basis of \$510,000 per lot. The average pad sizes are 18,000 square feet with a minimum gross size of one acre (much of which is in steep slopes). The lots have excellent view amenities. The remaining costs consists of perimeter landscaping and fees totaling \$35,000 per lot indicating a finished lot cost of \$545,000 per lot.

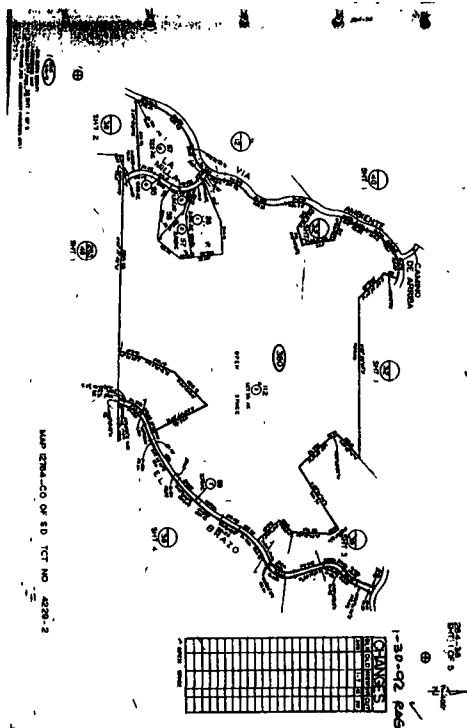
C-407

MAP 13427 - AMENDED CO OF SD TCT NO 4227-2

APR 2 1999

David F. Davis, MAI

C-411



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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 2

Project: Innovative Communities at Rancho Cielo

Location: Both sides of La Catrina, La Repolas and Via Luna cul-de-sacs and north side of Via Dora, San Diego County (Rancho Cielo)

Assessor's Parcel No.: 265-490-35 through 38; 47 through 50 Map Code: 1148-J-6
265-491-38
265-492-45 through 47; 50, 51;
53 through 58, 63 through 65

Size: 56.61 gross acres; 29.90 acres net

Topography: Rolling terrain with level pads terraced into hillsides (excellent views)

Street Improvements: Under construction

Utilities: Available

Zoning: R-R-1, San Diego County with Specific Plan

Recording Data: In negotiation, March, 1999; Document No. 497112
Closed September, 1999

Price: \$9,545,000

Price/Lot: \$415,000

Terms: All cash to seller; a construction loan of \$12,000,000 with General Bank and a \$2,200,000 second trust deed from La Jolla Loans, terms not disclosed.

Cash Equivalent Price: \$9,545,000

Buyer: Innovative Communities

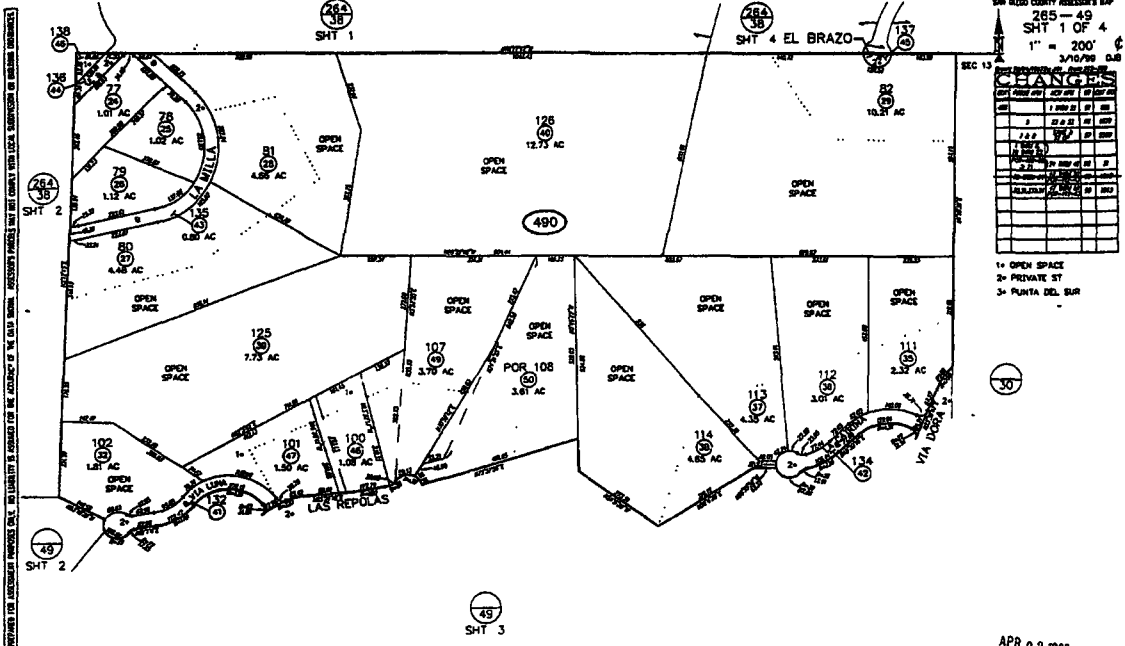
Seller: Rancho Cielo Estates

Source: Dave Dacus, Rancho Cielo Company, seller

Comments: This is the purchase of the 23 lots in Lot Group B of the Rancho Cielo Development. The average pad sizes are 15,763 square feet and range from 10,330 square feet to 27,900 square feet with a minimum gross size of one acre (much of which is in steep slopes). The seller is delivering the property in finished lot condition and remaining fees are \$31,857 indicating a total finished lot cost of \$446,857 per lot.

1-800-345-7334

SCALE IS 1/16" OF AN INCH



SAN DIEGO COUNTY ASSESSOR'S MAP
285-49
SHT 1 OF 4
1" = 200'
3/3/99 D.F.

CHANGES	
NO.	DESCRIPTION
1	OPEN SPACE
2	PRIVATE ST
3	PUNTA DEL SUR

1- OPEN SPACE
2- PRIVATE ST
3- PUNTA DEL SUR

APR 0 2 1999

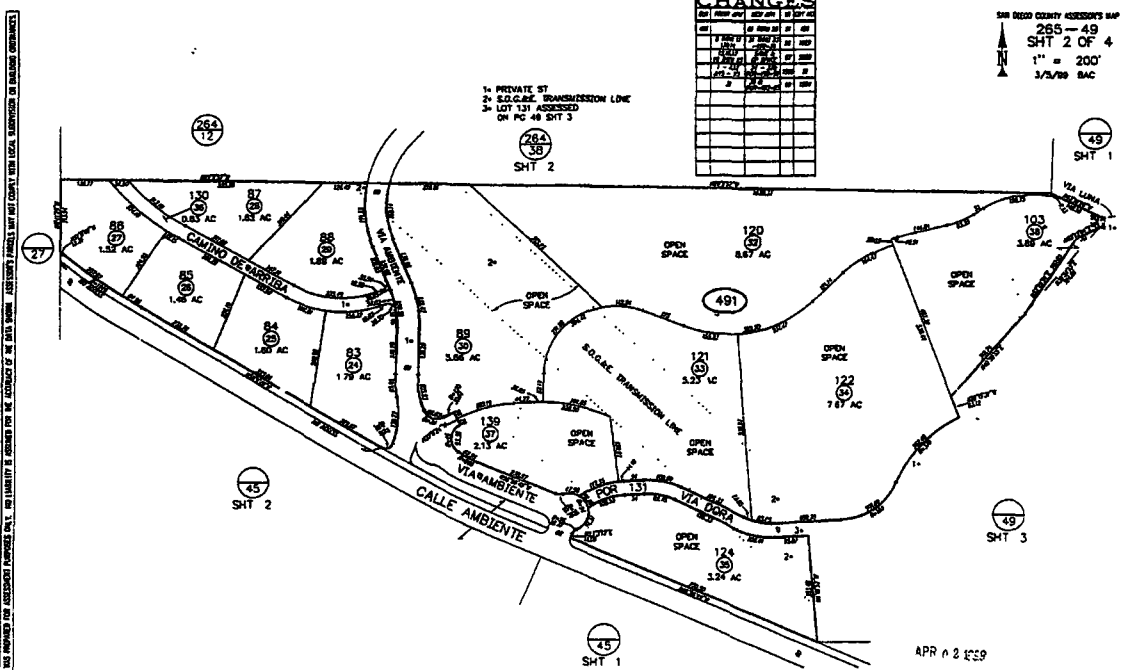
MAP 13427 - AMENDED CO OF SD TCT NO 4227-2

C-413

David F. Davis, MAI

1-800-345-7334

SCALE IS 1/16" OF AN INCH



SAN DIEGO COUNTY ASSESSOR'S MAP
285-49
SHT 2 OF 4
1" = 200'
3/3/99 BAC

CHANGES	
NO.	DESCRIPTION
1	PRIVATE ST
2	S.D.C.B.C. TRANSMISSION LINE
3	LOT 131 ASSIGNED ON PG 49 SHT 3

1- PRIVATE ST
2- S.D.C.B.C. TRANSMISSION LINE
3- LOT 131 ASSIGNED ON PG 49 SHT 3

APR 0 2 1999

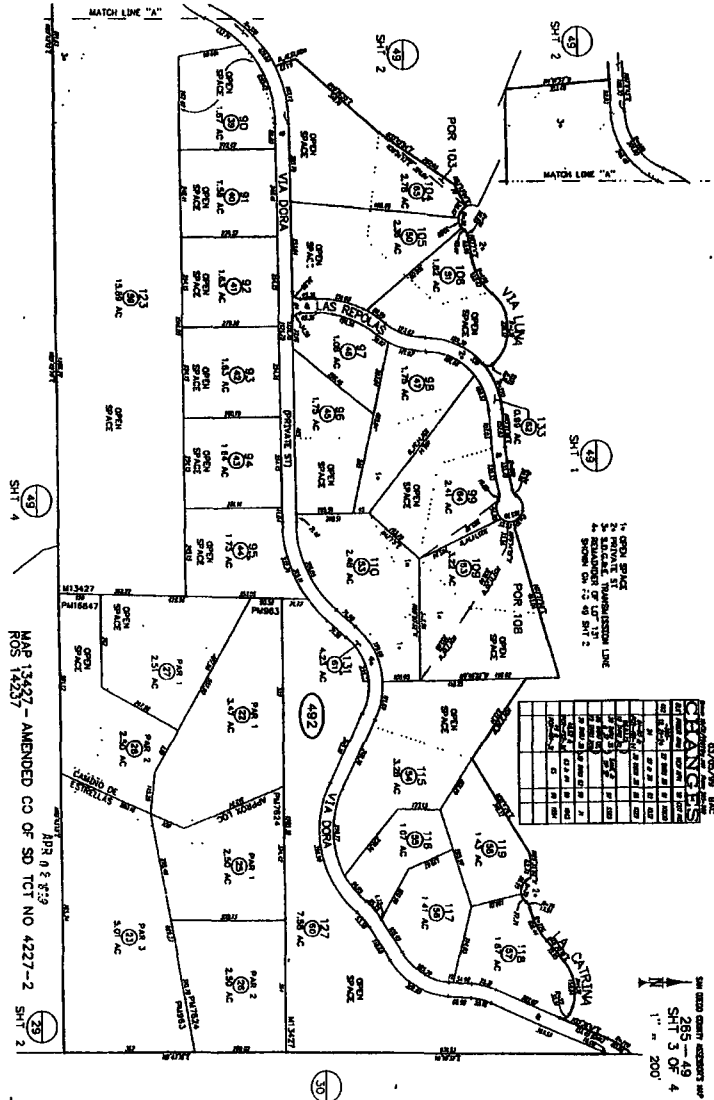
MAP 13427 - AMENDED CO OF SD TCT NO 4227-2

C-414

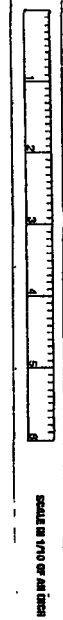
David F. Davis, MAI

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 FRI Mar 05 10:22:28 1999

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1-800-945-7334



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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Single Family Land Data 10

Project: Davidson at Rancho Cielo

Location: Northwest corner of Calle Abiente and Escondido Del Dios Highway, Rancho Cielo

Assessor's Parcel No.: 265-451-01 through 30
 265-452-01 through 31
 265-460-01 through 28

Size: Approximately 138 acres

Zoning: R-1

Utilities: Available

Date of Sale: In escrow, July, 1998
 Closed, March 31, 1999

Sale Price: \$27,500,000

Price/Lot: \$339,506

Terms: All cash

Cash Equivalent Price: \$27,500,000

Buyer: Davidson Communities

Seller: Rancho Cielo Estate, Limited

Source: Dave Dacus, Rancho Cielo Company, seller; Bill Fanning, Davidson Communities, buyer

Comments: This is a purchase of 81 lots (Lot Group A) of at least one gross acre each in the Rancho Cielo Planned Community. Finishing costs and fees are \$25,494 for a total finished lot cost of \$365,000 per lot. Prices were projected to range from \$900,000 to \$1,300,000 and average \$1,100,000 for homes of 3,500 to 5,500 square feet. Average pad size is 17,989 square feet with one acre minimum gross lot sizes.

Thomas Bros.
 Map Code: 1148-H/J-7

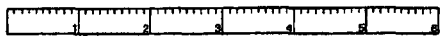
Document No.: 214711

C-415

2011 1:00PM 10/17/17 1:47:29 PM - 10/17/17 1:47:29 PM

D.F. DAVIS
REAL ESTATE
INC.

1-800-345-7334



SCALE IN 1/10 OF AN INCH

265-45
SHT. 1 OF 2



3/7/99 BY

CHANGES		BLK/OLD	NEW	T/CUT
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2	1-31	1.00	1.00	0.00
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4	1-31	1.00	1.00	0.00
5	1-31	1.00	1.00	0.00
6	1-31	1.00	1.00	0.00
7	1-31	1.00	1.00	0.00
8	1-31	1.00	1.00	0.00
9	1-31	1.00	1.00	0.00
10	1-31	1.00	1.00	0.00
11	1-31	1.00	1.00	0.00
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27	1-31	1.00	1.00	0.00
28	1-31	1.00	1.00	0.00
29	1-31	1.00	1.00	0.00
30	1-31	1.00	1.00	0.00
31	1-31	1.00	1.00	0.00
32	1-31	1.00	1.00	0.00
33	1-31	1.00	1.00	0.00

1" OPEN SPACE EASMT
2" RES FOR FUTURE ST
3" PRIVATE ST

THE MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSIGNED TO MAP 11979-CO. OF S.D. T.C.T. NO. 4227-1. MAY NOT COMPLY WITH LOCAL ORDINANCE OR BEING CHANGED.

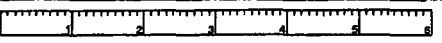
APR 02 1999

MAP 11979-CO. OF S.D. T.C.T. NO 4227-1

C-417

David F. Davis, D.M.A.

1-800-345-7334



SCALE IN 1/10 OF AN INCH

265-45
SHT. 2 OF 2



3/7/99 BY

CHANGES		BLK/OLD	NEW	T/CUT
452	1-31	3.00	2.00	1.00
34	1-31	1.00	1.00	0.00
35	1-31	1.00	1.00	0.00
36	1-31	1.00	1.00	0.00
37	1-31	1.00	1.00	0.00
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75	1-31	1.00	1.00	0.00
76	1-31	1.00	1.00	0.00
77	1-31	1.00	1.00	0.00
78	1-31	1.00	1.00	0.00
79	1-31	1.00	1.00	0.00
80	1-31	1.00	1.00	0.00
81	1-31	1.00	1.00	0.00

1" OPEN SPACE EASMT
2" ST. DEDICATED & NOT ACCEPTED
3" PRIVATE ST.

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APR 02 1999

MAP 11979-CO. OF S.D. T.C.T. NO. 4227-1

C-418

David F. Davis, D.M.A.

D.F. DAVIS
REAL ESTATE
INC.

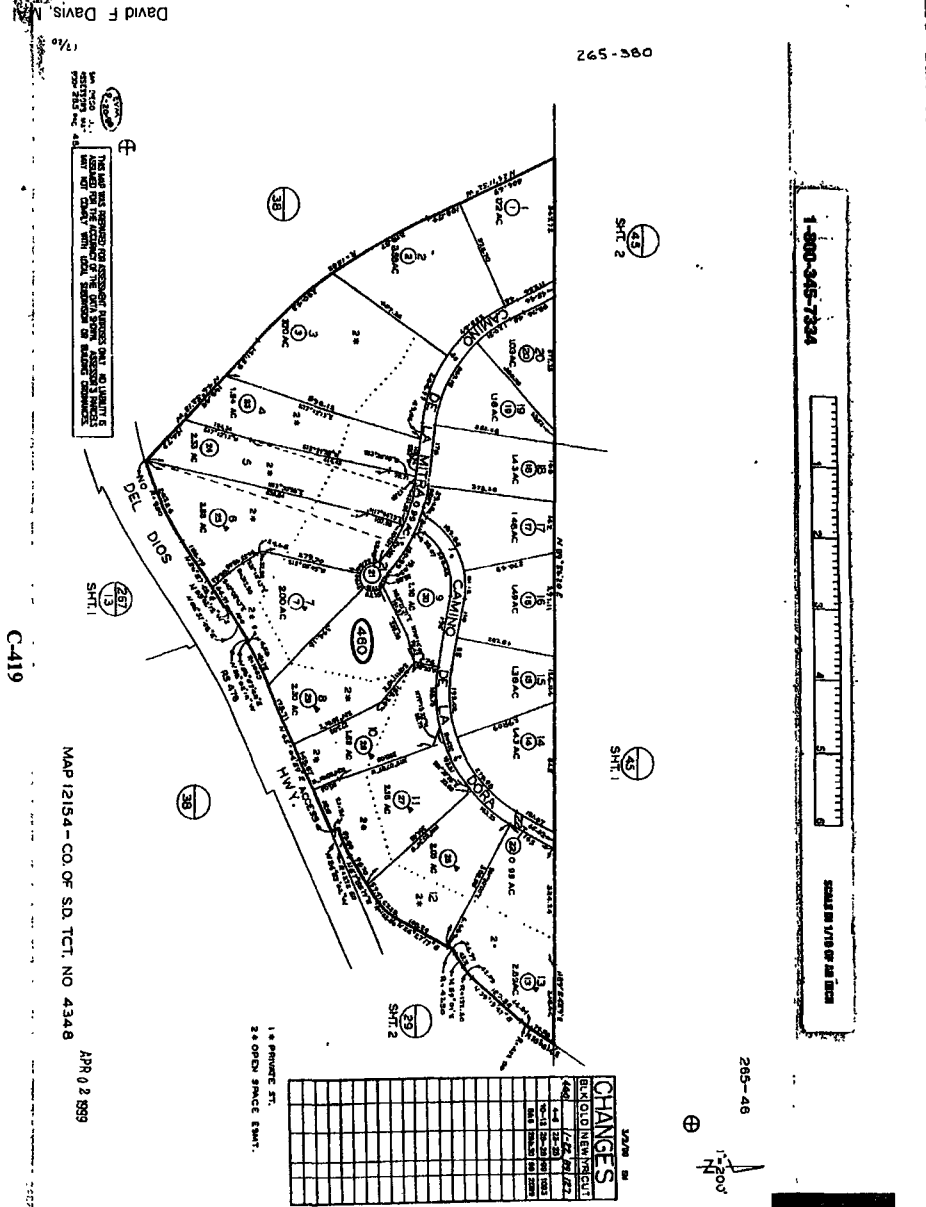
D.F. DAVIS
REAL ESTATE
INC.

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Church Land Data 1

Project: Redeemer by the Sea Lutheran Church
 Location: West side of Black Rail Road, west of West Ambrosia Lane, Carlsbad
 Assessor's Parcel No.: 215-080-22 Thomas Bros. Map Code: 1127-C-4
 Size: 10.11 gross acres
 Zoning: PC, Carlsbad
 Utilities: Available
 Date of Sale: March 13, 2000 Document No.: 126353
 Sale Price: \$2,200,000
 Price/Sq.Ft.: \$5.00
 Terms: \$91,780 cash down payment; \$2,108,220 first trust deed with Lutheran Church Extension Fund at 7.625% (VIR)
 Cash Equivalent Price: \$2,200,000
 Buyer: Redeemer by the Sea Lutheran Church
 Seller: Theresa K. Spencer (et.al.), Kaiser & Associates
 Source: Comps.com; Michael Kassinger, Dyson & Dyson Real Estate, broker
 Comments: The property consists of raw land with one farm building requiring site development costs that are significant but were not disclosed.

D.F. DAVIS
REAL ESTATE
INC.



C-419

MAP 12154 - CO. OF SD. TCT. NO. 4348
APR 0 2 899

David F. Davis

085-592

1-800-345-7334

265-46

1"=200'

D.F. DAVIS
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INC.

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

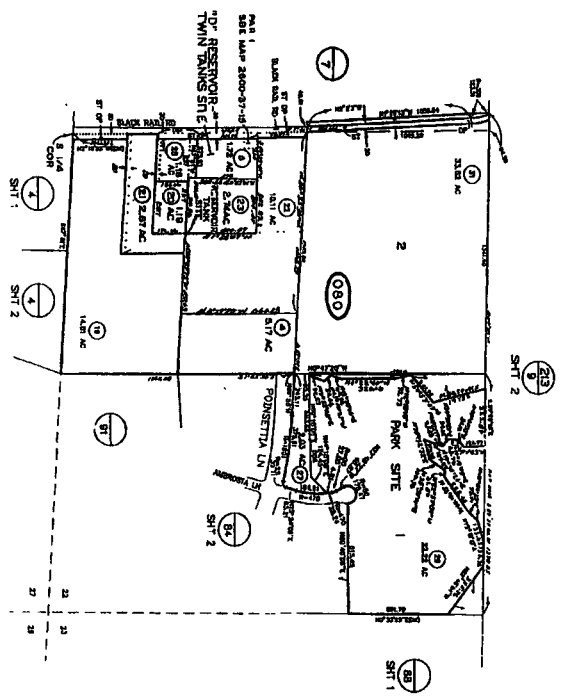
Comparable Church Land Data 2

Project: Taiwanese Lutheran Church
Location: South side of Azuaga, west of Caminito Ciera, San Diego (Rancho Bernardo/Penasquitos)
Assessor's Parcel No.: 315-570-05 **Thomas Bros. Map Code: 1189-F-4**
Size: 3.780 net acres
Zoning: CA-CP, San Diego
Utilities: Available
Date of Sale: January 10, 2000 **Document No.:** 014474
Sale Price: \$930,000
Price/Sq.Ft.: \$5.65
Terms: All cash
Cash Equivalent Price: \$930,000
Buyer: Taiwanese Lutheran Church San Diego
Seller: San Diego Gas & Electric Company
Source: Comps.com; Terry Jackson, Burnham Real Estate Service, broker
Comments: This property had a one year escrow/under contract period.

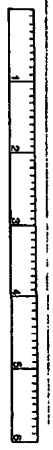
David F. Davis, MAI

San Diego County Assessor's Map of 215-08

THIS MAP WAS PREPARED BY ASSessor/Planner David F. Davis, MAI, AND IS NOT TO BE USED FOR ANY OTHER PURPOSES WITHOUT HIS WRITTEN CONSENT.



1-800-345-7334



SCALE 1/4" = 10' OR 40' AS SHOWN

215-08



D.F. DAVIS
REAL ESTATE
INC.

CHANGES	DATE	BY	DESCRIPTION
1	1/10/00	DAVID F. DAVIS	INITIAL DRAWING CUT
2	1/10/00	DAVID F. DAVIS	1/10/00
3	1/10/00	DAVID F. DAVIS	1/10/00
4	1/10/00	DAVID F. DAVIS	1/10/00
5	1/10/00	DAVID F. DAVIS	1/10/00
6	1/10/00	DAVID F. DAVIS	1/10/00
7	1/10/00	DAVID F. DAVIS	1/10/00
8	1/10/00	DAVID F. DAVIS	1/10/00
9	1/10/00	DAVID F. DAVIS	1/10/00
10	1/10/00	DAVID F. DAVIS	1/10/00
11	1/10/00	DAVID F. DAVIS	1/10/00
12	1/10/00	DAVID F. DAVIS	1/10/00
13	1/10/00	DAVID F. DAVIS	1/10/00
14	1/10/00	DAVID F. DAVIS	1/10/00
15	1/10/00	DAVID F. DAVIS	1/10/00
16	1/10/00	DAVID F. DAVIS	1/10/00
17	1/10/00	DAVID F. DAVIS	1/10/00
18	1/10/00	DAVID F. DAVIS	1/10/00
19	1/10/00	DAVID F. DAVIS	1/10/00
20	1/10/00	DAVID F. DAVIS	1/10/00
21	1/10/00	DAVID F. DAVIS	1/10/00
22	1/10/00	DAVID F. DAVIS	1/10/00
23	1/10/00	DAVID F. DAVIS	1/10/00
24	1/10/00	DAVID F. DAVIS	1/10/00
25	1/10/00	DAVID F. DAVIS	1/10/00
26	1/10/00	DAVID F. DAVIS	1/10/00
27	1/10/00	DAVID F. DAVIS	1/10/00
28	1/10/00	DAVID F. DAVIS	1/10/00
29	1/10/00	DAVID F. DAVIS	1/10/00
30	1/10/00	DAVID F. DAVIS	1/10/00
31	1/10/00	DAVID F. DAVIS	1/10/00
32	1/10/00	DAVID F. DAVIS	1/10/00
33	1/10/00	DAVID F. DAVIS	1/10/00
34	1/10/00	DAVID F. DAVIS	1/10/00
35	1/10/00	DAVID F. DAVIS	1/10/00
36	1/10/00	DAVID F. DAVIS	1/10/00
37	1/10/00	DAVID F. DAVIS	1/10/00
38	1/10/00	DAVID F. DAVIS	1/10/00
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41	1/10/00	DAVID F. DAVIS	1/10/00
42	1/10/00	DAVID F. DAVIS	1/10/00
43	1/10/00	DAVID F. DAVIS	1/10/00
44	1/10/00	DAVID F. DAVIS	1/10/00
45	1/10/00	DAVID F. DAVIS	1/10/00
46	1/10/00	DAVID F. DAVIS	1/10/00
47	1/10/00	DAVID F. DAVIS	1/10/00
48	1/10/00	DAVID F. DAVIS	1/10/00
49	1/10/00	DAVID F. DAVIS	1/10/00
50	1/10/00	DAVID F. DAVIS	1/10/00

C-421

SEC 22 - T12S-91W - SE 1/4
R05 56N, 62E9, 10774, 13762

SEP 1 8 1998

David F. Davis, MAI



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Church Land Data 3

Project: Roman Catholic Church

Location: Southeast corner of Cannon Road and Melrose Drive, Oceanside

Assessor's Parcel No.: 169-011-46 **Thomas Bros. Map Code: 1107-G-3**

Size: 11.50 gross acres; 9.870 net acres

Zoning: C-G-PBD, Oceanside

Utilities: Available

Date of Sale: July 31, 1998 **Document No.: 479771**

Sale Price: \$1,315,000

Price/Sq. Ft.: \$2.63 gross; \$3.06 net

Terms: All cash

Cash Equivalent Price: \$1,315,000

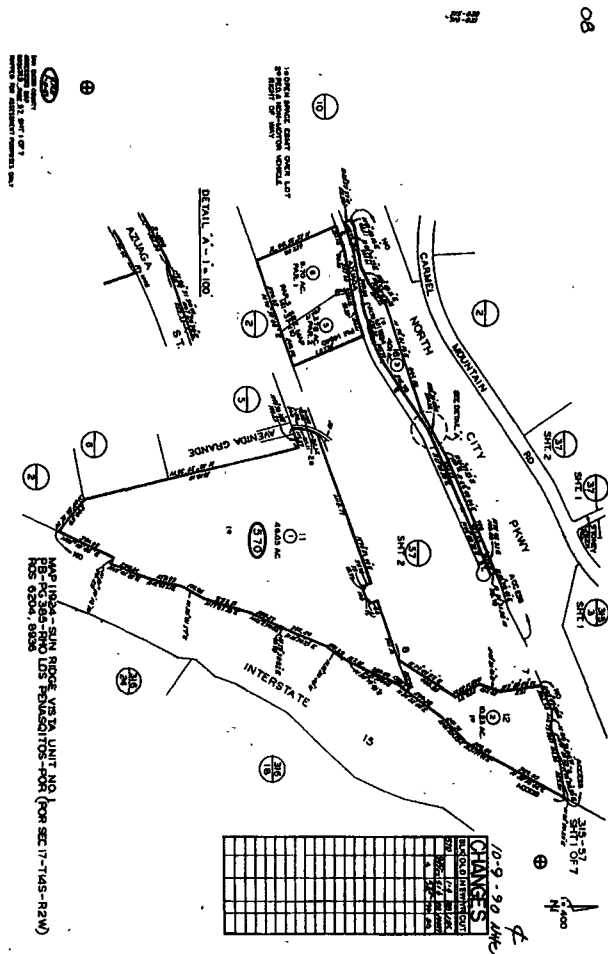
Buyer: Roman Catholic Bishop of San Diego

Seller: Melrose/Cannon Partnership

Source: Comps.com; Reg Kobzi, Grubb & Ellis, broker

Comments: This property had some loss from gross to net size due to a natural habitat issue involving Coastal Sage Scrub. There are also offsite costs which were not disclosed.

C-423





CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Church Land Data 4

Project: Roman Catholic Church

Location: Future intersection of Camino Ruiz and Ted Williams Parkway (State Route 56); current terminus of Carmel Mountain Road, San Diego

Assessor's Parcel No.: 306-050-18, 19, 28
Thomas Bros. Map Code: 1189-A/B-5/6

Size: 8.32 net acres

Zoning: Subarea IV Plan Commercial Limited (A1-10)

Utilities: Available (to be extended)

Date of Sale: In escrow, August, 1998
Closed January 15, 1999
Document No.: 026406

Sale Price: \$2,750,000

Price/Sq. Ft.: \$7.59

Terms: All cash

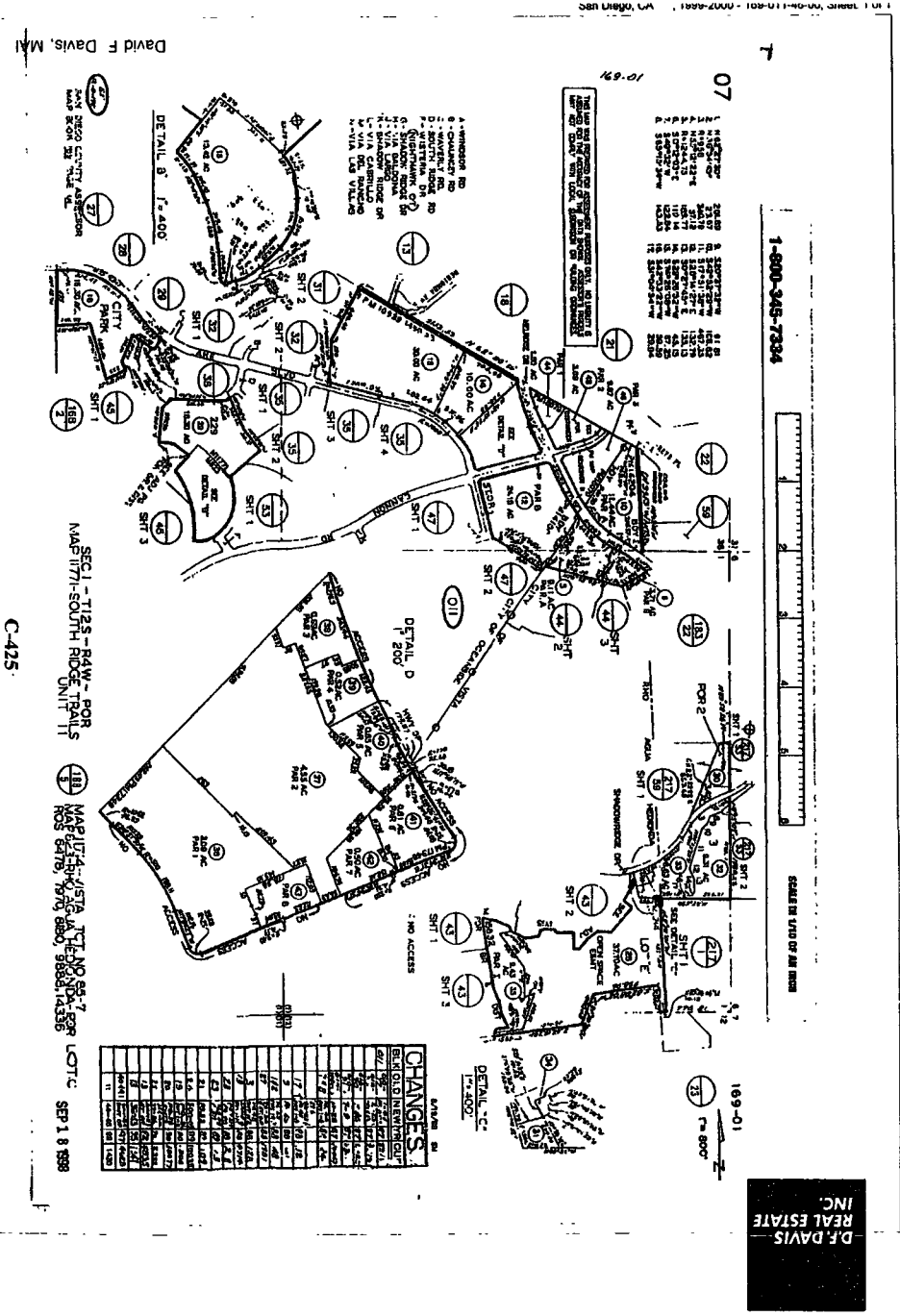
Cash Equivalent Price: \$2,750,000

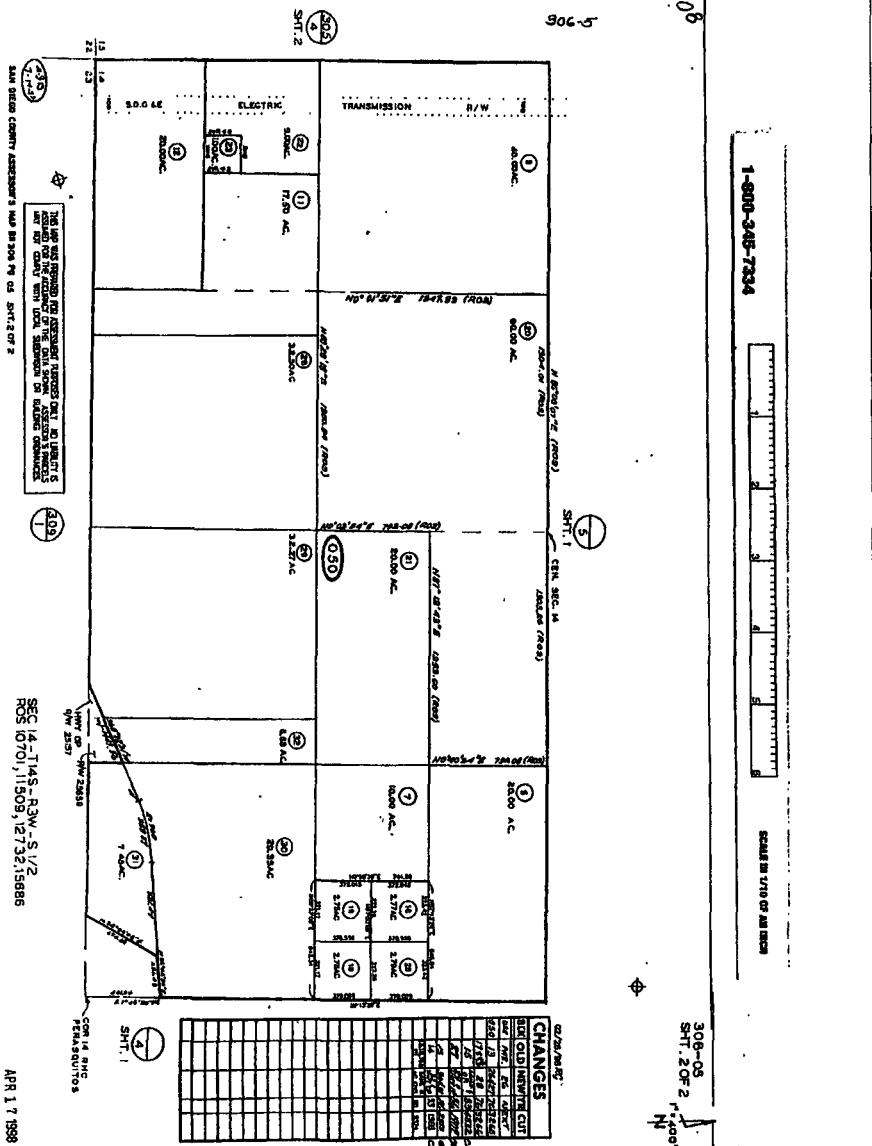
Buyer: Roman Catholic Bishop

Seller: Raymond B. Schodey

Source: Gunder Creager, Colliers International, broker; Gary Rasmuson, MAI, appraiser

Comments: The property has a very limited zoning overlay which permits residential, veterinarians, nurseries (growing), storage, churches and trade schools. The property was identified after a two year site search. Finishing costs are estimated to be \$3.00 per square foot.





C-427

SEC 14 - T14S - R3W - S 1/2
R05 10701, 11509, 12732, 15886

APR 1 7 1988

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REAL ESTATE
INC.

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Church Land Data 6

Project: Roman Catholic Church

Location: Southeast corner of Carmel Valley Road and Black Mountain Road, San Diego

Assessor's Parcel No.: 305-030-19

Thomas Bros. Map Code: 1188-E-4

Size: 54.56 gross acres

Zoning: A1-10

Utilities: Available

Date of Sale: September 29, 1997

Document No.: 481438

Sale Price: \$9,830,000 plus \$591,500 commission (total \$10,321,500)

Price/Acre: \$189,177

Terms: All cash

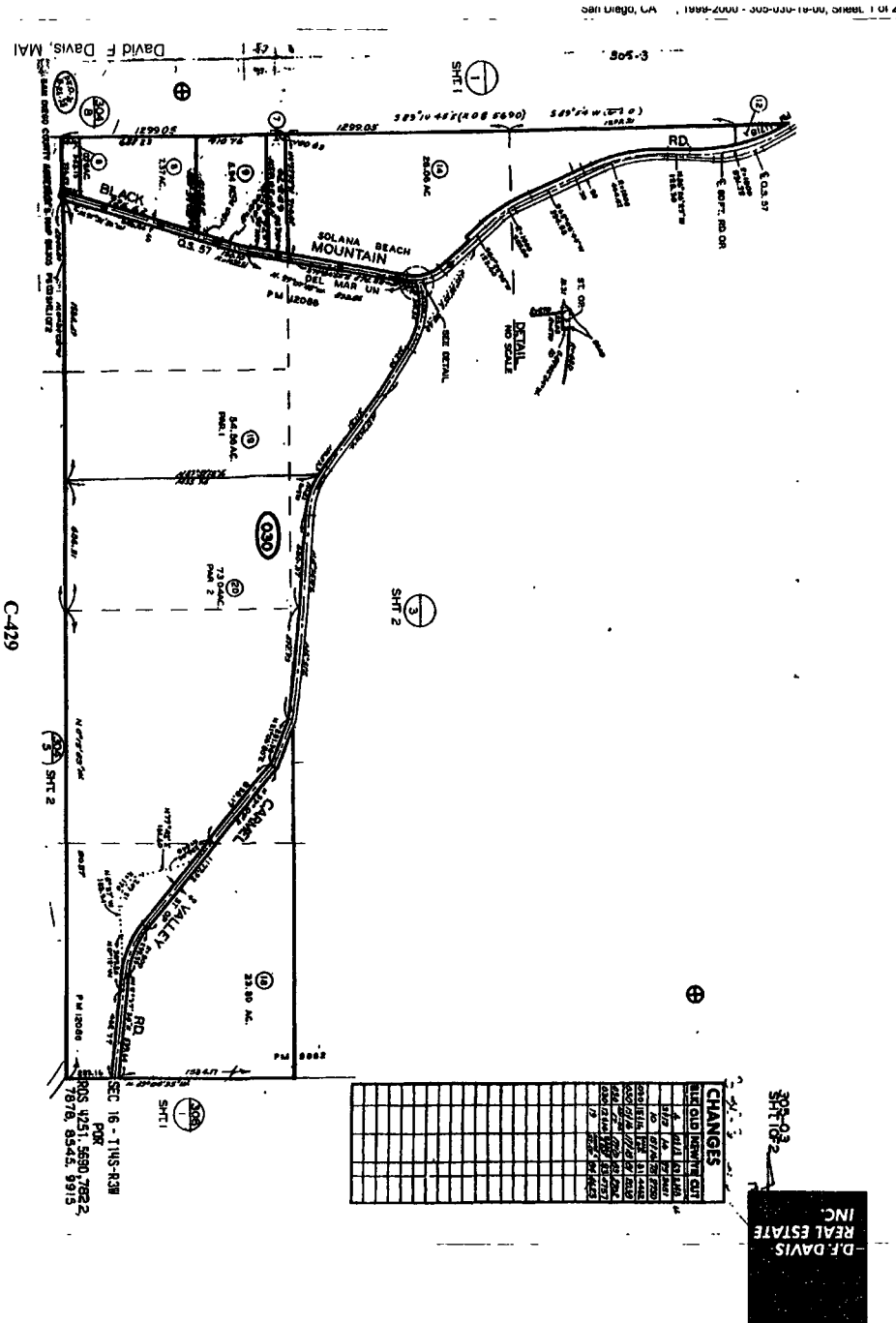
Cash Equivalent Price: \$10,321,500

Buyer: The Roman Catholic Church

Seller: Mr. and Mrs. Yee Ping Chem Huang

Source: Gunder Creager, Colliers International, broker

Comments: The Catholic Church purchased this site with the intention of building a high school. The location is in the future urbanizing area of San Diego. The transfer price was \$9,830,000; however, there was an additional 5% commission paid outside of escrow for a total of \$10,321,500. The parcel is unentitled raw land with rolling topography and the proposed use requires an amendment to the Municipal Code because high schools (unlike elementary schools) are not allowed by conditional use permit in the A1-10 zone.



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 1

Project: Fenton Marketplace

Location: Southwest corner of Friars Road and Northside Drive, San Diego (Mission Valley)

Assessor's Parcel No.: 433-101-01 through 12

Thomas Bros. Map Code: 1269-E-1

Size: 52 acres gross; 52 acres net (2,265,120 square feet)

Zoning: MVMSP, San Diego

Utilities: All available

Date of Sale: October 8, 1999

Document No.: 683293

Sale Price: \$29,800,000

Price/Sq. Ft.: \$13.16

Terms: \$19,300,000 (65%) cash downpayment plus a first trust deed of \$10,500,000 from Bank of America (terms not disclosed)

Cash Equivalent Price: \$29,800,000

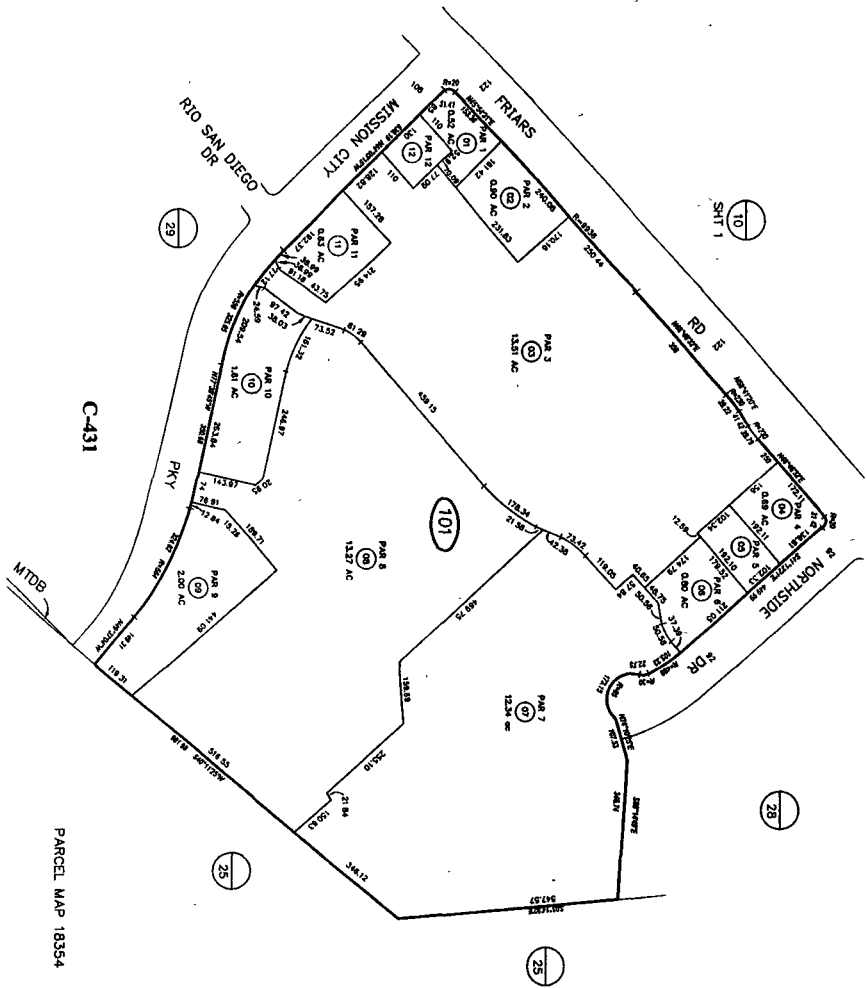
Buyer: FMP, LLC

Seller: HG Fenton Company

Source: Allen Barbour, Appraiser, Bank of America, Construction Lender

Comments: This is the acquisition of the Fenton Marketplace power retail center in Mission Valley. Major tenants, IKEA, Costco and Lowe's subsequently purchased their sites at the same time. At buildout, the entire center will total 550,000 square feet.

David F Davis, MAI



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 2

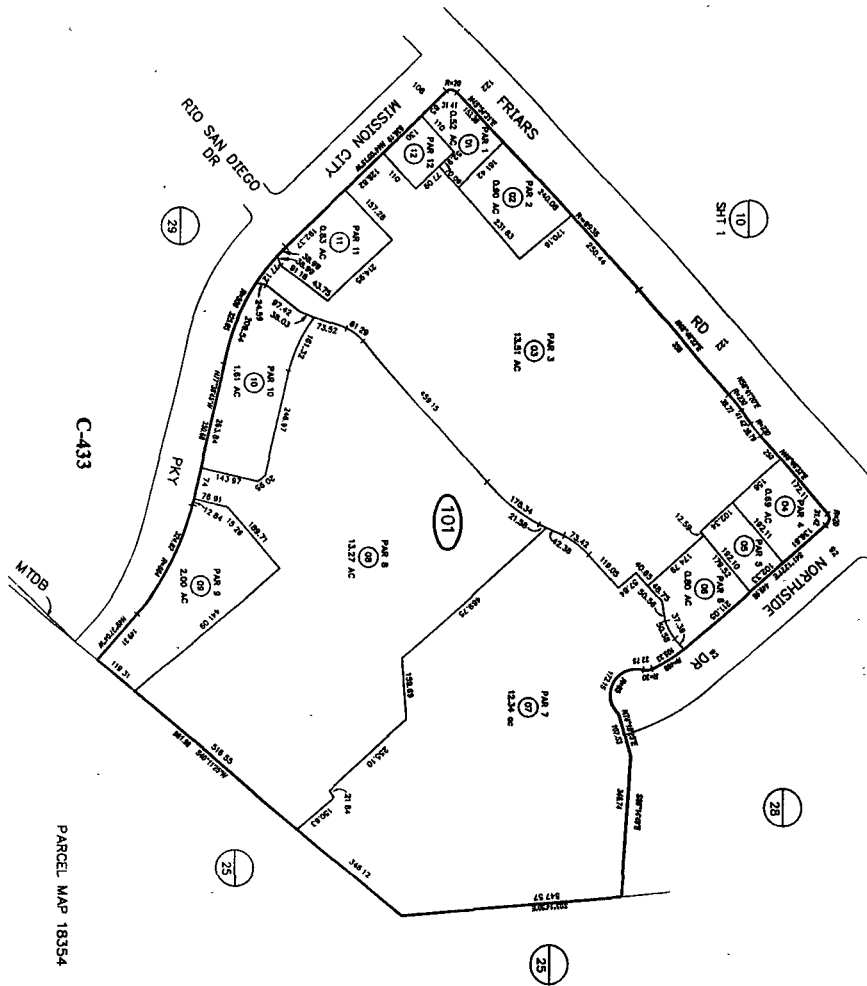
Project: Fenton Marketplace - IKEA
Location: Southwest corner of Friars Road and Northside Drive, San Diego (Mission Valley)
Assessor's Parcel No.: 433-101-08 **Thomas Bros. Map Code:** 1269-E-1
Size: 13.3 acres gross; 13.277 acres net (578,346 square feet)
Zoning: MVMSP, San Diego
Utilities: All available
Date of Sale: October 8, 1999 **Document No.:** 683295
Sale Price: \$9,255,629
Price/Sq.Ft.: \$16.00
Terms: All cash
Cash Equivalent Price: \$9,255,629
Buyer: IKEA Property, Incorporated
Seller: FMP, LLC
Source: Allen Barbour, Appraiser, Bank of America, Construction Lender
Comments: The buyer plans construction of a 210,000 square foot retail warehouse store in the Fenton Marketplace power retail center.

PARCEL MAP 18354

433-10	433-10
SHT 2 OF 2	SHT 2 OF 2
1" = 200'	1" = 200'
22/00	22/00
CHANGES	CHANGES
DATE	DATE
BY	BY
NO. INCREASES	NO. INCREASES
1-13	20
	20



David F. Davis, MAI



Parcel No.	Acreage	Area	Area	Area	Area
PMA 1	1.00	1.00	1.00	1.00	1.00
PMA 2	1.00	1.00	1.00	1.00	1.00
PMA 3	1.00	1.00	1.00	1.00	1.00
PMA 4	1.00	1.00	1.00	1.00	1.00
PMA 5	1.00	1.00	1.00	1.00	1.00
PMA 6	1.00	1.00	1.00	1.00	1.00
PMA 7	1.00	1.00	1.00	1.00	1.00
PMA 8	1.00	1.00	1.00	1.00	1.00
PMA 9	1.00	1.00	1.00	1.00	1.00
PMA 10	1.00	1.00	1.00	1.00	1.00
PMA 11	1.00	1.00	1.00	1.00	1.00

C-433

PARCEL MAP 18354



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 3

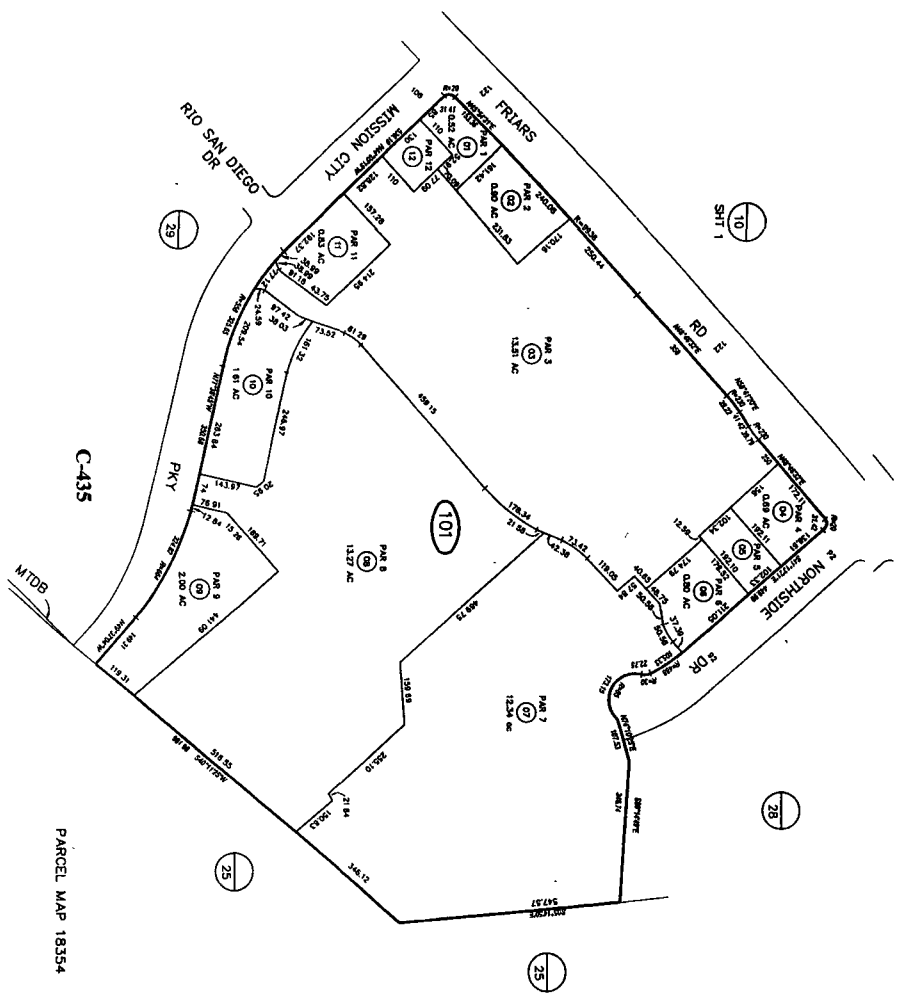
Project:	Fenton Marketplace - Lowe's	
Location:	Southwest corner of Friars Road and Northside Drive, San Diego (Mission Valley)	
Assessor's Parcel No.:	433-101-07	Thomas Bros. Map Code: 1269-E-1
Size:	12.343 acres gross; 12.343 acres net (537,661 square feet)	
Zoning:	MVMSP, San Diego	
Utilities:	All available	
Date of Sale:	October 8, 1999	Document No.: 683296
Sale Price:	\$8,600,486	
Price/Sq.Ft.:	\$16.00	
Terms:	All cash	
Cash Equivalent Price:	\$8,600,486	
Buyer:	Lowe's HIW, Incorporated	
Seller:	FMP, LLC	
Source:	Allen Barbour, Appraiser, Bank of America, Construction Lender	
Comments:	The buyer plans construction of a 141,200 square foot home improvement store with 28,800 garden center in the Fenton Marketplace power retail center.	



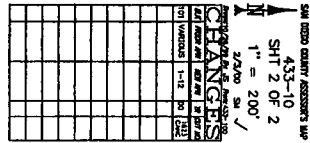
C-434

David F. Davis, MAI

David F. Davis, MAI



PARCEL MAP 18354



CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 4

- Project:** Fenton Marketplace - Costco
- Location:** Southwest corner of Friars Road and Northside Drive, San Diego (Mission Valley)
- Assessor's Parcel No.:** 433-101-03 **Thomas Bros. Map Code:** 1269-E-1
- Size:** 14.3 acres gross; 13.511 acres net (588,539 square feet)
- Zoning:** MVMSP, San Diego
- Utilities:** All available
- Date of Sale:** October 8, 1999 **Document No.:** 683297
- Sale Price:** \$9,415,930
- Price/Sq.Ft.:** \$16.00
- Terms:** All cash
- Cash Equivalent Price:** \$9,415,930
- Buyer:** Costco Wholesale Corporation
- Seller:** FMP, LLC
- Source:** Allen Barbour, Appraiser, Bank of America, Construction Lender
- Comments:** The buyer plans construction of a 147,000 square foot retail warehouse store in the Fenton Marketplace power retail center.



David F. Davis, MAI

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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 5

Project: Former Vineyard Shopping Center Site

Location: 1505-1535 East Valley Parkway, Escondido

Assessor's Parcel No.: 230-240-50, 81,84,85 **Thomas Bros. Map Code: 1130-B-1**

Size: 10.68 acres gross and net (465,221 square feet)

Zoning: CG, Escondido

Utilities: All available

Date of Sale: June 15, 1999 **Document No. 418037**

Sale Price: \$5,000,000

Price/Sq. Ft.: \$10.75

Terms: The escrow closed with a new construction loan of \$12,890,000 from Cathay Bank. There was also a private second trust deed of \$1,000,000 at undisclosed terms.

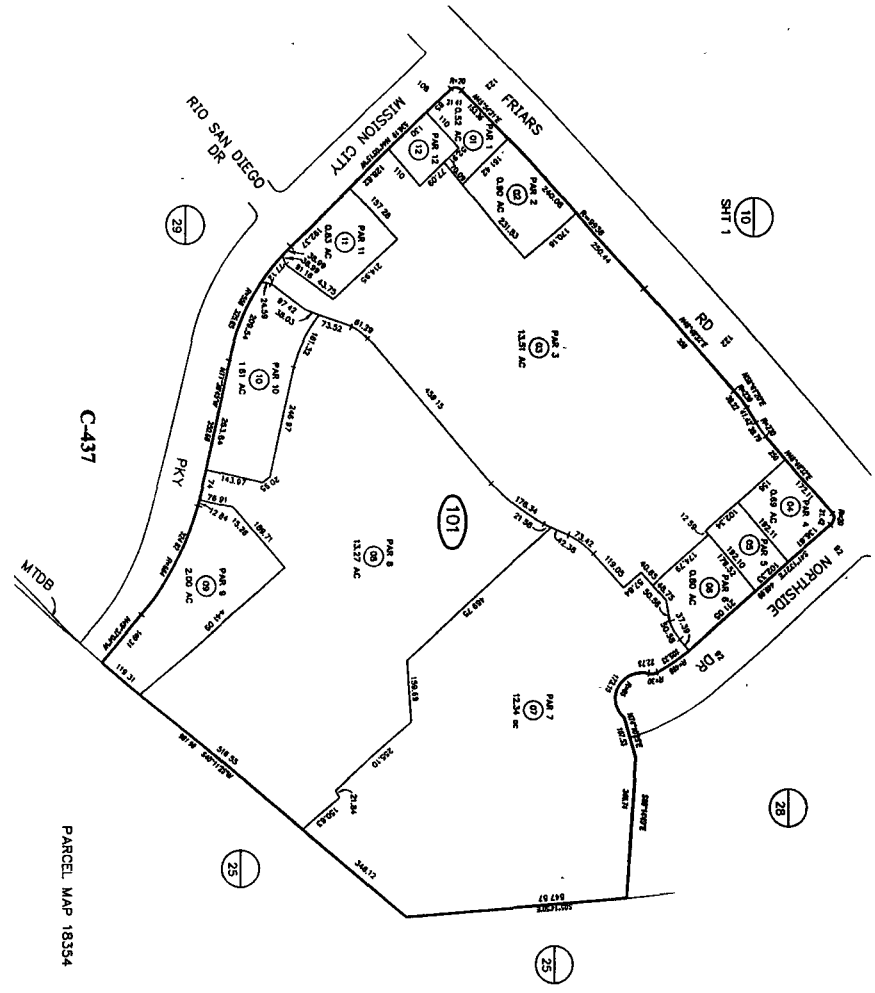
Cash Equivalent Price: \$5,000,000

Buyer: WPI Valley Rose, LLC

Seller: Plaza Freeway, Limited

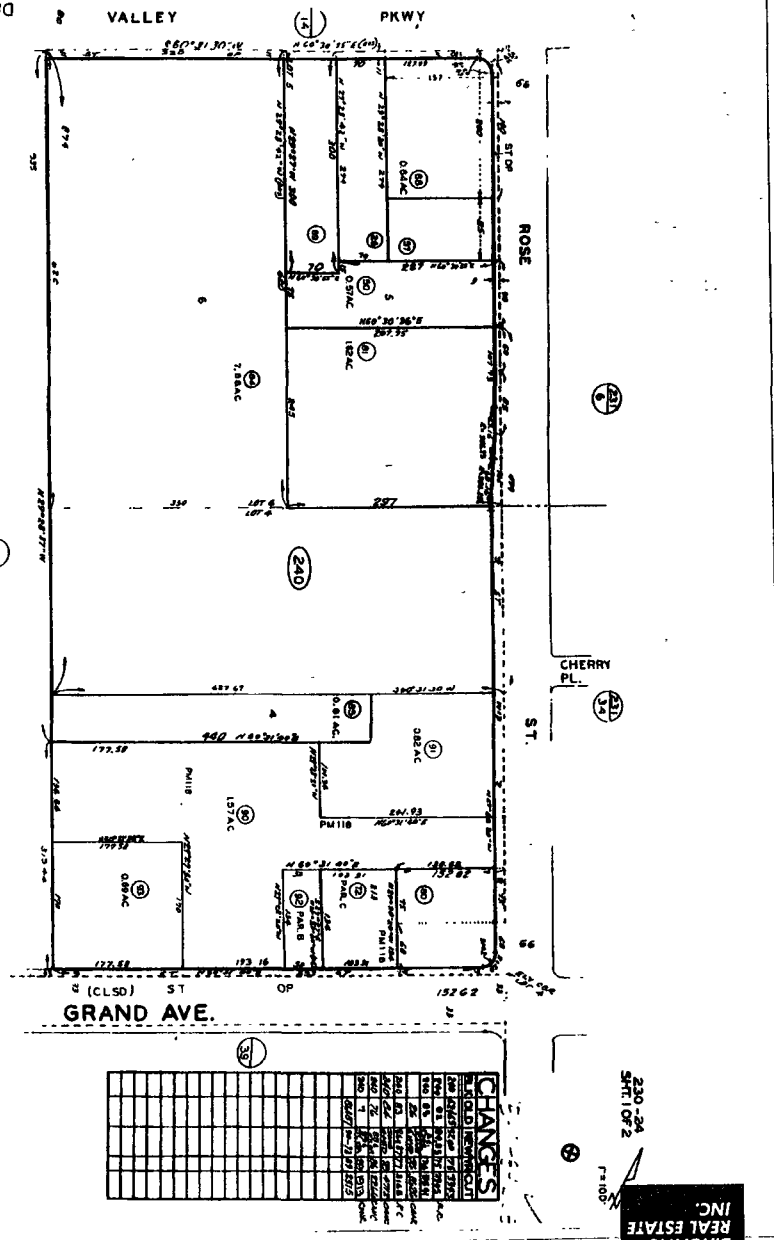
Source: Don Zech, CDC Commercial, broker

Comments: At the time of sale, the property was improved with three, multi-story, wood frame structures (former Vineyard mixed-use retail-office project) for which the buyer estimated demolition costs of \$300,000 (\$.65 per square foot). The buyer plans to construct a 118,000 square foot neighborhood shopping center. The property was in escrow/under contract for 210 days. Major tenants for the new project are Lucky's Supermarket (now Albertson's), SavOn Drug, Glendale Federal Savings and Acapulco Restaurant. The latter two tenants were existing tenants onsite that will stay. Demolition and construction should commence in early 2000.



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 SAN DIEGO COUNTY ASSESSOR'S MAP
 433-10
 SHIT 2 OF 2
 1" = 200'
 3/2/99

PARCEL MAP 18354



**D.F. DAVIS
REAL ESTATE
INC.**

CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 6

Project: Drug Store Site

Location: 5411-5439 College Boulevard, Oceanside

Assessor's Parcel No.: 162-240-45,46 **Thomas Bros. Map Code:** 1087-C-5

Size: 2.43 acres gross and net (105,851 square feet)

Zoning: CP, Oceanside

Utilities: All available

Date of Sale: January 28, 1999 **Document No.** 048549

Sale Price: \$1,800,000

Price/Sq.Ft.: \$17.00

Terms: Escrow closed with a construction loan of \$2,900,000 with First Upland Bank.

Cash Equivalent Price: \$1,800,000

Buyer: College and Oceanside LLC

Seller: Mary B. Mottino, Trustee

Source: Brad Becker, Retail Properties Group, broker

Comments: This site was purchased for construction of a SavOn drugstore (14,841 square feet) and an 8,000 square foot retail building.

C-439

MAP 7231391 - RHO RINCÓN DEL DIABLO RESERVE SHT A
FOR B.L. 180
R05 325, 9786, 11522, 12054

David F Davis, MAI



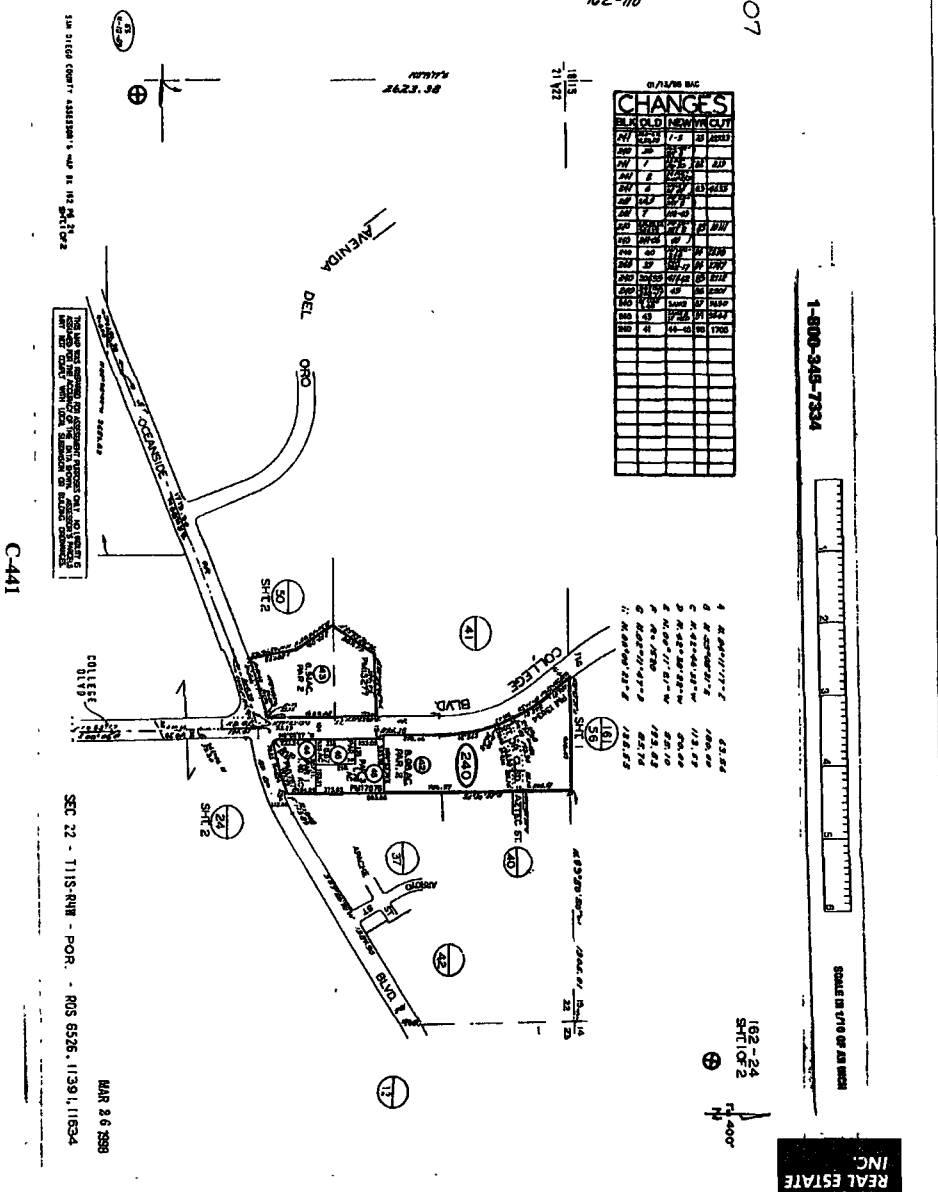
CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

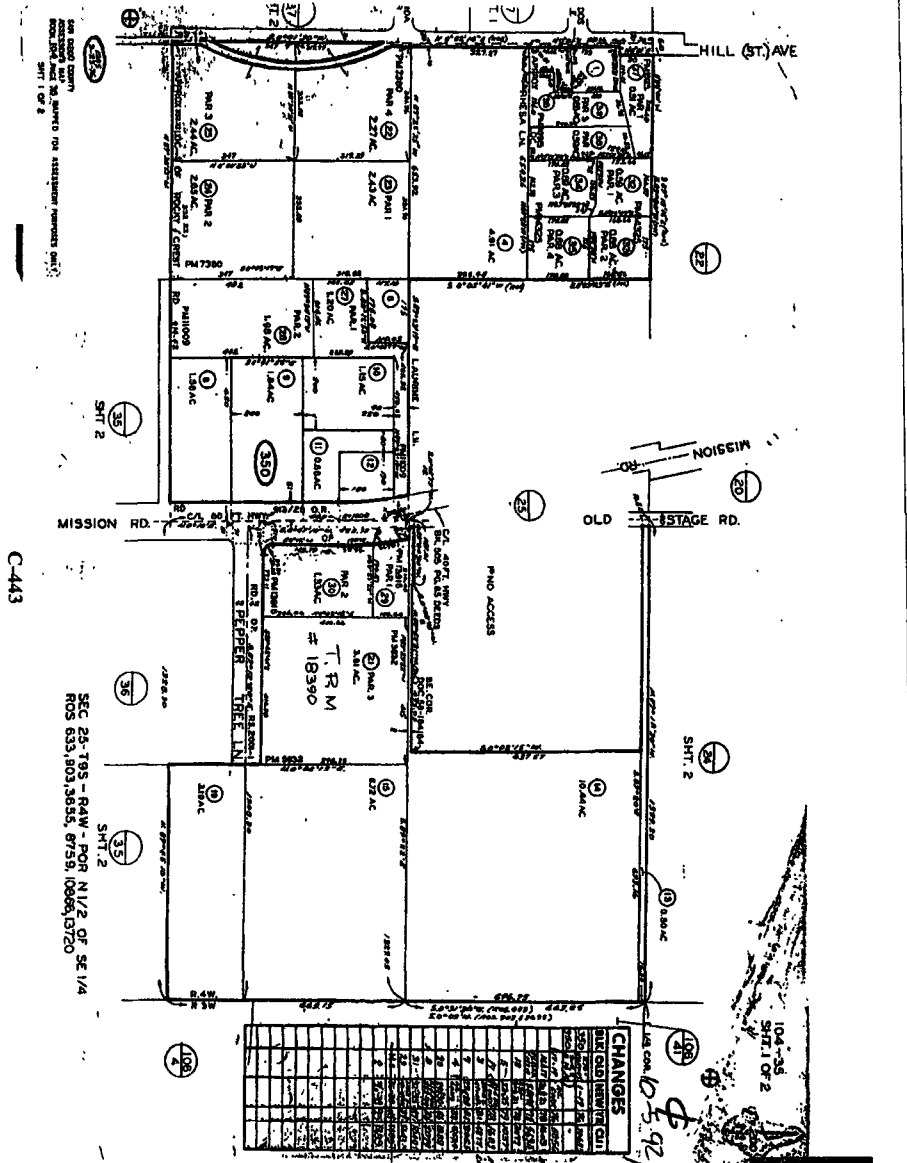
Comparable Retail Land Data 7

Project: Albertson's Supermarket Site
Location: Northeast corner of Peppertree Lane and Mission Avenue, Fallbrook
Assessor's Parcel No.: 104-350-21,30 **Thomas Bros. Map Code:** 1027-F-5
Size: 5.14 acres gross and net (223,898 square feet)
Zoning: C-36, San Diego County
Utilities: All available
Date of Sale: October 6, 1998 **Document No.** 640780
Sale Price: \$2,425,000
Price/Sq.Ft.: \$10.83
Terms: All cash
Cash Equivalent Price: \$2,425,000
Buyer: Albertson's Incorporated
Seller: The Vons Company, Incorporated
Source: Jeff Dierck, Albertson's, buyer
Comments: The property needed completion of offsites. Albertson's planned to construct a 55,000 square foot store; however, this property was subsequently part of a 40 property sale between Albertson's and Stater Brothers for which no further details were provided. The site has moderate to steep slope upward to the east which will require grading. The cost was not provided but is estimated at at least \$1.00 per square foot.

CHANGES

BLK	OLD	NEW	CUT
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104	350	99	30
104	350	100	30





C-443

SEC 25-T8S - RAW - POP N1/2 OF SE 1/4
 ROS 633, 903, 955, 975, 1069, 1070

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CFD NO. 2 (SANTALUZ - IMPROVEMENT AREA 1)

Comparable Retail Land Data 8

Project: Carlsbad Research Center - Lot 73 (Island at Carlsbad)

Location: Southwest corner of College Boulevard and Faraday Avenue, Carlsbad

Assessor's Parcel No.: 212-120-04 **Thomas Bros. Map Code:** 1127-C-1

Size: 5.555 acres gross and net (241,976 square feet)

Zoning: CM-Area 2, Carlsbad

Utilities: All available

Date of Sale: Escrow: May, 1998 **Document No.** 465555
 Closed July 27, 1998

Sale Price: \$3,024,698.50

Price/Sq.Ft.: \$12.50

Terms: \$469,698.50 cash and a loan of \$2,555,000 from Southern California Bank at market terms.

Cash Equivalent Price: \$3,024,698.50

Buyer: Lichter - Satterlee Retail 73, LLC

Seller: KREG-OC

Source: Purchase agreement; appraisal documents; Bob Lichter, Kelly Capital Corporation; Ken Satterlee, St. Croix Capital Corporation, buyer; Tony Badeaux, Koll Real Estate Group, seller/buyer.

Comments: This property sold via a "double escrow". The original transaction was documented on February 27, 1998 with a 120-day period to the close of escrow. However, the commitment to sell and price was agreed upon on year prior. The price on that transaction is \$2,056,795 (\$8.50 per square foot). The selling entity on this transaction is KDC-OC, LP (Union Pacific Railroad).

During escrow, a 3.5 acre portion of this property was contemplated for sale to one of two Extended Stay Hotel operators (Starwood and/or ESA Hotels) for \$18.00 to \$20.00 per square foot. The resulting remnant portion for retail development was so small to effectivity site plan and the city of Carlsbad found another hotel use in the area less desirable then retail.

David F. Davis, MAI

09

1-800-345-7234



SCALE IN FEET PER INCH

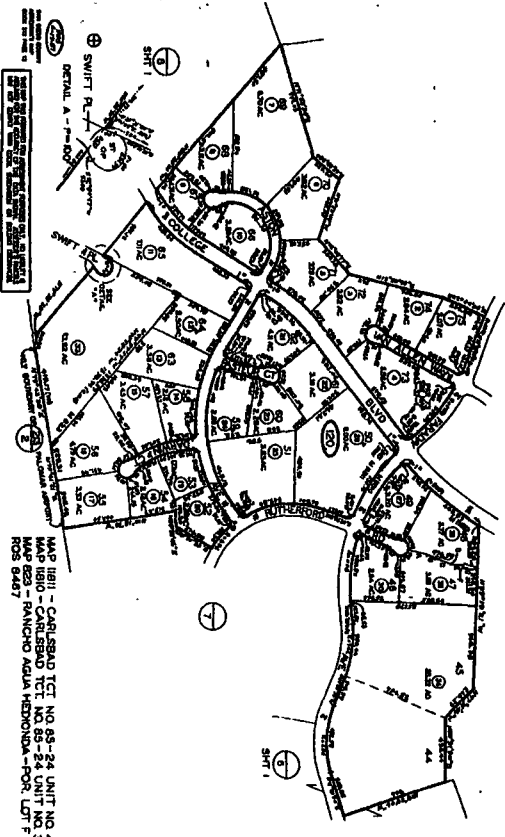
212-12



SHFT 1

CHANGES

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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SWIFT FLT

DETAILED A - 1/2" = 1' - 0"

MAP 1811 - CARLSBAD TCT NO 85-24 UNIT NO 4
 MAP 1810 - CARLSBAD TCT NO 85-24 UNIT NO 3
 MAP 823 - RANCHO AGUA HERMONDA - FOR. LIT F
 NOS 18457

JUL 0 1998

C-445

D.F. DAVIS
 REAL ESTATE
 INC.

EXHIBIT I

C-446



CERTIFICATION

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

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professions Ethics and the Uniform Standards of Professional Appraisal Practice.
- 8) I have made a personal inspection of the property that is the subject of this report.
- 9) No one provided significant professional assistance to the person signing this report.
- 10) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 11) As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.
- 12) I do not authorize any out-of-context quotations or partial reprintings, or the resale of this appraisal report to third parties. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media or public communication without the prior written consent of the appraiser.
- 13) The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

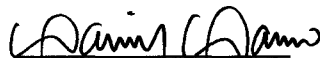

David F. Davis, MAI
State Certificate #AG00275

EXHIBIT J



QUALIFICATIONS

DAVID F. DAVIS, MAI

APPRAISAL EXPERIENCE

- 02/86 - Present Independent Real Estate Appraiser and Consultant. President, D.F. Davis Real Estate, Inc., specializing in appraisals of proposed construction and development projects.
- 06/84 - 01/86 Vice President, Diversified Equity Investments, Inc., a real estate development firm. Specialized in acquisitions, construction, leasing and property management.
- 06/83 - 05/84 Appraisal Officer, Wells Fargo Real Estate Industries Group. Specialized in major proposed commercial and residential projects.
- 10/77 - 05/83 Union Bank - Appraisal Officer. Similar experience to Wells Fargo.
- 05/76 - 10/77 F.M. Tarbell Company, residential real estate sales.

EDUCATION

San Diego State University, B.S. Degree in Business Administration with an emphasis in Real Estate, 1977.

Society of Real Estate Appraisers - Courses and Seminars:

- Course 101 Principles of Residential Appraisal, 1978
- Course 201 Principles of Income Property Appraisal, 1978
- Seminar Cash Equivalency Analysis, 1981
- Course 202 Applied Income Property Valuation, 1982

American Institute of Real Estate Appraisers - Courses and Seminars:

- Course 2-1 Case Studies in Real Estate Valuation, 1981
- Course 2-2 Real Estate Analysis and Report Writing, 1981
- Course 2-3 Standards of Professional Practice, 1982
- Course 004 Litigation Valuation, 1982
- Seminar Financial Calculator HP 38E/12C, 1983
- Seminar Subdivision Analysis, 1985
- Seminar FHLBB R41b Requirements, 1986
- Course 004 Litigation Valuation, 1987
- Course 007 Industrial Valuation, 1987
- Seminar Standards of Professional Practice Update, 1988
- Seminar Discounted Cash Flow Analysis, 1988
- Course 8-2 Residential Valuation, 1990
- Course 410/420 Standards of Professional Practice, 1990



Qualifications of David F. Davis, MAI (Continued)

Appraisal Institute Courses and Seminars:

- Course 310 Basic Income Capitalization, 1993
- Course 410/420 Standards of Professional Practice Parts A and B, 1993
- Course 430 Standards of Professional Practice, Part C, 1998
- Seminar Understanding Limited Appraisals and Appraisal Reporting Options - General, 1994
- Seminar Fair Lending and the Appraiser, 1994
- Seminar How to Verify Market Data, 1994
- Seminar Marketing Your Appraisal Services Effectively, 1995
- Seminar Valuation of Detrimental Conditions in Real Estate, 1998

Numerous other courses and seminars

PROFESSIONAL

MAI Designation: Appraisal Institute, formerly the American Institute of Real Estate Appraisers, Certificate No. 6892 (since 1984)

State Certification: California Certified General Real Estate Appraiser - State of California - Certificate No. AG002752, expires August 14, 2000

Admissions Committee: American Institute of Real Estate Appraisers 1985-87; Vice Chairman, 1988; Chairman, 1989 and 1990; Appraisal Institute since 1991, Admissions Coordinator, General Appraisal category, 1991

Appraisal Institute San Diego Chapter:

- 1991 Director
- 1992 Treasurer and Member, Board of Directors
- 1993 Secretary and Member, Board of Directors
- 1994 Second Vice President and Member, Board of Directors
- 1995 First Vice President and Member, Board of Directors
- 1996 President and Member, Board of Directors
- 1997 Past President and Member, Board of Directors

San Diego Board of Realtors: Affiliate member 1984-1989, Realtor member since 1989

Real Estate Broker: Licensed in the State of California since 1978

Expert Witness: San Diego Superior and Municipal Courts and U.S. Bankruptcy Court (San Diego and Orange County)

Building Industry Association (BIA): Member since 1995

APPENDIX D

SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF SAN DIEGO

The information and expressions of opinion set forth herein have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein since the date of the Official Statement.

INTRODUCTION

With a total population of approximately 1.3 million in 2000 and a land area of 330 square miles, the City of San Diego (the "City") is the sixth largest city in the nation and the second largest city in California. The City is the county seat for the County of San Diego (the "County") and is the County's business and financial center.

The City's population grew by 15% between 1990 and 2000 for an average increase of 15,155 annually. A major factor in the City's growth is its quality of life. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. With mild temperatures year round, the City's numerous beaches, parks, tennis courts, and golf courses are in constant use.

Another factor in the City's growth is an expanding diversified economy. Recent growth has been concentrated in four major areas: high tech manufacturing and research (including electronics, communications equipment, scientific instruments, drugs, and biomedical equipment); professional services; tourism; and international trade. In addition to these expanding industries, the City benefits from a stable economic foundation composed of basic manufacturing (ship building, industrial machinery, television & video equipment, and printing & publishing), public and private higher education, health services, military, and local government.

Expansion in the high tech manufacturing and research component of the City's economic base has been led by the rapid emergence of telecommunications. Major participants in the City's telecommunications industry include manufacturers of personal communications equipment, radio/TV communications equipment, network communications equipment/systems, satellite communications equipment, and military surveillance/guidance systems. The City is the primary location for telecommunications firms in the County, with the Sorrento Valley area emerging as a major center in the development and manufacturing of products using wireless and digital technology.

Another component of the City's high tech industry is the biotechnology sector, which includes companies involved in developing chemical and biological products for use in the treatment and diagnosis of diseases and various medical conditions. As with telecommunications, the biotechnology industry is concentrated in the City, with the highest concentration in the area around the University of California, San Diego. Growth in both biotechnology and other high tech industries has been facilitated by the City's well established research organizations. Among the more important research facilities located in the City are the Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Super Computer Center.

The City is also home to a growing software industry. Components within this industry include basic computer programming services, prepackaged software, systems integration services, and development of multimedia products.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Data contained under this caption is intended to portray economic, demographic, and business trends within the City. While not constituting direct revenue sources as such, these trends help explain changes in revenue sources such as property taxes, sales taxes, and transient occupancy taxes, which could be affected by economic conditions.

Population

As set forth in Table 1 below, between January 1, 1991 and January 1, 2000, the City's population has increased by 151,200 (or by approximately 15,120 new residents annually in the ten year period).

Table 1
POPULATION GROWTH
Calendar Years 1991 through 2000

<u>Calendar Year⁽¹⁾</u>	<u>City of San Diego</u>	<u>Annual Growth Rate</u>	<u>County of San Diego</u>	<u>Annual Growth Rate</u>	<u>State of California</u>	<u>Annual Growth Rate</u>
1991	1,126,000	1.4	2,539,600	1.7	30,296,000	1.8
1992	1,141,300	1.4	2,583,500	1.7	30,845,000	1.8
1993	1,156,200	1.3	2,614,200	1.2	31,303,000	1.5
1994	1,163,000	0.6	2,638,500	0.9	31,661,000	1.1
1995	1,170,200	0.6	2,658,600	0.8	31,910,000	0.8
1996	1,179,500	0.8	2,682,100	0.9	32,223,000	1.0
1997	1,199,000	1.7	2,729,100	1.8	32,670,000	1.4
1998	1,225,300	2.2	2,795,600	2.4	33,226,000	1.7
1999	1,255,400	2.5	2,855,900	2.2	33,766,000	1.6
2000	1,277,200	1.7	2,911,500	1.9	34,336,000	1.7

(1) As of January 1 of the calendar year.

Source: State of California, Department of Finance

As indicated in the following table, attendance in kindergarten through grade 12 in the San Diego Unified School District has continued to grow at a relatively moderate pace during the 1990's.

Table 2
SAN DIEGO UNIFIED SCHOOL DISTRICT
ENROLLMENT⁽¹⁾
School Year 1995-1996 through 1999-2000

<u>School Year</u>	<u>Enrollment</u>
1995-1996	130,360
1996-1997	133,687
1997-1998	136,283
1998-1999	138,433
1999-2000	140,743

(1) Enrollment is defined as the number of K-12 students enrolled on a survey date in early October of the school year.

Source: California Department of Education, Educational Demographics Unit
Employment Summary

As seen in Table 3, the City's unemployment rate for calendar year 1999 averaged 3.1% which was down from a rate of 3.6% during calendar year 1998. The City's 1999 unemployment rate was below both the national rate of 4.2% and the State's rate of 5.2%.

Table 3
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF CITY OF SAN DIEGO RESIDENT LABOR FORCE
Calendar Years 1995 through 1999

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Civilian Labor Force					
City of San Diego					
Employed	525,600	536,500	562,400	583,610	603,210
Unemployed	36,500	30,600	25,400	21,670	19,580
Unemployment Rates					
City	6.6%	5.4%	4.3%	3.6%	3.1%
County	6.4	5.3	4.2	3.5	3.1
California	7.8	7.2	6.3	5.9	5.2
United States	5.6	5.4	5.0	4.5	4.2

Source: State of California Employment Development Department, Labor Market Information Division; and U.S. Department of Labor, Bureau of Labor Statistics

Table 4 provides the California Employment Development Department's estimates of total annual nonagricultural wage and salary employment by major industry in the County during the period 1995 to 1999. Annual employment information is not regularly compiled by sector for the City alone. As shown, total nonagricultural wage and salary employment in the County increased by 145,000 new jobs during this period.

Table 4
SAN DIEGO COUNTY
WAGE AND SALARY EMPLOYMENT
Calendar Years 1995 through 1999

INDUSTRY CATEGORY	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Mining	300	400	400	300	300
Construction	43,600	45,500	53,000	61,800	66,400
Manufacturing	114,900	117,500	123,100	127,600	128,300
Nondurable Goods	31,600	32,200	34,000	35,800	36,800
Durable Goods	83,300	85,200	89,100	91,800	91,500
Transportation, Communications, Utilities ⁽¹⁾	37,400	38,300	41,600	47,000	51,900
Trade	229,500	235,900	244,000	249,400	255,300
Wholesale	42,900	42,700	45,600	48,300	50,500
Retail	186,600	193,200	198,400	201,100	204,900
Finance, Insurance, Real Estate	55,800	57,400	60,900	65,300	68,700
Services	310,900	321,200	339,300	359,600	380,000
Government	186,100	190,100	192,000	194,500	199,300
Federal	45,700	45,800	44,600	43,300	42,500
State and Local	140,400	144,300	147,400	151,200	156,800
TOTAL NONAGRICULTURAL⁽²⁾	978,600	1,006,200	1,054,200	1,105,500	1,150,200

(1) Includes trucking and transit services, telephone and broadcast/cables services, and gas and electric services.

(2) Figures may not add to total due to independent rounding.

Source: State of California Employment Development Department

Since the industry employment data referenced above is organized by standard industrial classification codes, employment in the various high tech categories, such as Telecommunications, Software and Biotechnology may not fall into a single employment sector alone. For example, some telecommunications firms appear in Manufacturing, while certain other telecommunications firms appear in Services.

The following is a discussion of the trends shown in the above Wage and Salary Employment table.

Manufacturing. During the early 1990's, manufacturing employment in the County recorded sharp declines, due primarily to the relocation of much of its aerospace industry. After bottoming out in 1994, manufacturing employment has increased annually since 1995. Between 1995 and 1999 manufacturing employment has increased by approximately 13,400 jobs, with 700 new jobs added in 1999.

Construction. Construction employment in the County grew by approximately 4,600 during 1999, after increasing by approximately 8,800 during 1998.

Transportation, Communications and Utilities. The Transportation, Communications and Utilities industry classification recorded a net increase of approximately 3,000 new jobs in the County during 1998, following growth of 3,300 in 1997.

Wholesale and Retail Trade. Combined the Retail and Wholesale Trade sectors account for 22% of total nonagricultural wage and salary employment during 1999. Wholesale trade added approximately 2,200 jobs in 1999, following a gain of 2,700 during 1998. Retail trade employment increased by approximately 3,800 in 1999 after increasing by approximately 2,700 in 1998.

Finance, Insurance and Real Estate. Countywide employment in the Finance, Insurance and Real Estate sector increased by approximately 3,400 jobs during 1999, after adding approximately 4,400 jobs during 1998.

Services. Employment in the County's Services sector grew by approximately 20,400 jobs, or 5.7% in 1999, following a gain of 20,300 jobs the previous year. All of the major categories recorded year-to-year gains, led by Business Services (+7,200) and Health Services (+3,100).

It should be noted that a portion of the growth in the Engineering and Management category of the Services sector during 1997 and 1998 is related to gains in the Telecommunications and Biotechnology subcategories within this grouping. A portion of the growth in the Business Services category of the Services sector reflects increases in the Data Services and Software subcategories.

Government. The Government sector, which accounted for 17% of the total nonagricultural wage and salary employment in the County, grew by approximately 4,800 jobs during 1999. This increase occurred in State and local government agencies, with almost all of the increase due to gains in public education. Federal employment continued to decline, falling by 800 jobs during 1999.

Military Employment and Civilian Defense Spending. According to the San Diego Chamber of Commerce, the County, with a total military and civilian payroll of \$3.88 billion in the federal fiscal year 1999, continued to lead all counties in the nation in terms of combined military and civilian payrolls. Total civilian defense contracts awarded to County-based businesses totaled \$2.56 billion during the federal fiscal year 1999, up slightly from \$2.54 billion in the previous year. The Department of Defense also spent \$1.2 billion on base operation expenses, \$1.0 billion on retirement benefits, and another \$0.9 billion on various classified contracts, subcontracts, and other contracts of less than \$1,000 each. The total defense spending in 1999 was \$9.71 billion representing an increase from the \$9.36 billion reported in 1998. The San Diego Chamber of Commerce estimates that as of June 1, 1999, total active duty military personnel in the County totaled 108,555 and the total civilian employment was 21,734. Payroll, contract, and employment numbers, as reported by the Department of Defense and the San Diego Chamber of Commerce, are subject to revision in future years.

TAXABLE SALES

According to the California State Board of Equalization, taxable transactions at retail and other outlets in the City during calendar year 1998 totaled approximately \$13.3 billion, up 7.4% from 1997, and up 32.3% from 1994. Table 5 provides annual sales information by type of outlet for the period 1994 through 1998.

Table 5
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 1994 through 1998
(in thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
RETAIL STORES					
Apparel	\$447,313	\$434,581	\$451,984	\$485,551	\$530,734
General Merchandise	1,232,873	1,248,357	1,304,649	1,354,698	1,436,535
Food	495,380	498,605	521,014	554,625	582,183
Eating and Drinking	1,148,154	1,229,823	1,307,079	1,380,894	1,496,032
Home Furnishings and Appliances	405,446	447,654	492,104	444,930	469,158
Building Materials and Farm Implements	426,329	441,099	469,293	603,365	716,231
Auto Dealers & Supplies	958,513	1,042,689	1,089,331	1,189,462	1,331,411
Service Stations	607,873	604,944	672,559	673,078	614,156
Other	1,360,462	1,442,617	1,555,020	1,686,807	1,790,441
Total Retail Stores	7,082,343	7,390,369	7,863,033	8,373,410	8,966,881
All Other Outlets	2,975,794	3,167,820	3,426,610	4,024,433	4,343,598
TOTAL ALL OUTLETS	\$10,058,137	\$10,558,189	\$11,289,643	\$12,397,843	\$13,310,479

Source: California State Board of Equalization

Tourism

According to the San Diego Chamber of Commerce, the visitor industry is the County's third largest industry in terms of income generation, behind manufacturing and the military.

As shown in Table 6, visitor spending in the County totaled \$4.88 billion in 1999, up 28.4% from 1995 and up 3.8% from 1998.

Table 6
SAN DIEGO COUNTY
TOTAL VISITOR SPENDING
Calendar Years 1995 through 1999
(in billions)

<u>Calendar Year</u>	<u>Amount</u>
1995	\$3.80
1996	4.05
1997	4.37
1998	4.70
1999	4.88

Source: San Diego Convention and Visitors Bureau

As shown in Table 7, the City's transient occupancy tax (TOT) revenues have been exhibiting a strong upward trend. The TOT revenues have grown approximately 61% between Fiscal Year 1995 and Fiscal Year 1999.

Table 7
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX ⁽¹⁾
Fiscal Years 1995 through 1999
(in thousands)

<u>Fiscal Year</u>	<u>Amount</u>
1995 ⁽²⁾	\$57,211
1996	64,427
1997	75,476
1998	85,088
1999	92,128

(1) Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs.

(2) Rate increase from 9% (9¢ per \$1) of hotel room rates to 10.5% (10.5¢ per \$1) on August 1, 1994.

Source: City Auditor & Comptroller

The City is the focal point for tourism in the County. The Convention Center, approximately 70% of the County's hotel and motel rooms, and most of the County's major tourist attractions, including the world-renowned San Diego Zoo, the San Diego Wild Animal Park and Sea World, are located in the City. Other attractions located in the City include the Cabrillo National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, and Balboa Park – home to the San Diego Zoo and a host of other cultural and recreational activities. According to the San Diego Convention and Visitors Bureau, total attendance at a sample of the region's major attractions and museums totaled 21.3 million during 1999. All of the attractions and museums included in the sample, with the exception of Legoland California, are located within the City of San Diego.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major events. The City annually hosts the Buick Invitational, a Professional Golfers' Association Tour Event played at the Torrey Pines Golf Course. Torrey Pines, which is owned and operated by the City of San Diego, is a world renowned golf course. In the May 1997 issue of *Golf Digest*, Torrey Pines was the only municipal course included in the "best course" listing for the state of California. In addition, since 1978, the City has annually hosted the Holiday Bowl, a post season contest of elite college football teams.

The City also hosted the America's Cup in 1992 and 1995, and the Super Bowl and World Series in 1998. In addition, the City was the site for the Republican National Convention held in August 1996. The Super Bowl is scheduled to return to San Diego in 2003.

Associated with the growth in tourism has been an increase in traffic through San Diego's Lindbergh Field International Airport. According to the San Diego Unified Port District, in 1999 there were 7.6 million arrivals, up by approximately 3.0% from 1998. In 1998, the San Diego Unified Port District completed a \$238 million expansion to the airport. Features of this expansion include an expanded terminal, a new pedestrian bridge, and improved roadways and parking lots.

International Trade

The table below is from the International Trade Administration's *Exporter Location Series*. This data is compiled on a f.a.s. (free alongside ship) basis and includes domestic exports and re-exports. The total value of exports from the County during 1998 totaled \$8.6 billion, up 10.3% from 1997.

Table 8
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO COUNTY
Calendar Years 1994 through 1998
(in billions)

<u>Calendar Year</u>	<u>Total Exports</u>
1994	\$4.9
1995	5.9
1996	6.7
1997	7.8
1998	8.6

Source: International Trade Administration

Major Employers

The City is host to a diverse mix of major employers representing industries ranging from education and health services, to diversified manufacturing, financial services, retail trade and amusement and recreation. Table 9 lists the City's major employers. The list is compiled from information presented in *Greater San Diego's Guide to Business & Industry*, a publication of the Greater San Diego Chamber of Commerce as well as information gathered by the City of San Diego. All of the businesses listed in the following table have their main offices in the City, with many having branch offices and/or production facilities in other areas of the County. Accordingly, not all employees of these businesses work within the City.

Table 9
CITY OF SAN DIEGO
MAJOR EMPLOYERS ⁽¹⁾
Calendar Year 2000⁽²⁾

Employer	Product/Service
10,000 or More Employees:	
Qualcomm	Wireless Communications
San Diego Unified School District	Education
Sharp Health Care	Health Care
University of California, San Diego	Higher Education
5,000 - 9,999 Employees:	
Kaiser Permanente	Health Care
Pacific Bell	Utility
San Diego Community College District	Higher Education
San Diego State University	Higher Education
Scripps Health	Health Care
Seaworld of California	Entertainment
3,000 - 4,999 Employees:	
Children's Hospital and Health Care	Health Care
Cubic Corporation	Electronic Systems
National Steel & Shipbuilding Company	Shipbuilding, Repair
Palomar Pomerado Health System	Health Care
Samsung	Electronics
San Diego Gas & Electric/Sempra Energy	Utility
Science Applications International Corporation	Research and Development
Sony Technology Center	Electronics
Target Stores - San Diego	Retail
UCSD Health Care	Health Care
University of San Diego	Higher Education
2,000 - 2,999 Employees:	
Ace Parking	Parking Stations and Garages
ADDECO Employment Services	Employment Services
Bank of America	Banking
Costco Wholesale	Retail
Foodmaker	Restaurants
Hewlett Packard Company	Electronic Instruments
Manpower Temporary Services	Employment Services
Nordstrom	Department Store
Solar Turbines	Gas Turbine Manufacturing
Scripps Research Institute	Biomedical Research
Union Bank of California, N.A.	Banking
YMCA of San Diego County	Family Recreation

⁽¹⁾ Does not include various major public employers, including the City, the County, and the federal government with a combined total county employment of 105,600 as of January 1, 2000.

⁽²⁾ As of January 1, 2000.

Source: Greater San Diego Chamber of Commerce and City of San Diego

Effective Buying Income

Table 10 shows the per capita Effective Buying Income (EBI) for the City, the County, the State, and the United States for calendar years 1994 through 1999.

Table 10
PER CAPITA EFFECTIVE BUYING INCOME
Calendar Years 1994 through 1999

<u>Calendar Year</u>	<u>City of San Diego</u>	<u>County of San Diego</u>	<u>State of California</u>	<u>United States</u>
1994	17,220	17,034	17,275	16,918
1995 ⁽¹⁾	14,770	14,609	14,759	14,965
1996	15,139	14,975	15,068	15,555
1997	15,804	15,618	15,797	16,281
1998	16,291	16,101	16,299	16,895
1999	17,443	17,270	17,245	17,691

(1) Prior to 1995, estimates of EBI were based on the Bureau of Economic Analysis definition of "personal income" less personal tax payments. Beginning in 1995, the estimates are based on the Census Bureau's definition of "money income" less personal tax payments. Since the Census definition excludes certain sources of income, such as interest and rents, employer contributions to private pension funds, and Medicaid and Medicare, the overall figures from 1995 onwards are lower compared to the prior years. (According to Sales & Marketing Management Magazine, "personal income" is greater than "money income" by 11-14%.) In addition, because of geographic differences in sources of income, per capita EBI estimates based on "money income" for some areas, such as California and San Diego, are below the national average.

Source: Sales & Marketing Management Magazine "Survey of Buying Power"

Building Permits

Table 11 provides a summary of the building permit valuations, and the number of new dwelling units authorized in the City, for Fiscal Years 1996 through 2000. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

Table 11
CITY OF SAN DIEGO
BUILDING PERMIT VALUATIONS
AND NUMBER OF DWELLING UNITS
Fiscal Years Ended June 30, 1995 through 1999

	1996	1997	1998	1999	2000
Valuation (in thousands)					
Residential	\$ 396,681	\$ 541,443	\$ 890,476	\$ 857,747	\$ 1,185,999
Nonresidential	450,301	478,887	576,170	783,106	960,479
Total	\$ 846,982	\$ 1,020,330	\$ 1,466,646	\$ 1,640,853	\$ 2,146,478
Number of New Dwelling Units:					
Single Family	1,468	2,197	3,032	2,632	2,084
Multiple Family	774	1,014	3,018	2,836	5,662
Total	2,242	3,211	6,050	5,468	7,746

Source: City of San Diego, Planning and Development Review Department

BUSINESS DEVELOPMENT PROGRAM

The City aggressively supports economic development and job creation activities. A key element of these activities is the Business Expansion and Retention Program (BEAR Program), a proactive effort on the part of the City to work directly with businesses to retain local firms and help them expand their investment and job growth. This program was created in 1995 by integrating the City's existing business development activities to provide centralized coordination and data management, and to expand operational relationships with partnership agencies such as the Economic Development Corporation and Sempra Energy. BEAR Program components include Business Incentives, Targeted Assistance, sales and use tax rebates through the Business Cooperation Program, Business Outreach, and Business Finance.

A further element of the City's overall business development effort has been on streamlining the permitting process and, when feasible, eliminating or reducing fees and permits. A major component of this streamlining effort has been the creation of a "one-stop" permitting center which has in most cases reduced development permit processing time by one-half. The center eliminates the need for permit applicants to seek approval from several City departments by consolidating the review and permit process.

The City also operates the Office of Small Business which provides a broad range of assistance programs for the many small businesses in the City. In 1994, the City Council reduced the Business License Tax for all businesses with 12 or fewer employees from \$125 and \$5 per employee to \$70 per business and \$3 per employee, and in 1995 reduced it even further, to a flat fee of \$34 per business with no per employee charge.

TRANSPORTATION

San Diego has a well-developed and relatively uncongested highway system. Access in and out of the region is provided by five major freeways running north and south and three freeways running east and west.

Public transportation through the City and surrounding communities is provided by the San Diego Metropolitan Transit Development Board ("MTDB"). The San Diego Trolley, Inc. operates a fleet of electric trolleys that provides transportation for commuters and tourists from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego to the southern part of the County and East

County. The East Line extension to Santee was completed in 1996. This 3.6-mile extension connects the cities of El Cajon and Santee. The trolley also provides service from downtown San Diego to the waterfront area, including the Convention Center. An extension providing additional service from downtown to the historical Old Town section of the City was completed in 1996. In addition, the Mission Valley extension, which connects Old Town with Qualcomm Stadium and the Mission Valley shopping area, ending at the Mission San Diego, opened in 1997. In May 1998, the U.S. Congress approved a transportation bill which earmarked \$325 million for a 6-mile trolley extension connecting the Mission Valley Line with the East Line in La Mesa. This extension, scheduled for completion in 2004, will extend east from Qualcomm Stadium connecting Mission Valley with San Diego State University, La Mesa, and East County.

A 43-mile Coaster Commuter rail line from Oceanside to downtown San Diego came into service in 1995. This line links communities along the coast from Oceanside to Del Mar with downtown San Diego and is operated by North County Transit District ("NCTD").

Proposition A, voter approved in November 1987, authorized a one-half cent increase to the local sales tax to fund transportation improvements for the San Diego region. Through Fiscal Year 1999, the City has been allocated \$178.8 million in Proposition A funds and expects to receive an additional \$17.1 million through Fiscal Year 2000.

State Propositions 108/111/116, voter approved in June 1990, increased the State gas tax and authorized the sale of rail bonds. The revenues generated from these measures are to be used to implement a comprehensive Statewide transportation funding program through the year 2000. Through Fiscal Year 1999, the City has received approximately \$56.1 million in Proposition 111 funds. Revenues from this source supplement the City's street maintenance and resurfacing program and other street related services, including traffic light and signal maintenance, median maintenance and traffic engineering to ensure efficient traffic flow.

APPENDIX E

SUMMARY OF BOND INDENTURE

The following is a summary of certain definitions and provisions of the Indentures which are not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indentures for a full and complete statement of their provisions. The Indentures for each Improvement Area are substantially identical and the following summary is applicable to both Indentures.

DEFINITIONS

“Account” means any account created pursuant to the Indenture.

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

“Acquisition Agreement” means that certain Purchase and Financing Agreement dated as of February 8, 2000 by and among the City, Fairbanks Highlands LLC and Santaluz LLC.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder, including matters related to the administration of the Escrow Fund.

“Administrative Expenses Cap” means \$75,000 per Bond Year, increased on July 1 of each year, commencing July 1, 2001, through July 1, 2011 by two percent (2%) of the amount in effect for the prior Fiscal Year.

“Affiliates” means (1) a Person whose relationship with the Developer would result in a disallowance of losses under Section 267 or 707(b) of the Code, (2) a Person who together with the Developer are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (3) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or (4) an S Corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Developer would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

“Appraisal” means the appraisal of the taxable property in the District dated June 1, 2000 delivered in connection with the initial sale and issuance of the Bonds.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)
Debt obligations
- Resolution Funding Corporation (REFCORP)
Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated “A-1” or better by Standard & Poor’s.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(7) Money market funds rated "AAM" or "AAM-G" by Standard & Poor's, or better (including those of the Trustee or its affiliates).

(8) "State Obligations," which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by Standard & Poor's and "Aa" or better by Moody's.

(9) Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:

(A) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

(A) With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's and Moody's, provided that:

(a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(B) Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's and Moody's, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Acquisition and Construction Fund, construction draws) on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(D) the District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District;

(E) the investment agreement shall provide that if during its term.

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee; and

(F) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(G) the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such Fund to the extent necessary to keep monies available for the purposes of the Indenture.

“Authorized Representative of the City” means the City Manager of the City, the Deputy City Manager or the Auditor and Comptroller of the City or any other person or persons designated by the City Manager by a written certificate signed by the City Manager and containing the specimen signature of each such person.

“Authorized Representative of the District” means the City Manager of the City, the Deputy City Manager or the Auditor and Comptroller of the City or any other person or persons designated by the City Manager by a written certificate signed by the City Manager and containing the specimen signature of each such person.

“Backup Special Tax Subaccount” means the subaccount by that name created and established in the Redemption Account of the Special Tax Fund pursuant to the Indenture.

“Backup Special Taxes” means any amounts paid by the District to the Trustee and designated by the District as Backup Special Taxes collected pursuant to the RMA.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

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

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

“Bonds” means the Series A of 2000 Bonds.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Certificate of the Special Tax Administrator” means a certificate of an Authorized Representative of the District, or any successor entity appointed by the City, to administer the calculation and collection of the Special Taxes.

“City” means the City of San Diego, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“Deemed Escrow Bonds” means, as of any date of determination, Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund (not including any amounts on deposit in the Escrow Interest Account and Escrow Principal Account, and excluding any investment earnings allocable to such amount on deposit in the Escrow Fund, the Escrow Interest Account and the Escrow Principal Account), which Bonds shall be deemed to be comprised of the applicable principal amount of the Outstanding Bonds maturing on or after September 1, 2030.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” shall mean The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Certificates, or any other securities depository acting as Depository under the Indenture.

“Developed Property” means real property within the District for which a building permit has been issued.

“Developer” means the landowner which is a party to the Development Agreement.

“Development Agreement” means that certain Second Amended and Restated Development Agreement between the City and Black Mountain Ranch Limited Partnership, as amended on March 17, 1997.

“Direct Debt for Developed Property” means that portion of the aggregate principal amount of the Outstanding Bonds which is allocable to the Developed Property as described below. For this purpose, there will be allocated to the Developed Property the principal amount of Bonds that results in: (1) the maximum Special Taxes that may be levied on Developed Property (not including any parcels of Developed Property with delinquent Special Taxes and assuming taxation as “Developed Property” as defined in the RMA) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Bonds in the Bond Year ending on the September 1 following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Developed Property for such Fiscal Year of taxation; and (2) a Value of Developed Property at least four and one quarter (4.25) times the sum of Direct Debt for Developed Property plus Overlapping Debt allocable to Developed Property. Administrative Expenses in each Fiscal Year shall be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Direct Debt for Developed Property and the portion of the total Administrative Expenses allocable to Developed Property shall be the same portion that Special Taxes on Developed Property represent of the total Special Taxes levied in the District in the then current Fiscal Year.

“Direct Debt for District Property” means that portion of the aggregate principal amount of the Outstanding Bonds which is allocable to the property in the District as described below. For this purpose there will be allocated to the property in the District the largest principal amount of Bonds that results in a Value of District Property at least four (4) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax.

"Direct Debt for Undeveloped Property" means that portion of the aggregate principal amount of the Outstanding Bonds which is allocable to the Undeveloped Property as described below. For this purpose, there will be allocated to the Undeveloped Property the principal amount of Bonds that results in: (1) the maximum Special Taxes that may be levied on Undeveloped Property (not including any parcels of Undeveloped Property with delinquent Special Taxes and assuming taxation as "Undeveloped Property" as defined in the RMA) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Bonds in the Bond Year ending on the September 1 following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Undeveloped Property for such Fiscal Year of taxation; and (2) a Value of Undeveloped Property at least four (4) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property; provided, however, (x) the Value of Undeveloped Property need be only three and sixth-tenths (3.6) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee a Certificate of the Special Tax Administrator stating that the Maximum Special Taxes that may be levied on Developed Property is not less than 20% of Maximum Annual Debt Service, (y) the Value of Undeveloped Property need be only three and one-half (3.5) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee a Certificate of the Special Tax Administrator stating that the Maximum Special Taxes that may be levied on Developed Property is not less than 40% of Maximum Annual Debt Service, and (z) the Value of Undeveloped Property need be only three (3) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee and the District a Certificate of the Special Tax Administrator stating that the Maximum Special Taxes that may be levied on Developed Property is not less than 60% of Maximum Annual Debt Service. Administrative Expenses in each Fiscal Year shall be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Direct Debt for Undeveloped Property and the portion of the total Administrative Expenses allocable to Undeveloped Property shall be the same portion that Special Taxes on Undeveloped Property represent of the total Special Taxes levied in the District in the then current Fiscal Year.

"District" means Community Facilities District No. 2 (Santaluz) established pursuant to the Act and the Resolution of Formation.

"Escrow Bonds Redemption Subaccount" means the account by that name created and established in the Redemption Account of the Special Tax Fund pursuant to the Indenture.

"Escrow Closing Date" means July 1, 2003.

"Escrow Fund" means the Fund by that name created and established pursuant to the Indenture.

"Escrow Interest Account" means the Account in the Escrow Fund by that name created and established pursuant to the Indenture.

"Escrow Principal Account" means the account in the Escrow Fund by that name created and established pursuant to the Indenture.

"Escrow Release Date" means any date on which funds are transferred from the Escrow Fund to the Project Account of the Acquisition and Construction Fund pursuant to the Indenture.

"Event of Default" shall mean the "event of default" described in the Indenture.

"Extended Escrow Closing Date" means such date after the Escrow Closing Date as may be established for closing the Escrow Fund pursuant to the Indenture.

“Extended Escrow Redemption Date” means such date after the Initial Escrow Redemption Date as may be established for special mandatory redemption of the Deemed Escrow Bonds pursuant to the Indenture.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Gross Taxes” means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

“Improvement Area No. 1” means Improvement Area No. 1 of the District as designated by the legislative body of the District in the Resolution of Formation.

“Indenture” means this Bond Indenture, together with any Supplemental Indenture approved pursuant to the Indenture.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

- (1) is in fact independent and not under the domination of the District;
- (2) does not have any substantial interest, direct or indirect, in the District; and
- (3) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Initial Escrow Redemption Date” means September 1, 2003.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2001; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in Subsection (11) of the definition of Authorized Investments.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Non-Escrowed Amount” means as of any date of calculation, the sum of (a) \$25,450,000, plus (b) the aggregate amounts transferred prior to such date from the Escrow Fund pursuant to the Indenture.

“Ordinance” means Ordinance No. 18788 adopted by the legislative body of the District on April 10, 2000, providing for the levying of the Special Tax.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Overlapping Debt” means with respect to any property within the District, the sum of (a) the aggregate amount of all unpaid assessments which are a lien on such property and which are pledged to secure the repayment of bonds, plus (b) a portion of the principal amount of any outstanding bonds of other community facilities districts which are payable at least partially from special taxes to be levied on such property (the “Other CFD Bonds”) determined by multiplying the aggregate principal amount of the Other CFD Bonds by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on such property and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes, based upon information which is available for the then current Fiscal Year.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Principal Office of the Trustee” means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rating Agency” means Moody’s and Standard & Poor’s, or both, as the context requires.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District and the Paying Agent to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds provided that, in calculating the amounts referred to in the preceding

clauses (i), (ii) and (iii), there will be excluded the debt service on, or the principal amount of, as applicable, the Deemed Escrow Bonds as of such date of calculation.

“Resolution of Formation” means Resolution No. R-292868 adopted by the City Council of the City on March 14, 2000, pursuant to which the City formed the District.

“RMA” means the Rate and Method of Apportionment of Special Taxes approved by the qualified electors of the District at the March 14, 2000 election, as amended from time to time.

“Series A of 2000 Bonds” means the District’s Improvement Area No. 1 Special Tax Bonds, Series A of 2000 issued on November 2, 2000 in the aggregate principal amount of \$56,020,000.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

“Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

“Special Taxes” means the taxes authorized to be levied by the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the March 14, 2000 election in the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, and penalties and interest thereon.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a division of McGraw-Hill, its successors and assigns.

“Supplemental Indenture” means any supplemental indenture amending or supplementing this Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“Term Bonds” means the Series A of 2000 Bonds maturing on September 1, 2015, September 1, 2021, and September 1, 2030, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Trustee” means Union Bank of California, N.A. a national banking association duly organized and existing under the laws of the United States, at its principal corporate trust office in Los Angeles, California,

and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“Underwriters” means PaineWebber Incorporated, Morgan Stanley & Co. Incorporated and E. J. De La Rosa & Co., Inc. with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

“Undeveloped Property” means taxable real property within the District which is not Developed Property.

“Value of Developed Property” means for all parcels of Developed Property which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below, of such parcels of Developed Property, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within ninety (90) days preceding the date of such determination based upon a methodology of valuation consistent with the City’s policy for appraisals, provided that a mass appraisal methodology may be applied when valuing Developed Property; or (ii) the full cash value of any or all of such parcels of Developed Property, including with respect to such parcels the value of the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County of San Diego.

“Value of District Property” means for all parcels of property in the District which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below of such parcels, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within ninety (90) days preceding the date of such determination based upon a methodology of valuation consistent with the City’s policy for appraisals, provided that a mass appraisal methodology may be applied when valuing Developed Property; or (ii) the full cash value of any or all of such parcels, including with respect to such parcels the value of the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County of San Diego.

“Value of Undeveloped Property” means for all parcels of Undeveloped Property which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below of such parcels of Undeveloped Property, including with respect to such non-delinquent parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within ninety (90) days preceding the date of such determination based upon a methodology of valuation consistent with the City’s policy for appraisals and in the case of the property owned by the Developer in a manner consistent with the Appraisal, or (ii) the full cash value of any or all of such parcels of Undeveloped Property, including with respect to such parcels the value of the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County of San Diego.

“Verification” shall have the meaning contained in the definition of Authorized Investments.

BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Special Taxes, no other taxes are pledged to the

payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (to the limited extent described in the Indenture), as more fully described therein. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (to the limited extent described in the Indenture) which are, under the terms of this Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon and neither the members of the legislative body of the District or the City Council of the City nor any persons executing the Bonds or any Parity Bonds, are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained therein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and this Indenture, the Bonds and any Parity Bonds shall be equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (to the limited extent described in the Indenture), without priority for number, date of the Bonds or Parity 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 Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (to the limited extent described in the Indenture), which are hereby set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) and the Escrow Fund (to the limited extent described in the Indenture) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the financing of the Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to 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.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established the following funds and accounts:

(1) The Improvement Area No. 1 Community Facilities District No. 2 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account (in which there shall be established the Capitalized Interest Subaccount), a Principal Account, a Redemption Account (in which there shall be established the Backup Special Tax Subaccount), a Reserve Account and an Administrative Expense Account).

(2) The Improvement Area No. 1 Community Facilities District No. 2 Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternative Penalty Account).

(3) The Improvement Area No. 1 Community Facilities District No. 2 Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there shall be established a Costs of Issuance Account and a Project Account).

(4) The Improvement Area No. 1 Community Facilities District No. 2 Surplus Fund (the "Surplus Fund").

(5) The Improvement Area No. 1 Community Facilities District No. 2 Escrow Fund (the "Escrow Fund") (in which there shall be established an Escrow Principal Account and an Escrow Interest Account).

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which shall be deposited to the Redemption Account and the Project Account of the Acquisition and Construction Fund as specified in a Certificate of an Authorized Representative and Backup Special Taxes which shall be deposited in the Backup Special Tax Subaccount as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) The Administrative Expense Account of the Special Tax Fund;
- (2) The Interest Account of the Special Tax Fund;
- (3) The Principal Account of the Special Tax Fund;
- (4) The Redemption Account of the Special Tax Fund;
- (5) The Reserve Account of the Special Tax Fund;
- (6) The Rebate Fund; and
- (7) The Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee and the Bond Insurer have been paid in full, moneys in the Special Tax Fund and any accounts in the Indenture may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit in the Indenture, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the Water District and shall be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least one Business Day prior to each

March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or from amounts transferred or to be transferred from the Escrow Fund pursuant to the Indenture, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers (after giving effect to any amounts transferred from the Escrow Fund for such purpose pursuant to the Indenture), then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, 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 and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2001, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the preceding two paragraphs, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund and to the Redemption Account for Sinking Fund Payments then due pursuant to the preceding paragraph, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account in the Indenture) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments. Amounts transferred to the Redemption Account from the Escrow Fund shall be applied to redeem Bonds pursuant to a Special Mandatory Redemption from Escrow Fund Transfer.

(d) Amounts deposited to the Backup Special Tax Subaccount of the Redemption Account shall remain therein until the Trustee receives a Certificate of Authorized Representative specifying whether all or a portion of such amount shall be applied as a Prepayment to redeem Bonds or be returned to the District. If the Trustee receives a Certificate of Authorized Representative specifying that all or a portion of the amount in the Backup Special Tax Subaccount is to be applied to redeem Bonds, then such portion shall be treated for purposes of this Indenture as a Prepayment and be applied to redeem Bonds pursuant to Section 4.1(d) on the next available redemption date. In the event that the Trustee has not received a Certificate of Authorized Representative within two years following a deposit of Backup Special Taxes specifying how such Backup Special Taxes are to be disbursed, then such amount shall be treated for purposes of this Indenture as a Prepayment and be applied to redeem Bonds pursuant to Section 4.1(d) on the next available redemption date. If the Trustee receives a Certificate of Authorized Representative specifying that all or a portion of the amount in the Backup Special Tax Account is to be disbursed to the District, then the Trustee shall remit such amount to the District.

(e) Except for Backup Special Taxes to be disbursed to the District pursuant to the Indenture, moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the next sentence. Purchases of Outstanding Bonds or Parity Bonds may be made by the District 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, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If funded, the amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines

that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with an optional or extraordinary redemption of Bonds or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and transferred to the Fees Account and the Project Account of the Acquisition and Construction Fund in the percentages specified in the Indenture until all amounts have been disbursed from the Acquisition and Construction Fund and thereafter to the Interest Account of the Special Tax Fund.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account tin the Indenture. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of

the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) after all Project costs have been paid for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Acquisition and Construction Fund.

(a) No Bond proceeds will be disbursed from the Acquisition and Construction Fund until (1) the District receives evidence satisfactory to it that the Army Corps of Engineers has approved a remedy for the violation of the Section 404 Permit issued with respect to the development within the District that does not have an adverse effect on the planned development within the District, and (2) the Developer has delivered to the District an updated version of Table 6 in the Official Statement demonstrating that the sources of funds listed in Table 6, together with any commercial loans or lines of credit secured by the Developer and acceptable to the District, remain sufficient to complete the development being undertaken by the Developer. On each Interest Payment Date prior to the date that amounts are authorized to be released from the Acquisition and Construction Fund, the Trustee shall transfer available interest earnings on amounts in the Acquisition and Construction Fund to the Interest Account and Principal Account of the Special Tax Fund to the extent necessary to pay the principal of and interest on the Bonds.

In the event that the District does not authorize the release of amounts in the Acquisition and Construction Fund pursuant to the preceding paragraph by July 1, 2007, then all amounts in the Acquisition and Construction Fund will be applied to optionally redeem Bonds on September 1, 2007 in accordance with the terms of the Indenture.

(b) Upon compliance with the provisions of paragraph (a) above, the moneys in the Costs of Issuance Account shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any balance therein shall be transferred by the Trustee to the Project Account as directed in writing by an Authorized Representative of the District.

(c) Upon compliance with the provisions of paragraph (a) above, the moneys in the Project Account of the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs. Amounts for Project Costs shall be disbursed by the Trustee from the Project Account of the Acquisition and Construction Fund as specified in a Request for Disbursement of Project Costs, which must be submitted in connection with each requested disbursement.

(d) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in

connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Escrow Fund.

(a) Establishment of Escrow Fund. There is established, as a separate fund to be held by the Trustee, the "Community Facilities District No. 2 Improvement Area No. 1 Special Tax Bonds Escrow Fund" to the credit of which a deposit shall be made as required by the Indenture. Moneys in the Escrow Fund shall be held in trust by the Trustee and, pending disbursement as hereinafter provided, shall be subject to a lien in favor of the Owners of the Bonds and shall be administered as provided herein.

(b) Disbursements Prior to Escrow Closing Date.

(1) The Trustee shall make the following transfers prior to the Escrow Closing Date or Extended Escrow Closing Date, as applicable:

(i) The Trustee shall transfer from the Escrow Fund (excluding the Escrow Principal Account) to the Interest Account of the Special Tax Fund on the Business Day prior to each Interest Payment Date prior to the later of the Initial Escrow Redemption Date or Extended Special Escrow Redemption Date which may be established as provided in subsection (c) below, an amount equal to all investment income earned with respect to amounts on deposit in the Escrow Fund (excluding the Escrow Principal Account) since the last disbursement date;

(ii) The Trustee shall transfer from the Escrow Interest Account to the Interest Account of the Special Tax Fund on the Business Day prior to each Interest Payment Date prior to the later of the Initial Escrow Redemption Date or Extended Special Escrow Redemption Date, as applicable, an amount that, together with the amount transferred pursuant to (i) above, is equal to the interest payable on the Deemed Escrow Bonds on such Interest Payment Date; and

(iii) The Trustee shall transfer from the Escrow Principal Account to the Principal Account of the Special Tax Fund on the Business Day prior to each September 1 after the Escrow Closing Date and prior to the Extended Escrow Closing Date, if any, an amount equal to the principal payment due on the Deemed Escrow Bonds maturing on such September 1 or to the Redemption Account of the Special Tax Fund an amount equal to the Sinking Fund Payments due with respect to the Deemed Escrow Bonds on such September 1, as applicable. Simultaneously with any such transfer from the Escrow Principal Account, the Trustee shall transfer an equal amount from the Escrow Fund to the Project Account, as directed in writing by the Authorized Representative of the District.

(2) Disbursements to Project Account Prior to Escrow Closing Date. In addition to disbursements pursuant to paragraph (1) above, prior to the Escrow Closing Date, or any such Extended Escrow Closing Date (each such date being an "Escrow Disbursement Date"), the Trustee shall make disbursements from the Escrow Fund to the Project Account of the Acquisition and Construction Fund, as directed in writing by the Authorized Representative of the District not more often than twice during each Bond Year, on any date other than an Interest Payment Date, providing that no Escrow Disbursement Date shall occur in the five days preceding an Interest Payment Date (i) if at least ninety (90) days prior to the proposed Escrow Disbursement Date, the Developer causes a payment for escrow release costs in the amount equal to the estimated professionals' costs as provided

to the Developer by the District to be made to the City (unexpended amounts, if any, to be refunded to the Developer within thirty days following the Escrow Disbursement Date, together with reimbursement, solely from amounts released from the Escrow Fund, to the Developer of all amounts expended for escrow release costs); and (ii) if at least ten (10) Business Days prior to each Escrow Disbursement Date the Trustee and the District receive the following:

(1) A certificate of the Developer that (A) there has been no bankruptcy filing by the Developer or its partners, members or Affiliates since the delivery date of the Bonds, except that, if there has been a bankruptcy of an Affiliate, the Developer may instead deliver a certificate of an Independent Financial Consultant stating that the bankruptcy of such Affiliate will not have any material adverse effect on the ability of the Developer to complete its development activities within the District as planned and to pay its Special Taxes when due; (B) the Developer has sufficient equity (including projected cash flow from lot sales) to complete the direct and indirect master improvements and the golf course improvements, or that the Developer has a construction loan in place to complete such improvements; and (C) the Developer or its partners and members have sufficient liquidity to meet the Developer's existing and projected Special Tax obligations on its most recent balance sheets and/or a line of credit from a financial institution adequate to pay such Special Taxes.

(2) A Certificate of the Special Tax Administrator certifying: (A) that there are no delinquencies in the payment of any ad valorem real property taxes, Special Taxes or assessments levied on parcels of taxable property within the District owned by the Developer or its Affiliates, as determined from the records of the Treasurer-Tax Collector of the County of San Diego, or such other records as the District determines are reliable, (B) the amount of the Direct Debt for District Property, (C) the amount of Direct Debt for Developed Property, (D) the amount of the Direct Debt for Undeveloped Property, and (E) that the maximum Special Taxes that may be levied in each Fiscal Year on all parcels in the District that are not then delinquent in the payment of Special Taxes and the maximum Special Taxes that may be levied on parcels within the District in each Fiscal Year at buildout based on the current development plan for the District are at least 110% of Maximum Annual Debt Service.

(3) A certificate of an Independent Financial Consultant certifying the following:

(i) the amount to be disbursed from the Escrow Fund on the Escrow Disbursement Date (not including transfers from the Escrow Interest Account and Escrow Principal Account), which amount shall be the largest integral multiple of \$5,000 that is not greater than the lesser of (I) the remainder of the Direct Debt for District Property, as specified in the Certificate of the Special Tax Administrator delivered pursuant to (2)(ii)(2) above, less the Non-Escrowed Amount, and (II) the remainder of (a) the sum of (x) the Direct Debt for Developed Property, as specified in the Certificate of the Special Tax Administrator delivered pursuant to (2) above, plus (y) the Direct Debt for Undeveloped Property, as specified in the Certificate of the Special Tax Administrator delivered pursuant to (2) above, less (b) the Non-Escrowed Amount (such amount referred to as the "Principal Amount");

(ii) the amount to be transferred from the Escrow Interest Account to the Interest Account of the Special Tax Fund on the Escrow Disbursement Date, which amount shall be equal to the product of (a) a fraction, the numerator of which is equal to the Principal Amount and the denominator of which is equal to the amount on deposit in the Escrow Fund (excluding any investment earnings allocable thereto and excluding any amounts on deposit in the Escrow Interest Account and the Escrow Principal Account) on the day prior to the

Escrow Disbursement Date, times (b) the amount on deposit in the Escrow Interest Account on the day prior to the Escrow Disbursement Date;

(iii) the portion of the Principal Amount which is to be transferred to the Reserve Account on the Escrow Disbursement Date, which portion shall be sufficient to cause the amount on deposit in the Reserve Account to be at least equal to the Reserve Requirement (calculated as if the Principal Amount had already been transferred out of the Escrow Fund);

(iv) the portion, if any, of the Principal Amount to be transferred to the Interest Account of the Special Tax Fund on the Escrow Disbursement Date, which portion shall be an amount which, together with the amount transferred to the Interest Account of the Special Tax Fund from the Escrow Interest Account pursuant to clause (ii) above, is sufficient to pay interest on the portion of the Bonds in a principal amount equal to the Principal Amount (which portion of the Bonds shall be deemed to be comprised of a pro rata share of the Outstanding Bonds of each maturity) on each Interest Payment Date that will occur before Special Taxes can be levied and collected in an amount sufficient to pay such interest;

(v) the portion, if any, of the Principal Amount to be transferred to the Escrow Interest Account on the Escrow Disbursement Date, which portion shall be an amount that will cause the amount on deposit in the Escrow Interest Account on the Escrow Disbursement Date to be the amount, but no greater than the amount, necessary to be on deposit therein in order for the Independent Financial Consultant to provide the certification required pursuant to clause (viii) below;

(vi) the amount, if any, to be transferred from the Escrow Principal Account to the Special Tax Fund, as directed in writing by the District on the Escrow Disbursement Date, which amount shall be such that the amount remaining in the Escrow Principal Account after such transfer will be the amount, but no greater than the amount, necessary to be on deposit therein in order for the Independent Financial Consultant to provide the certification required pursuant to clause (ix) below; and that portion to be transferred from the Escrow Fund to the Project Account of the Acquisition and Construction Fund which shall be an amount equal to the transfer from the Escrow Principal Account pursuant to (b)(1)(iii) above.

(vii) the portion of the Principal Amount to be transferred to the Project Account, as directed in writing by the Authorized Representative of the District on the Escrow Disbursement Date, which portion shall be an amount equal to the remainder of (a) the Principal Amount, less (b) the sum of (x) the amount transferred to the Reserve Account pursuant to clause (iii) above, plus (y) the amount, if any, transferred to the Interest Account of the Special Tax Fund pursuant to clause (iv) above, plus (z) the amount, if any, transferred to the Escrow Interest Account pursuant to clause (v) above;

(viii) after all of such transfers on the Escrow Disbursement Date, the amount on deposit in the Escrow Interest Account, together with investment earnings thereon and investment earnings on other amounts on deposit in the Escrow Fund (excluding any amount on deposit in the Escrow Principal Account) to be received pursuant to the Authorized Investments in which such amounts are invested on the Escrow Disbursement Date (and assuming no reinvestment thereof) will (assuming that no such Authorized Investment is sold prior to its maturity and that withdrawals are made from such Authorized Investments only in accordance with their terms) be sufficient to pay interest on the Deemed Escrowed Bonds, as and when the same is payable, to and including the Initial Escrow Redemption Date or the Extended Escrow Redemption Date, as applicable. Cash deposits paid to the District other than by the Developer or its Affiliates shall be accepted by the Trustee to satisfy this

requirement so long as any such deposit is made no later than the earlier of the date of the certificate of Independent Financial Consultant and 90 days preceding the Escrow Disbursement Date. The District shall under no circumstances be obligated to deposit funds of the District to meet the foregoing requirement.

(ix) after any transfer from the Escrow Principal Account pursuant to clause (vi) above, the amount on deposit in the Escrow Principal Account, together with investment earnings thereon to be received pursuant to the Authorized Investments in which such amounts are invested on the Escrow Disbursement Date (and assuming no reinvestment thereof) will (assuming that no Authorized Investment is sold prior to its maturity and that withdrawals are made from such Authorized Investments only in accordance with their terms) be sufficient to pay principal (including any Sinking Fund Payments) of the Deemed Escrow Bonds, as and when the same is payable, prior to but not including the Extended Special Escrow Redemption Date. Cash deposits paid to the District other than by the Developer or its Affiliates shall be accepted by the Trustee to satisfy this requirement so long as any such deposit is made no later than the earlier of the date of the certificate of Independent Financial Consultant and 90 days preceding the Escrow Disbursement Date. The District shall under no circumstances be obligated to deposit funds of the District to satisfy the foregoing requirement.

Upon receipt of the Certificates of the Developer, the Special Tax Administrator and Independent Financial Consultant required by the Indenture, as well as the direction of the Authorized Representative of the District provided pursuant to subsection (vii) above, the Trustee shall deposit the disbursements specified therein as follows:

(A) to the Interest Account of the Special Tax Fund, the amount specified in such Independent Financial Consultant's certificate for deposit therein;

(B) to the Escrow Interest Account and Escrow Principal Account of the Escrow Fund, the amounts specified in such Independent Financial Consultant's certificate for deposit therein;

(C) to the Reserve Account of the Special Tax Fund, the amount specified in such Independent Financial Consultant's certificate for deposit therein; and

(D) to the Project Account of the Acquisition and Construction Fund, the amount specified in such Independent Financial Consultant's certificate and certificate of Authorized Representative of the District for deposit therein.

Following final transfer of all amounts remaining in the Escrow Fund, the Trustee shall transfer all amounts, if any, remaining on deposit in the Escrow Interest Account and Escrow Principal Account to the Project Account, as directed by the Authorized Representative of the District.

(c) Disbursement for Special Mandatory Redemption from Escrow Fund Transfer; Extensions.

The Trustee shall not disburse any funds from the Escrow Fund pursuant to subsection (b) above on or after the Initial Escrow Closing Date (i.e., July 1, 2003) except that on the Initial Escrow Redemption Date (i.e., September 1, 2003) the Trustee shall transfer all amounts on deposit in the Escrow Fund to the Redemption Account of the Special Tax Fund, to be applied to the redemption of Bonds on the Initial Escrow Redemption Date, whereupon the Escrow Fund shall be closed. Notwithstanding the preceding provisions of this subsection (c), the Escrow Closing Date (and any Extended Escrow Closing Date which may be established as

provided in this subsection) and the Initial Escrow Redemption Date (and any Extended Escrow Redemption Date which may be established pursuant to this subsection) may be extended, from time to time, if, not later than one Business Day prior to the Escrow Closing Date (or any such Extended Escrow Closing Date), the Trustee has received the following:

(1) A Certificate of the Authorized Representative of the District requesting such extension and specifying the Extended Escrow Closing Date and Extended Escrow Redemption Date; provided that the Extended Escrow Redemption Date must be the Interest Payment Date immediately following the Extended Escrow Closing Date; and provided, further, that the District shall not unreasonably decline to file such Certificate if requested by a party to the Acquisition Agreement so long as the requirements of paragraph (2) and (3) below are satisfied;

(2) A certificate of an Independent Financial Consultant certifying (a) that the amount on deposit in the Escrow Interest Account, together with earnings thereon and investment earnings on other amounts on deposit in the Escrow Fund (excluding any amount on deposit in the Escrow Principal Account) to be received pursuant to the Authorized Investments in which such amounts are invested as of the date of such certificate (and assuming no reinvestment thereof) will (assuming that no such Authorized Investment is sold prior to its maturity and that withdrawals are made from such Authorized Investments only in accordance with their terms) be sufficient to pay interest on the Deemed Escrow Bonds, as and when the same is payable, to and including such Extended Escrow Redemption Date, and (b) the amount on deposit in the Escrow Principal Account, together with investment earnings thereon to be received pursuant to the Authorized Investments in which such amounts are invested as of the date of such certificate (and assuming no reinvestment thereof) will (assuming that no Authorized Investment is sold prior to its maturity and that withdrawals are made from such Authorized Investments only in accordance with their terms) be sufficient to pay principal of the Deemed Escrow Bonds, as and when the same is payable, prior to but not including such Extended Special Escrow Redemption Date.

(3) An opinion of Bond Counsel that such extension will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

(d) Upon receipt of such a Certificate of the Authorized Representative of the District and Independent Financial Consultant's certificate described in subsection (c) above, the Trustee shall promptly mail to the Owners of the Bonds and the Underwriters written notice of the Extended Escrow Redemption Date, together with the aforementioned Certificate of the Authorized Representative of the District. Commencing on any Extended Escrow Closing Date, the Trustee shall make no further disbursements from the Escrow Fund pursuant to subsection (b) above, and on the Initial Escrow Redemption Date, the Trustee shall transfer all amounts on deposit in the Escrow Fund to the Escrow Bonds Redemption Account to be applied to the redemption of the Escrow Bonds on the Extended Escrow Redemption Date, whereupon the Escrow Fund shall be closed.

The District may, in its sole discretion, from time to time deliver to the Trustee money derived from any legally available source for deposit in the Escrow Interest Account or the Escrow Principal Account and the Trustee shall so deposit any such money as received.

(e) Investment. The Trustee shall invest the moneys in the Escrow Fund, the Escrow Interest Account and the Escrow Principal Account therein, in such Authorized Investments, which shall be rated in one of the highest two rating categories offered by each Rating Agency, (without regard to gradations of plus or minus, or numerical gradations, within such category) as the District shall direct in a Certificate of the Authorized Representative of the District which shall be delivered to the Trustee on the Closing Date and thereafter at least two (2) Business Days prior to the maturity date of any such Authorized Investment; provided that if the District does not deliver such certificate, the Trustee shall invest such funds in Authorized

Investments, which shall be rated in one of the highest two rating categories offered by each Rating Agency, (without regard to gradations of plus or minus, or numerical gradations, within such category) of the type specified in clause (7) of the definition of Authorized Investments. Investment earnings shall be retained by the Trustee in the Escrow Fund and shall be applied as set forth in the Indenture.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund, the Escrow Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be applied as set forth in the Indenture. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Acquisition and Construction Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything in the Indenture to the contrary, amounts in the Acquisition and Construction Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund on the date which is three years following the date of issuance of such issue of Parity Bonds shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

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

(d) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) 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 Government or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) Moneys in the Escrow Fund shall be invested as required pursuant to the Indenture.

(f) In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (7) of the definition thereof.

COVENANTS AND WARRANTY

Warranty. The District shall preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District has made the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

Punctual Payment; Against Encumbrances. The District has covenanted that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

Levy of Special Tax. Beginning in Fiscal Year 2001-02 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund earnings to be transferred from the Escrow Fund and amount to be transferred from the Escrow Interest Account and Escrow Principal Account and deemed available for such purpose, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement (the "Special Tax Requirement"). The District has also covenanted that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Commence Foreclosure Proceedings. The District has covenanted for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the Reserve Account is at less than the Reserve Requirement; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The District has covenanted that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account as set forth in the Indenture), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, 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 records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

Federal Tax Covenants. Absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) **Private Activity.** The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code.

(2) **Arbitrage.** The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(3) **Federal Guaranty.** The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(4) **Information Reporting.** The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated in the Indenture and incorporated by reference in the Indenture.

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation ("SYCR"), where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds is excluded from gross income for federal income tax purposes.

Reduction of Maximum Special Taxes. The District has covenanted, that it shall not initiate proceedings to reduce any of the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) based on the current development plan for parcels within the District, do not reduce the maximum Special Taxes expected to be levied on Developed Property upon the buildout of such parcels in each year after buildout to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; or (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by 2% in each subsequent Fiscal Year.

Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the minimum or the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to 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 the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued under the Indenture, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the RMA in any manner, including increasing the number of parcels to be taxed as custom lots, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment; and (ii) based on the current development plan for parcels within Improvement Area No. 1, do not reduce the maximum Special Taxes expected to be levied on Developed Property upon the buildout of such parcels in each year after buildout to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the preceding paragraph, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity 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 Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of this section, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

TRUSTEE

Trustee. Union Bank of California has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying certain requirements under the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of

resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

EVENTS OF DEFAULT; REMEDIES

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 or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

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

(c) except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 30 days of the Trustee's knowledge of an event of default under (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

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

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

(c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

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

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing;

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of 25% in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in this Article 8 or in any other provision of the Indenture, or in the Bonds or the Parity 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 and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys pledged in the Indenture for such payment.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to this Section, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

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

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the federal tax covenants of the District or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity 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 or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account in the Indenture) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding or for other purposes of the District in a principal amount not to exceed \$5,000,000. Parity Bonds which may only be issued to effect a partial refunding 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 the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(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 Supplemental Indenture 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 a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(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 an September 1, (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 Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount in the Indenture to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

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

(1) a certified copy of the Supplemental Indenture 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 general counsel to the District to the effect that (i) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as

provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) where the Parity Bonds are issued to refund the Bonds or other Parity Bonds, a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds;

(6) where the Parity Bonds are being issued other than to refund the Bonds or other Parity Bonds, a Certificate of the Special Tax Administrator certifying that (i) the Maximum Special Taxes that may be levied in each Fiscal Year is not less than 110% of the Annual Debt Service in the Bond Year that begins in such Fiscal Year; (ii) the Value of District Property is not less than four (4) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax; (iii) the Value of Developed Property is at least four and one-quarter (4.25) times the sum of Direct Debt for Developed Property plus Overlapping Debt for Developed Property; and (iv) the Value of Undeveloped Property is at least four (4) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property; provided, however, (x) the Value of Undeveloped Property need be only three and sixth-tenths (3.6) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee a Certificate of the Special Tax Administrator stating that the Maximum Special Taxes that may be levied on Developed Property is not less than 20% of Maximum Annual Debt Service, (y) the Value of Undeveloped Property need be only three and one-half (3.5) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee a Certificate of the Special Tax Administrator stating that the amount of maximum Special Taxes that may be levied on Developed Property is not less than 40% of Maximum Annual Debt Service, and (z) the Value of Undeveloped Property need be only three (3) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property if there is delivered to the Trustee and the District a Certificate of the Special Tax Administrator stating that the amount of maximum Special Taxes that may be levied on Developed Property is not less than 60% of Maximum Annual Debt Service. For purposes of the foregoing Certificate of Special Tax Administrator, all calculations shall consider the Parity Bonds proposed to be issued to be Outstanding.

(7) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued.

Unclaimed Moneys. Any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee at the written request of the District or the Trustee shall, at the expense of the District, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said 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.

Provisions Constitute Contract. The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

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 performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture 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 the Indenture, the Bonds and any Parity Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX F

CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

This Continuing Disclosure Agreement dated as of October 1, 2000 (the "Disclosure Agreement") is executed and delivered by Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 (the "Issuer"), Union Bank of California, N.A. as Trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance and delivery by the Issuer of its \$56,020,000 Improvement Area No. 1 Special Tax Bonds, Series A of 2000 (the "Bonds"). The Bonds are being issued pursuant to a Bond Indenture, dated as of October 1, 2000 (the "Bond Indenture"), by and between the Issuer and the Trustee. The Issuer, the Trustee and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

"Disclosure Representative" shall mean the City Manager of the Issuer or the Deputy City Manager, or their designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, Union Bank of California, N.A. acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the then current Dissemination Agent a written acceptance of such designation.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement dated October 18, 2000 relating to the Bonds.

"Participating Underwriters" shall mean the original Underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is PaineWebber Incorporated, Morgan Stanley Dean Witter and E. J. De La Rosa & Co., Inc.

"Repository" shall mean each National Repository and each State Repository.

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

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

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than April 1 after the end of the Issuer's fiscal year (which currently ends on June 30); commencing with the report due on April 1, 2001, provide to each Repository, the Trustee (if the Trustee is not the Dissemination Agent) and the Participating Underwriters an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify each Repository or the Municipal Securities Rulemaking Board and, in either case, the Trustee and the Dissemination Agent of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) promptly after receipt of the Annual Report, file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been

provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories and other parties to which it was provided.

SECTION 4. Content of Annual Report. The Issuer's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended. If the Issuer prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Bond Indenture. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide the information referenced in Section 8(d) below.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Bond Indenture as of the September 2 preceding the filing of the Annual Report;

(iii) a list of the public improvements in Table 1 in the Official Statement which have been acquired by the City with proceeds of the Bonds;

(iv) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report;

(v) a table setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within the District;

(vi) a table including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes;

(vii) any event known to the Issuer which reduces the number of residential units permitted to be constructed within the District or which results in a moratorium on future building within the District;

(viii) a table setting forth for the five most recent fiscal years in which Special Taxes were levied, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes;

(ix) the date of issuance and the principal amount of any Parity Bonds and a copy of any appraisal delivered in connection with such issuance;

(x) the date of release and amount released from the Escrow Fund and a copy of any appraisal delivered in connection with such release;

(xi) in the Annual Report due on April 1, 2001, a copy of the Original Report and any Updated Report submitted under Section D.1 and Section D.2, respectively, of the Rate and Method of Apportionment of Special Taxes for the District and in each Annual Report thereafter, a copy of any additional Updated Reports not included in a previous Annual Report; and

(xii) any information not already included under (i) through (viii) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer 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 Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) an event of default under the Bond Indenture other than as described in (i) above;

(iii) unscheduled draws on the Reserve Account reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;

(v) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Bonds or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy;

(vi) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

(vii) modifications to the rights of Bond Owners;

(viii) unscheduled redemption of any Bond;

(ix) defeasances;

- (x) any release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) The Trustee shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Issuer pursuant to the Bond Indenture, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Bond Indenture.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (i) the Municipal Securities Rulemaking Board or (ii) each National Repository, and in either case, to each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Indenture. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Trustee or the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer, the Trustee and the Dissemination Agent under this Disclosure Agreement 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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer and the Trustee (if the Trustee is other than the Dissemination Agent) and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment. (a) This Disclosure Amendment may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the Issuer shall have delivered to the Trustee an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (ii) above; (iv) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (v) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners in the same manner as provided in the Bond Indenture for amendments to the Bond Indenture with the consent of the Owners of the Bonds, provided that the conditions set forth in Section 8(a)(i), (ii), (iii) and (iv) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report 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. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner 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 Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture, and the sole remedy

under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture and the Dissemination Agent and the Trustee shall be entitled to the same protections, limitations from liability and indemnification hereunder as are afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and Trustee and payment of the Bonds. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent and the Trustee shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Deputy City Manager City of San Diego Financial, Organization Development and Management Services 202 C Street, MS 9B San Diego, CA 92101
Dissemination Agent:	Union Bank of California, N.A. 120 S. San Pedro Street, Suite 400 Los Angeles, CA 90012
Trustee:	Union Bank of California, N.A. 120 S. San Pedro Street, Suite 400 Los Angeles, CA 90012

Participating Underwriters:

PaineWebber Incorporated
725 South Figueroa Street, 41st Floor
Los Angeles, CA 90017

Morgan Stanley Dean Witter
555 California Street, Suite 2200
San Francisco, CA 94104

E. J. De la Rosa & Co., Inc.
706 Mission, Suite 502
San Francisco, CA 94103

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)

By: _____

UNION BANK OF CALIFORNIA, N.A. as Trustee and
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 2 (Santaluz)
Name of Bond Issue: Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2000
Date of Issuance: November 2, 2000

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2 (Santaluz) (the "District"), located in the City of San Diego, California, has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of October 1, 2000, by and between the District and Union Bank of California, N.A. as Trustee and Dissemination Agent. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

Union Bank of California, N.A. as Dissemination Agent

cc: City of San Diego

APPENDIX G

CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of October 1, 2000 is executed and delivered by Santaluz LLC, a Delaware limited liability company (the "Landowner"), and Union Bank of California, N.A. as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the execution and delivery by Community Facilities District No. 2 (Santaluz) (the "District") of \$56,020,000 aggregate principal amount of its Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2000 (the "Bonds"). The Bonds are being executed and delivered pursuant to a Bond Indenture dated as of October 1, 2000 by and between the District and Union Bank of California, N.A. as Trustee (the "Indenture").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). Pursuant to this Disclosure Agreement, the Landowner agrees to provide the information required to be provided by the Landowner hereunder at the time and in the manner required hereunder and as otherwise required to comply with the Rule as specified in a written opinion of counsel to the Underwriters or a nationally recognized bond counsel. This Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Landowner who may be considered obligated persons for purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriters to comply with the Rule.

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

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person's executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District be deemed to be an Affiliate of the Landowner for purposes of this Agreement. For the purpose of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. DMB Realco LLC and Taylor Woodrow Homes, Inc. are Affiliates of Santaluz, LLC for purposes of this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the Landowner on or prior to March 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Chief Financial Officer or his designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Union Bank of California, N.A. acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the City a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2 (Santaluz) established by the City of San Diego.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Official Statement” shall mean the Official Statement, dated October 18, 2000, relating to the Bonds.

“Parity Bonds” shall mean bonds of the District issued under the Agreement that are secured on a parity with the Bonds.

“Participating Underwriters” shall mean any of the original Underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean each National Repository and the State Repository.

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to September 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designed by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Landowner shall, or upon its receipt of the Annual Report the Dissemination Agent shall, not later than March 1 of each year, commencing March 1, 2001, provide to each Repository, the Participating Underwriters and the District an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference

other information as provided in Section 4 of this Disclosure Agreement provided that the audited financial statements, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, the Landowner shall, or upon its receipt of the Semiannual Report the Dissemination Agent shall, not later than September 1 of each year, commencing September 1, 2001, provide to each Repository, the Participating Underwriters and the District a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to Repositories, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall contact the Landowner to determine if the Landowner is in compliance with the requirements of this subsection (b).

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to Repositories by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

(i) An update to portions of the section in the Official Statement entitled "SPECIAL RISK FACTORS – Methane Gas" and "THE DEVELOPMENT AND PROPERTY OWNERSHIP" (other than under the subcaptions "- General Description of Santaluz," "- The Developer," "- Status of Entitlement Approvals," "- Appraisal" and "- Market Absorption Analysis"), including an update of Table 6 therein and a discussion of the sources of funds to finance development of property owned by the Landowner and its Affiliates within the District, and whether any material defaults exist under any loan arrangement related to such financing.

(ii) A summary of development activity within the District, including the number of parcels for which building permits have been issued and the square footage of improvements listed thereon, and as to property owned by the Landowner and its Affiliates, the number of parcels for which land sales have closed, including the amount of land in each transaction, the sales price, and in the case of a purchase of a parcel by an entity other than the purchaser of a residential unit or a Custom Lot for its own use, the name of the purchaser of the parcel.

(iii) Status of any major governmentally-imposed preconditions for commencement or continuation of development of the parcels within the District.

(iv) Status of completion of the development being undertaken by the Landowner and its Affiliates and any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of the development or the time for construction of any public or private improvements to be made by the Landowner or any Affiliate within the District other than the public improvements described in (5) below (the "Landowner Improvements").

(v) Status of completion of the public improvements to be constructed with proceeds of the Bonds (the "District Improvements"), including an update of Table 1 in the Official Statement and a description of any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of the District Improvements.

(vi) Any significant amendments to land use entitlements with respect to parcels within the District that are known to the Landowner.

(vii) Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

(viii) In the Annual Report only, the audited financial statements of the Landowner, if any, for most recently completed fiscal year (which currently ends on each December 31), prepared in accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If the Landowner has audited financial statements prepared and the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements for the preceding year, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) In the event that as a result of subsequent amendment of the Rule, interpretive releases, no-action letters or other official guidance from the Securities and Exchange Commission or its staff, the information required to satisfy the Rule shall differ from the information described above, the Landowner shall provide to the Dissemination Agent such other information as is available to the Landowner and not otherwise readily available to the District.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues 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 Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under paragraphs (b) and (c):

i. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

ii. Damage to or destruction of any of the Landowner Improvements or the District Improvements which has a material adverse effect on the value of the parcels owned by the Landowner or any Affiliate;

iii. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements;

iv. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate;

v. Payment default by the Landowner or any Affiliate located in the United States on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

vi. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

vii. The filing of any lawsuit against the Landowner or any of its Affiliates located in the United States which, in the reasonable judgment of the Landowner, will adversely affect the completion of the District Improvements, the Landowner Improvements or the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates.

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

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City.

(d) The Landowner shall also give notice immediately upon the occurrence of any of the following events (to the extent the Landowner has actual knowledge thereof) in accordance with the procedures set forth in (c) above: (i) a sale or transfer of all or substantially all of the Landowner's assets, (ii) a change in the identity of the managing member of the Landowner, and (iii) the date on which the District approved the release of funds in the Acquisition and Construction Fund and an updated copy of Table 6 in the Official Statement prepared in connection with such release.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earliest of the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if as of the date for filing the Annual Report the Landowner and its Affiliates own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Annual Report is being prepared, and not less than 95% of the Landowner Improvements and any District Improvements to be constructed by the Landowner have been completed, or
- (c) upon the delivery by the Landowner to the District of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner. If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement.

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

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, 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 the type of business conducted;
- (b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the City, the Trustee and the Participating Underwriters, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the Authority and the Trustee, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and
- (d) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in

the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Landowner. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Municipal Securities Rulemaking Board, the State Repository, if any, and the Repositories; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(viii) hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Landowner chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Landowner shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner to comply with any provision of this Disclosure Agreement, any Participating Underwriters or any Bondowner 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 Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Landowner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there

is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Reporting Obligation of Landowner's Transferees; Covenant Running With Land.

The Landowner shall, in connection with any sale or transfer of ownership of land within the District to a person or entity other than an Affiliate which will result in the transferee (which term shall include any successors and assigns of the Landowner) becoming responsible (i) for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer and (ii) for the construction and/or installation of some or all of the Landowner Improvements or the District Improvements, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to be bound by the obligations of the Landowner under this Disclosure Agreement as an additional obligated party. Additionally, the Landowner shall, in connection with any sale or transfer of ownership of land within the District to a person or entity other than an Affiliate which will result in the transferee becoming responsible for the payment of 20 percent or more of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, but where the transferee is not responsible for the construction or installation of some or all of the Landowner Improvements or the District Improvements, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide its audited financial statements, if any, and, as to the property owned by it, the information of the type described in Section 4(a)(ii), (iii), (vi) and (vii) and Section 5 of this Disclosure Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the land owned by the transferee becoming responsible for the payment of less than 20 percent of the annual Special Taxes. The Landowner agrees that its obligations pursuant to this Disclosure Agreement shall be a covenant running with the land owned by the Landowner within the District such that its obligations pursuant to this Disclosure Agreement shall be binding upon all such transferees described above as though the obligations of the Landowner and such transferees were expressly set forth in the grant deeds whereby such transferees obtain title to or an estate in such land from the Landowner as provided in Sections 1460 through 1470 of the Civil Code of the State of California. A memorandum regarding the Landowner's obligations under this Disclosure Agreement and of the covenant running with the land created hereby shall be recorded in the Official Records in the office of the County Recorder of the County of San Diego, California.

SECTION 13. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the City.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SANTALUZ, LLC, a Delaware Limited Liability Company

**By: Santaluz TM LLC
a California limited liability company, Its
Managing Member**

**By: Taylor Woodrow Homes, Inc.
a California corporation
Its Managing Member**

By: _____

Its: _____

By: _____

Its: _____

**By: DMB REALCO, LLC, an Arizona limited
liability company, its member**

By: _____

Its: _____

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

**By: _____
Authorized Officer**

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of the Issuer: Community Facilities District No. 2 (Santaluz)
Name of Bond Issue: Community Facilities District No. 2 (Santaluz) Improvement Area No. 1
Special Tax Bonds Series A of 2000
Date of Issuance: November 2, 2000

NOTICE IS HEREBY GIVEN that Santaluz, LLC has not provided an [Annual Report or Semiannual Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer. [The Landowner anticipates that such [Annual Report or Semiannual Report] will be filed not later than _____, ____.]

Dated: _____

Union Bank of California, N.A. as Dissemination Agent

cc: City of San Diego

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

October __, 2000

Community Facilities District No. 2 (Santaluz)
San Diego, California

Re: \$56,020,000 Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2000

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of San Diego taken in connection with the formation of Community Facilities District No. 2 (Santaluz) (the "District") and the authorization and issuance of the District's Improvement Area No. 1 Special Tax Bonds Series A of 2000 in the aggregate principal amount of \$56,020,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), and a Bond Indenture dated as of October 1, 2000 (the "Indenture") between the District and Union Bank of California, N.A. as Trustee (the "Trustee"). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Indenture. The Bonds bear interest payable semiannually on each March 1 and September 1, commencing on March 1, 2001, at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California. The Bonds are limited obligations of the District but are not a debt of the City of San Diego, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Special Taxes, neither the faith and credit nor the taxing power of the City of San Diego, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium,

fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses.

(3) The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that enforceability of the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(5) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues for the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 4 above) and is exempt from State of California personal income tax.

The opinion expressed in paragraph (4) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no

responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement.

Respectfully submitted,