RATINGS:
Series A Bonds: Moody's: "Aaa"
Standard & Poor's: "AAA"
Series B Bonds: NO RATING APPLIED FOR
See "RATINGS" Herein

BOOK ENTRY ONLY

In the opinion of Brown Diven Hessell & Brewer LLP, Solana Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See — "TAX MATTERS" herein.

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

$30,515,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-A SENIOR LIEN BONDS

$7,630,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-B SUBORDINATE LIEN BONDS

Dated: Date of Delivery

Due: September 2, as shown on inside front cover

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is issuing its Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds ("Senior Bonds") and Series 1999-B Subordinate Lien Bonds ("Subordinate Bonds" and collectively with the Senior Bonds, the "Bonds") pursuant to Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Law") and an Indenture of Trust dated as of January 1, 1999 (the "Indenture") between the Authority and U.S. Bank Trust National Association, trustee ("Trustee"). The Bonds will mature September 2 in each of the years and in the amounts shown in the maturity schedule on the inside of this cover page.

The Bonds will be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof under the book-entry system maintained by DTC. Ultimate purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Interest is payable on September 2, 1999, and semiannually thereafter on March 2 and September 2 each year. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS — Book-Entry Only System."

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS."

Proceeds of the Bonds will be used to acquire Limited Obligation Refunding Bonds (the "Acquired Obligations") issued by the City of San Diego Reassessment District No. 1999-1 (the "Reassessment District"). Proceeds of the Acquired Obligations will be used (i) to purchase a surety bond for deposit in the Senior Reserve Fund for the Senior Bonds, (ii) to fund a Subordinate Reserve Fund for the Subordinate Bonds, (iii) to pay the costs of issuance of the Bonds, and (iv) to refund the limited obligation improvement bonds in the outstanding principal amount $42,860,000 (the "Prior Bonds") previously issued by the City under the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) with respect to seven assessment districts (the "Original Assessment Districts") formed pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code).

The Bonds are special limited obligations of the Authority. The Senior Bonds are payable solely from and secured by a first lien upon and pledge of Revenues (as defined herein) of the Authority and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Senior Bonds. The Subordinate Bonds are payable solely from and secured by a lien upon and pledge of the Revenues which is subordinate to the pledge of Revenues to the Senior Bonds and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Subordinate Bonds. Revenues will consist primarily of payments received by the Authority from the City on the Acquired Obligations. The Acquired Obligations are special limited obligations of the City payable solely from and secured by unpaid Reassessments (as defined herein) upon real property located in the Reassessment District, certain proceeds of foreclosure proceedings related thereto, and other amounts held in the funds maintained under the Bond Indenture dated as of January 1, 1999 between the City and U.S. Bank Trust National Association, fiscal agent ("Fiscal Agent") pursuant to which the Acquired Obligations are being issued. See "SOURCES OF PAYMENT FOR THE BONDS." Unpaid Reassessments constitute fixed liens on the lots and parcels reassessed within the Reassessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent Reassessment. Thus, the value of the real property within the Reassessment District which has been allocated a portion of the Reassessment is a critical factor in determining the investment quality of the Bonds. A summary of values of property within the Reassessment District is set forth herein. See "RISK FACTORS" and "THE REASSESSMENT DISTRICT."

Payment of principal and interest on the Senior Bonds when due will be guaranteed under a municipal bond insurance policy, and any call on the Senior Reserve Fund will be guaranteed by a reserve fund surety bond, each to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Senior Bonds. See "BOND INSURANCE" herein.

Ambac

The municipal bond insurance policy and the reserve fund surety do not in any way guarantee payment of the Subordinate Bonds.

NEITHER THE BONDS, NOR THE ACQUIRED OBLIGATIONS ARE A DEBT OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE CITY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN) AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFORE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

The Bonds are offered when, as and if issued, subject to approval as to validity by Brown Diven Hessell & Brewer LLP, Solana Beach, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Luce, Forward, Hamilton & Scripps LLP, San Diego, California, Disclosure Counsel, and for the City by Casey Gwinn, Esq., City Attorney. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC, on or about February 25, 1999.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

Salomon Smith Barney

E. Wagner & Associates, Inc. **Charles A. Bell Securities Corp.**

Dated: February 23, 1999

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

MATURITY SCHEDULES

$30,515,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-A SENIOR LIEN BONDS

Maturity Date September 2	Amount	Interest Rate	Yield	CUSIP	Maturity Date September 2	Amount	Interest Rate	Yield	CUSIP
1999	1,145,000.00	2.750%	2.750%	79729PAA6	2009	1,905,000.00	4.100%	4.100%	79729PAL2
2000	1,545,000.00	3.000%	3.000%	79729PAB4	2010	1,910,000.00	4.200%	4.250%	79729PAM0
2001	1,610,000.00	3.500%	3.300%	79729PAC2	2011	2,010,000.00	4.250%	4.350%	79729PAN8
2002	1,670,000.00	3.375%	3.450%	79729PAD0	2012	2,115,000.00	4.375%	4.450%	79729PAP3
2003	1,735,000.00	3.625%	3.625%	79729PAE8	2013	2,210,000.00	4.500%	4.550%	79729PAQ1
2004	1,805,000.00	3.700%	3.700%	79729PAF5	2014	1,975,000.00	4.625%	4.650%	79729PAR9
2005	1,890,000.00	3.750%	3.800%	79729PAG3	2015	655,000.00	4.750%	4.750%	79729PAS7
2006	1,965,000.00	3.875%	3.900%	79729PAH1	2016	240,000.00	4.750%	4.800%	79729PAT5
2007	2,065,000.00	3.900%	3.950%	79729PAJ7	2017	255,000.00	4.750%	4.850%	79729PAU2
2008	1,810,000.00	4.000%	4.032%	79729PAK4					

$7,630,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-B SUBORDINATE LIEN BONDS

Maturity Date September 2	Amount	Interest Rate	Yield	CUSIP	Maturity Date September 2	Amount	Interest Rate	Yield	CUSIP
1999	290,000.00	3.500%	3.500%	79729PAV0	2009	480,000.00	4.700%	4.700%	79729PBF4
2000	385,000.00	3.750%	3.750%	79729PAW8	2010	475,000.00	4.750%	4.750%	79729PBG2
2001	400,000.00	3.900%	3.900%	79729PAX6	2011	505,000.00	4.875%	4.875%	79729PBH0
2002	420,000.00	4.000%	4.000%	79729PAY4	2012	525,000.00	5.000%	5.000%	79729PBJ6
2003	435,000.00	4.100%	4.100%	79729PAZ1	2013	555,000.00	5.000%	5.000%	79729PBK3
2004	450,000.00	4.200%	4.200%	79729PBA5	2014	490,000.00	5.000%	5.050%	79729PBL1
2005	470,000.00	4.300%	4.300%	79729PBB3	2015	165,000.00	5.100%	5.100%	79729PBM9
2006	495,000.00	4.400%	4.400%	79729PBC1	2016	60,000.00	5.100%	5.150%	79729PBN7
2007	515,000.00	4.500%	4.500%	79729PBD9	2017	65,000.00	5.100%	5.150%	79729PBP2
2008	450,000.00	4.600%	4.600%	79729PBE7					

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
San Diego County, California

COMMISSION

Michael T. Uberuaga, *Chair*
Ed Ryan, *Secretary/Treasurer*
Joseph W. Craver, *Member*
Samuel Brown, *Member*
Christine M. Frahm, *Member*

CITY OFFICIALS

Michael T. Uberuaga
City Manager

Ed Ryan
City Auditor and Comptroller

Charles Abdelnour
City Clerk

Casey Gwinn
City Attorney

Patricia T. Frazier
Deputy City Manager
Financial and Technical Services

Conny M. Jamison
City Treasurer

PROFESSIONAL SERVICES

Bond Counsel
Brown Diven Hessell & Brewer LLP
Solana Beach, California

Reassessment Engineers
Galen N. Peterson Consulting Engineer
San Diego, California

Shepherd & Staats Incorporated
Vista, California

Trustee/Fiscal Agent
U.S. Bank Trust National Association
Los Angeles, California

Disclosure Counsel
Luce, Forward, Hamilton & Scripps LLP
San Diego, California

Financial Advisors
Evensen Dodge, Inc.
Los Angeles, California

Gardner Underwood & Bacon
Oakland, California

Appraisers
Lipman Stevens, Marshall & Thene
San Diego, California

Jones Roach & Caringella, Inc.
San Diego, California

Underwriters' Counsel
Stradling Yocca Carlson & Rauth
Newport Beach, California

Verification Agent
Grant Thornton LLP
Minneapolis, Minnesota

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The information set forth herein has been obtained from the Authority and the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriter (as defined herein).

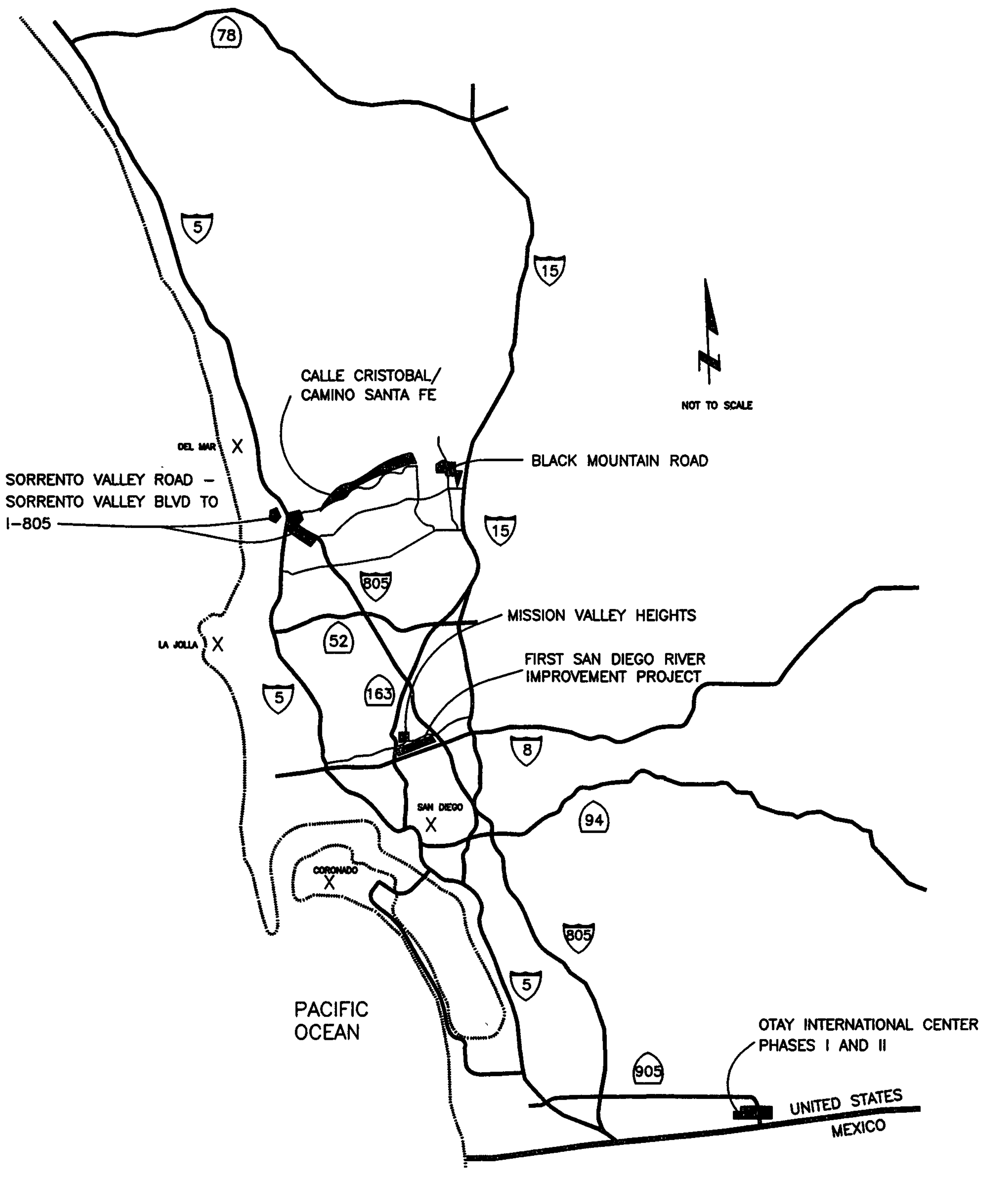
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Reassessment District since the date hereof. 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 is not to be construed as a contract with the purchasers of the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANK ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

VICINITY MAP
REASSESSMENT DISTRICT NO. 1999-1
CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



OFFICIAL STATEMENT

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

$30,515,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-A SENIOR LIEN BONDS

$7,630,000
REFUNDING REVENUE BONDS
(REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-B SUBORDINATE LIEN BONDS

INTRODUCTORY STATEMENT

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

This Official Statement, including the cover page and appendices hereto, is provided to furnish certain information regarding the Public Facilities Financing Authority of the City of San Diego (the "Authority") and its $30,515,000 Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds (the "Senior Bonds") and its $7,630,000 Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-B Subordinate Lien Bonds (the "Subordinate Bonds" and together with the Senior Bonds, the "Bonds").

Purpose of the Bonds

The Bonds are being executed and delivered to acquire the City of San Diego Reassessment District No. 1999-1 Limited Obligation Refunding Bonds (the "Acquired Obligations") being issued by the City of San Diego (the "City") and sold to the Authority for the purpose of refunding certain outstanding assessment district bonds of the City (the "Prior Bonds"). Proceeds of the sale of the Acquired Obligations will be used (i) to purchase a bond insurance policy for the Senior Bonds, (ii) to purchase a surety bond for deposit in the Senior Reserve Fund for the Senior Bonds, (iii) to fund a Subordinate Reserve Fund for the Subordinate Bonds, (iv) to pay the costs of issuance of the Bonds, and (v) to refund the Prior Bonds. See *"PLAN OF REFUNDING -- Sources and Uses of Funds."*

Sources of Payment for the Bonds

The Bonds are secured under an Indenture of Trust dated as of January 1, 1999 (the "Indenture") between the Authority and U.S. Bank Trust National Association, as trustee (the "Trustee") (see *"APPENDIX F -- Summary of Legal Documents - The Indenture"* hereto). The Bonds are special obligations of the Authority payable solely from and secured by (a) the Revenues, consisting of (i) all amounts derived from or with respect to the Acquired Obligations to be acquired by the Authority with the proceeds of the Bonds, (ii) investment income with respect to any monies held by the Trustee in the funds and accounts established under the Indenture, except the Rebate Fund and (iii) any other investment income received under the Indenture, (b) the Acquired Obligations and (c) any other amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture, except the Rebate Fund, the Expense Fund and the Residual Account of the Revenue Fund. The Senior Bonds are secured by a first lien upon and pledge of the Revenues and amounts deposited in certain funds and accounts created for the benefit of the Senior Bonds under the Indenture. The Subordinate Bonds are secured by a lien upon and pledge of the Revenues which is subordinate to the pledge of Revenues to the Senior Bonds and by the amounts deposited in certain funds and accounts created for the benefit of the Subordinate Bonds under the Indenture.

Pursuant to the Indenture, the Authority has established a Senior Reserve Fund for the benefit of the Senior Bonds and a Subordinate Reserve Fund for the benefit of the Subordinate Bonds. The Senior Reserve Fund will be funded by a reserve fund surety bond (the "Surety") issued by Ambac Assurance Corporation (the "Insurer") in a coverage amount of $3,051,500. The Subordinate Reserve Fund will be funded from the proceeds of the Acquired Obligations transferred by the Reassessment District to the Authority in the amount of $763,000. In no event will the Reserve Fund established for one series of Bonds be available to pay principal of, premium, if any, or interest on the other series of Bonds.

Payment of the Senior Bonds when due will be insured by a municipal bond insurance policy to be issued by the Insurer at issuance and delivery of the Senior Bonds. Further, the Senior Reserve Fund will be funded by a Surety issued by the Insurer. See *"BOND INSURANCE"* herein. The Subordinate Bonds are not insured and have no claim on the municipal bond insurance policy or the Senior Reserve Fund Surety.

Sources of Payment of the Acquired Obligations

Pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Chapter 3 of Division 11.5 of the Streets and Highways Code of the State of California (the "Assessment Bond Law"), the City is issuing the Acquired Obligations for the purpose of refunding seven prior series of assessment district bonds of the City issued for the Original Assessment Districts (collectively, the "Prior Assessment Bonds"). The Acquired Obligations are payable from and secured by unpaid reassessments (the "Reassessments") against those properties located within the City's Reassessment District No. 1999-1 (the "Reassessment District"). The Reassessment District includes 2,940 assessment parcels of property located in seven non-contiguous areas scattered throughout the City. The Reassessment District is composed of parcels formerly included in seven separate Original Assessment Districts which totaled approximately 2,545 acres before prepayment of assessments on 723 parcels. See *"THE REASSESSMENT DISTRICT -- Prepayments History."*

The Acquired Obligations will be issued pursuant to, and be secured by, the terms of a Bond Indenture dated as of January 1, 1999 (the "Assessment Bond Indenture") between the City and U.S. Bank Trust National Association, as fiscal agent (the "Fiscal Agent") (see *"APPENDIX F -- Summary of Legal Documents - The Assessment Bond Indenture"* hereto). The Acquired Obligations are payable from annual Reassessment installments which, if paid when due, will be sufficient to provide for annual payments of principal and semiannual payments of interest on the Acquired Obligations. Payments of principal and interest on the Acquired Obligations are scheduled to be greater than payment of principal and interest on the Bonds. See *"SOURCES OF PAYMENT FOR THE BONDS", "PROJECTED DEBT SERVICE COVERAGE"* and *"RISK FACTORS"* herein.

Limited Obligations

The Bonds are special obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the City, the State, or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds and the interest thereon from the funds described herein, and neither the faith and credit nor the taxing power of the Authority, the City, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. See *"SOURCES OF PAYMENT FOR THE BONDS"* and *"RISK FACTORS"* herein.

The Acquired Obligations are special obligations of the City. The Acquired Obligations shall not be deemed to constitute a debt or liability of the Authority, the City, the State, or of any political subdivision thereof. The City shall only be obligated to pay the principal of the Acquired Obligations and the interest thereon from the funds described herein, and neither the faith and credit nor the taxing power of the Authority, the City, the State of California or any of its political subdivisions as pledged for the payment of principal or interest on the Acquired Obligations. See *"SOURCES OF PAYMENT FOR THE BONDS"* and *"RISK FACTORS"* herein.

Engineer's Report

Galen N. Peterson, Consulting Engineer and Shepherd & Staats Incorporated (collectively, the "Reassessment Engineer") has prepared a written report (the "Engineer's Report") for the Reassessment District which contains, among other things, the amount of each Reassessment and the method of allocation. See *"THE REASSESSMENT DISTRICT -- Assessed Value of Property Within the Reassessment District"* and *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein.

Appraisal Reports

Lipman Stevens Marshall & Thene, Inc. and Jones, Roach & Caringella, Inc. (the "Appraisers") have prepared written reports (the "Appraisals") appraising the market value of 45 parcels of property within the Reassessment District which have assessed value-to-lien ratios of less than 3:1 based on assessed valuations determined by the County Tax Assessor as of January 1, 1998 and included in the 1998/99 tax roll. The Appraisals are qualified by certain assumptions and conditions described therein. See *"THE REASSESSMENT DISTRICT -- Appraised Value of Certain Properties,"* and *"APPENDIX A -- Reassessment Diagram and Appraisal Reports" and "APPENDIX B -- General Information Pertaining to Appriased Properties."*

The Authority

The Authority is a joint exercise of powers authority organized and existing by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act"). The City and the Redevelopment Agency for the City of San Diego formed the Authority by the execution of a joint exercise of powers agreement dated as of May 14, 1991, as amended (the "Joint Powers Agreement"). See *"THE AUTHORITY"* herein.

The City

The City of San Diego (the "City") is situated in the southwest portion of San Diego County, California. The City encompasses a land area of approximately 330 square miles and has an estimated population of 1.2 million. The City is the sixth largest city in the nation and the second largest city in California. Additional information regarding the City is set forth in *"THE CITY"* and *"APPENDIX C -- Supplemental Information Concerning the City of San Diego"* hereto.

Bond Owners' Risks

Prospective investors should review this Official Statement and the Appendices hereto in their entirety and should consider certain risk factors associated with the purchase of the Bonds, some of which have been summarized in the section entitled *"RISK FACTORS"* herein.

Continuing Disclosure

The Authority has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Authority and the Reassessment District by not later than April 1st following the end of the Authority's fiscal year ended June 30, commencing with the report for the 1999/2000 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Trustee, as Dissemination Agent on behalf of the Authority, with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"). The notices of material events will be filed by the Dissemination Agent on behalf of the Authority with each NRMSIR and the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5). See *"APPENDIX D -- Continuing Disclosure Agreement"* hereto.

Other Information

Brief descriptions of the Bonds, the Indenture, the Bond Purchase Agreement, the Acquired Obligations, the Assessment Bond Indenture and the Continuing Disclosure Agreement, are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Purchase Agreement, the Acquired Obligations, the Assessment Bond Indenture and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Until the issuance and delivery of the Bonds, copies of the documents described herein may be obtained from the City, and after delivery of the Bonds, copies of such documents will be available at the corporate trust office of the Trustee located at Corporate Trust Division, 550 S. Hope Street, Suite 500, Los Angeles, California 90071.

PLAN OF REFUNDING

Refunding of Prior Bonds

The Bonds are being issued to finance the Authority's acquisition of the Acquired Obligations pursuant to the Bond Purchase Agreement dated as of January 1, 1999 (the "Bond Purchase Agreement") between the Authority and the City. Proceeds of the sale of the Acquired Obligations together with monies held in certain funds and accounts relating to the Prior Bonds, will be deposited in the redemption fund established for each issue of the Prior Bonds in an amount equal to the redemption price for such Prior Bonds on March 2, 1999. The monies held in the redemption fund for each issue of the Prior Bonds will be invested in federal securities, are pledged solely for the payment of that issue of Prior Bonds and such monies will not be available for the payment of the Bonds. All Prior Bonds issued with respect to the Original Assessment Districts will be redeemed on March 2, 1999, in the principal amounts and at the redemption prices (expressed as a percentage of the principal amount thereof) as shown below. The Reassessments levied on parcels within each Original Assessment District to refund the Prior Bonds of such District will mature on the "Maturity of Reassessment" dates shown below.

Original Assessment Districts	Outstanding Prior Bonds	Redemption Price	Lien of Reassessments	Maturity of Reassessments
1. AD 4007 ("FSDRIP")	$ 4,010,000	103%	$3,396,533	09/02/07
2. AD 4029 ("Sorrento")	940,000	103%	805,463	09/02/09
3. AD 4010 ("Otay I")	5,015,000	103%	4,565,157	09/02/13
4. AD 4019 ("Otay II")	9,160,000	103%	8,441,227	09/02/14
5. AD 4013 ("Calle Cristobal")	12,180,000	103%	10,781,670	09/02/14
6. AD 4025 ("Mission Valley")	6,695,000	103%	6,174,201	09/02/15
7. AD 4070 ("Black Mountain")	4,860,000	101%	3,980,749	09/02/17
TOTAL	$42,860,000		$38,145,000	

The Original Assessment Districts, including their full names, are discussed in *"THE REASSESSMENT DISTRICT - Original Assessment Districts"* herein.

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Sources and Uses of Funds

The Bonds. The proceeds of the Bonds will be used to finance the acquisition of the Acquired Obligations. The following table sets forth the estimated sources and uses of funds relating to the issuance of the Bonds.

Sources of Funds	***Totals***
Principal Amount of Senior Bonds	$30,515,000.00
Original Issue Dscount: Senior Bonds	($82,627.35)
Principal Amount of Subordinate Bonds	$ 7,630,000.00
Original Issue Discount: Subordinate Bonds	($3,352.00)
Total Sources	**$38,059,020.65**
Uses of Funds	
Deposit to Program Fund	$38,059,020.65
Total Uses	**$38,059,020.65**

The Acquired Obligations. The following table sets forth estimated sources of uses relating to the issuance of the Acquired Obligations.

Sources of Funds		
Program Fund		$ 38,059,020.65
Prior Bonds Reserve Funds		5,141,738.00
Prior Bonds Redemption Funds		4,319,549.00
Total Sources		**$47,520,307.65**
Uses of Funds		
Deposit to Redemption Funds:		$45,618,288.75
AD4007	$4,285,261.25	
AD4029	$1,000,943.75	
AD4010	$5,364,272.50	
AD4019	$9,770,527.50	
AD4013	$12,966,637.50	
AD4025	$7,157,586.25	
AD4070	$5,073,060.00	
Total Deposit	$45,618,288.75	
Transfer to Authority(1)		
Subordinate Reserve Fund(2)		$ 763,000.00
Costs of Issuance Fund(3)		1,139,018.90
Total Uses		**$47,520,307.65**

(1) Pursuant to the Bond Purchase Agreement between the City and the Authority, the City will transfer proceeds of its sale of the Acquired Obligations to the Authority for deposit to the indicated funds and accounts in the Indenture.

(2) Equal to the Subordinate Reserve Requirement (10% of the initial aggregate principal amount of the Subordinate Bonds less any amounts transferred from the Subordinate Reserve Fund in connection with the prepayment or expiration of Reassessments).

(3) Includes Financial Advisor, Bond Counsel and Disclosure Counsel fees, Official Statement printing, initial fees and expenses of the Trustee, other costs of issuing the Bonds, a municipal bond insurance premium of $340,408.32 for the Senior Bonds, a reserve fund surety bond premium of $132,435.10 for the Senior Reserve Requirement and an Underwriters' Fee of $310,319.35.

THE BONDS

Authority for Issuance of the Bonds

The Authority is a joint exercise of powers authority organized and existing by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act"). The City and the Redevelopment Agency for the City of San Diego formed the Authority by the execution of a joint exercise of powers agreement dated as of May 14, 1991 (the "Joint Powers Agreement"). Pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584) (the "Bond Law"), the Authority is authorized to issue its revenue bonds to provide funds to acquire local obligations. The Authority is purchasing the Acquired Obligations pursuant to the powers granted to the Authority pursuant to the Bond Law. The Bonds are being issued pursuant to the Bond Law, Resolution No. FA-99-2, adopted by the Commission of the Authority on January 14, 1999 and the Indenture.

The proceedings for the levy of Reassessments within the Reassessment District and the authorization for the issuance of the Acquired Obligations were conducted pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code) (the "Refunding Act") and the Bond Indenture dated as of January 1, 1999 (the "Assessment Bond Indenture"), all as approved by resolutions adopted by the City Council. The Acquired Obligations are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Refunding Act and certain provisions of the Improvement Bond Act of 1915 (the "1915 Act") incorporated by reference into the Refunding Act, Resolution No. R-291164, adopted by the City Council on January 11, 1999 (the "Resolution") and the Assessment Bond Indenture.

Denomination and Payment

The Senior Bonds will be issued in the aggregate principal amount of $30,515,000, and the Subordinate Bonds will be issued in the aggregate principal amount of $7,630,000. All of the Bonds will be dated as of date of delivery, and will be issued in denominations of $5,000 each or any integral multiple thereof. They will bear interest payable on each March 2 and September 2, commencing September 2, 1999 and will mature on September 2 in each of the designated years, and in the principal amounts, shown on the inside cover page hereof.

Initially, the Bonds issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as a securities depository for the Bonds. See *"THE BONDS -- Book-Entry Only System."* All references herein to the owners or holders of the Bonds, as long as the Bonds are in book-entry only form, shall refer to DTC and not the Beneficial Owners of the Bonds.

The principal of, and premium, if any, on the Bonds will be payable upon maturity and surrender thereof at the office of the Trustee. Interest on the Bonds will be paid by check of the Trustee mailed by first class mail on each March 2 and September 2, commencing September 2, 1999 (the "Interest Payment Dates"), to the person in whose name the Bond is registered at the close of business on the fifteenth day of the month preceding the applicable Interest Payment Date (the "Record Date"), or by wire transfer to an account in the United States of America made on an Interest Payment Date upon written instructions received by the Trustee on or before the Record Date from an owner of $1,000,000 or more in aggregate principal amount of Bonds. For as long as the Bonds are in book-entry form and DTC is the securities depository, DTC or its nominee, Cede & Co., will be the sole owner of the Bonds, and payment of principal and interest will be made only to such owner. Disbursal of such payments to DTC Participants is the responsibility of DTC; disbursal of such payment to beneficial owners is the responsibility of the DTC Participants. See *"THE BONDS -- Book-Entry Only System."*

Each Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated and registered, unless (i) said Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which case it will bear interest from such Interest Payment Date, or (ii) unless said Bond is authenticated prior to the first Record Date, in which case it shall bear interest from the date of delivery, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest on such Bond shall be payable from the date to which interest has been paid in full, until payment of its principal sum has been discharged. Interest shall be calculated based on a 360-day year comprised of twelve 30-day months.

Redemption

Extraordinary Redemption From Prepayments. The Bonds, or any portion of any such Bond in any Authorized Denomination shall be subject to mandatory redemption prior to maturity in whole on any date and in part on any Interest Payment

Date in a principal amount of at least $25,000, pro rata among the Senior Bonds and the Subordinate Bonds and among maturities as directed in the Authority's Cash Flow Certificate (as defined below) from funds received representing a Prepayment of the Acquired Obligations resulting from prepayments by property owners of their Reassessments, at a redemption price equal to the principal amount thereof, together with a redemption premium equal to the lesser of (i) three percent (3%) of the principal amount of the Bonds to be redeemed or (ii) the redemption premium which would apply in the event of an optional redemption of such Bonds, plus, accrued interest to the date of redemption.

Optional Redemption. The Bonds maturing on or before September 2, 2009 are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 2, 2010 shall be subject to optional redemption as a whole on any date, or in part, on any Interest Payment Date on or after September 2, 2009, in a principal amount of at least $25,000, pro rata among the Senior Bonds and the Subordinate Bonds and among maturities as directed in the Authority's Cash Flow Certificate at the option of the Authority from any source of available funds delivered to the Trustee at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with the following redemption premiums (computed on the principal amount of the Bonds to be redeemed), plus accrued interest to the date of redemption:

Redemption Dates	Redemption Premium
September 2, 2009 through September 1, 2010	1.0%
September 2, 2010 through September 1, 2011	0.5%
September 2, 2011 and thereafter	0.0%

Purchase in Lieu of Redemption

In lieu of redemption of any Bond pursuant to the provisions for Extraordinary Redemption From Prepayments or Optional Redemption, and after complying with the requirements regarding the Cash Flow Certificate, amounts on deposit in the funds held by the Trustee for any such redemption may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amount, upon a Written Order for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Authority may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchased date. All Bonds so purchased shall be delivered to the Trustee for cancellation.

Selection of Bonds for Redemption

Partial redemption of Bonds pursuant to the provisions for Extraordinary Redemption From Prepayments and Optional Redemption will be allocated 80% to the Senior Bonds and 20% to the Subordinate Bonds. Upon any such redemption, the Authority is required to deliver to the Trustee at least 45 days prior to the redemption date a Cash Flow Certificate which (i) directs the application of such redemption among maturities of the Senior Bonds and Subordinate Bonds as necessary, after giving effect to such redemptions, to maintain as close as is practicable the level of Revenue coverage as existed for the Senior Bonds and the Subordinate Bonds as of their date of issue, and (ii) certifying that after such redemptions the anticipated or scheduled Revenues to be received from the Acquired Obligations will be sufficient in time and amount (together with funds then held under the Indenture representing payments under the Acquired Obligations and available therefor, but excluding amounts on deposit in the Reserve Fund for each series of Bonds or earnings thereon) to make all remaining scheduled principal installments with respect to, and interest on, the outstanding Senior Bonds and Subordinate Bonds. In the case of an Extraordinary Redemption From Prepayments, the Cash Flow Certificate also will indicate the amount which must be withdrawn from the Subordinate Reserve Fund as the Subordinate Reserve Fund Prepayment Credit, which amount shall be applied to the redemption of Subordinate Bonds. The Subordinate Reserve Fund Prepayment Credit means as to any parcel for which the Reassessment is prepaid, the amount equal to the original Reassessment levied against such parcel divided by the aggregate original Reassessments levied against all parcels within the Reassessment District multiplied times the Subordinate Reserve Requirement.

Whenever less than all the outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee will select the particular Bonds to be redeemed by lot and in selecting the Bonds for redemption the Trustee will treat each Bond of a denomination of more than five thousand dollars ($5,000) as representing that number of Bonds of five thousand dollars ($5,000) denomination which is obtained by dividing the principal amount of such Bond by five thousand dollars ($5,000), and the portion of any Bond of a denomination of more than five thousand dollars ($5,000) to be redeemed shall be redeemed in an Authorized Denomination. The Trustee shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption in whole or in part on such date.

Notice of Redemption

At least 30 days but no more than 60 days prior to the redemption date, the Trustee shall give by first class mail a copy of such notice, to the respective owners of the Bonds to be redeemed at their addresses appearing on the Bond register. The actual receipt by the owner of any Bond of notice of such redemption shall not be a condition precedent thereto, and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture shall be conclusive as against all parties, and it shall not be open to any Bond Owner to show that he or she failed to receive notice of such redemption.

In addition to the notice described in the foregoing paragraph, such redemption notice shall be given by Trustee (i) by first class mail, postage prepaid, or (ii) by facsimile transmission on the same day as the date of the mailing required by the preceding paragraph, to each of the Securities Depositories (as defined in the Indenture).

On the same day as the date of the mailing required to be sent to Bond Owners, such redemption notice shall be given by the Trustee by (i) first-class mail, postage prepaid, or (ii) facsimile transmission, to one of the Information Services (as defined in the Indenture).

The Indenture provides that neither failure of a Bond Owner to receive the notice described above nor any defect therein shall in any manner affect the redemption of the Bonds.

Effect of Redemption

If on a redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Indenture, together with interest to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue. All money held for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture shall be canceled upon surrender thereof and be delivered to or upon the order of the Authority. All or any portion of a Bond purchased by the Authority shall be canceled by the Trustee.

When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of the Indenture, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Trustee, in form satisfactory to it, and sufficient monies shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, all as provided in the Indenture, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Trustee for cancellation.

Book-Entry Only System

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

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking law, a member of a Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trusts companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct 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 DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 their 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 Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. will consent or 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 Direct Participants to whose accounts the Bonds 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 to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have the Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's Interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of the Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, if there is not a successor securities depository, the Bonds are required to be delivered as described in the Indenture. The Beneficial Owner upon registration of Bonds held in the Beneficial Owner's name will become the Owner of the Bonds.

The Authority may at times discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed as described in the Indenture. In the event that the book-entry only system is discontinued, payments of principal of and interest on the Bonds shall be payable to the registered owners of the Bonds in accordance with the procedures set forth in the Indenture.

The Authority cannot and does not give any assurances that DTC, Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominees as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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ACQUIRED OBLIGATIONS DEBT SERVICE SCHEDULE

The following table presents the scheduled payments of principal and interest on the Acquired Obligations.

Payment Date	Principal	Interest	Semiannual Debt Service	Annual Debt Service
9/2/99	0.00	1,301,157.39	1,301,157.39	1,301,157.39
3/2/00		1,252,450.97	1,252,450.97	
9/2/00	1,698,203.00	1,252,450.97	2,950,653.97	4,203,104.93
3/2/01		1,211,184.63	1,211,184.63	
9/2/01	1,809,893.00	1,211,184.63	3,021,077.63	4,232,262.27
3/2/02		1,162,806.19	1,162,806.19	
9/2/02	1,909,438.00	1,162,806.19	3,072,244.19	4,235,050.39
3/2/03		1,109,446.95	1,109,446.95	
9/2/03	2,033,599.00	1,109,446.95	3,143,045.95	4,252,492.90
3/2/04		1,049,730.31	1,049,730.31	
9/2/04	2,168,206.00	1,049,730.31	3,217,936.31	4,267,666.63
3/2/05		984,749.18	984,749.18	
9/2/05	2,320,637.00	984,749.18	3,305,386.18	4,290,135.36
3/2/06		913,319.97	913,319.97	
9/2/06	2,476,870.00	913,319.97	3,390,189.97	4,303,509.95
3/2/07		835,075.65	835,075.65	
9/2/07	2,667,208.00	835,075.65	3,502,283.65	4,337,359.30
3/2/08		749,738.33	749,738.33	
9/2/08	2,324,759.00	749,738.33	3,074,497.33	3,824,235.66
3/2/09		673,823.33	673,823.33	
9/2/09	2,509,062.00	673,823.33	3,182,885.33	3,856,708.65
3/2/10		590,497.38	590,497.38	
9/2/10	2,567,059.00	590,497.38	3,157,556.38	3,748,053.75
3/2/11		502,126.37	502,126.37	
9/2/11	2,773,337.00	502,126.37	3,275,463.37	3,777,589.74
3/2/12		404,407.84	404,407.84	
9/2/12	3,005,923.00	404,407.84	3,410,330.84	3,814,738.68
3/2/13		296,059.35	296,059.35	
9/2/13	3,224,691.00	296,059.35	3,520,750.35	3,816,809.69
3/2/14		177,213.36	177,213.36	
9/2/14	2,945,747.00	177,213.36	3,122,960.36	3,300,173.72
3/2/15		66,261.80	66,261.80	
9/2/15	970,400.00	66,261.80	1,036,661.80	1,102,923.60
3/2/16		28,925.66	28,925.66	
9/2/16	355,516.00	28,925.66	384,441.66	413,367.32
3/2/17		15,103.20	15,103.20	
9/2/17	384,452.00	15,103.20	399,555.20	414,658.39
TOTAL	$38,145,000.00	$25,346,998.33	$63,491,998.33	$63,491,998.33

BONDS DEBT SERVICE SCHEDULE

The following table presents the scheduled payments of principal of and interest on the Bonds.

Payment Date	Series 1999-A Senior Lien Bonds Principal	Interest	Annual Debt Service	Series 1999-B Subordinate Lien Bonds Principal	Interest	Annual Debt Service
9/2/99	$1,145,000.00	$624,311.19	$1,769,311.19	$290,000.00	$177,971.41	$467,971.41
3/2/00		585,197.50			166,234.38	
9/2/00	1,545,000.00	585,197.50	2,715,395.00	385,000.00	166,234.38	717,468.75
3/2/01		562,022.50			159,015.63	
9/2/01	1,610,000.00	562,022.50	2,734,045.00	400,000.00	159,015.63	718,031.25
3/2/02		533,847.50			151,215.63	
9/2/02	1,670,000.00	533,847.50	2,737,695.00	420,000.00	151,215.63	722,431.25
3/2/03		505,666.25			142,815.63	
9/2/03	1,735,000.00	505,666.25	2,746,332.50	435,000.00	142,815.63	720,631.25
3/2/04		474,219.38			133,898.13	
9/2/04	1,805,000.00	474,219.38	2,753,438.75	450,000.00	133,898.13	717,796.25
3/2/05		440,826.88			124,448.13	
9/2/05	1,890,000.00	440,826.88	2,771,653.75	470,000.00	124,448.13	718,896.25
3/2/06		405,389.38			114,343.13	
9/2/06	1,965,000.00	405,389.38	2,775,778.75	495,000.00	114,343.13	723,686.25
3/2/07		367,317.50			103,453.13	
9/2/07	2,065,000.00	367,317.50	2,799,635.00	515,000.00	103,453.13	721,906.25
3/2/08		327,050.00			91,865.63	
9/2/08	1,810,000.00	327,050.00	2,464,100.00	450,000.00	91,865.63	633,731.25
3/2/09		290,850.00			81,515.63	
9/2/09	1,905,000.00	290,850.00	2,486,700.00	480,000.00	81,515.63	643,031.25
3/2/10		251,797.50			70,235.63	
9/2/10	1,910,000.00	251,797.50	2,413,595.00	475,000.00	70,235.63	615,471.25
3/2/11		211,687.50			58,954.38	
9/2/11	2,010,000.00	211,687.50	2,433,375.00	505,000.00	58,954.38	622,908.75
3/2/12		168,975.00			46,645.00	
9/2/12	2,115,000.00	168,975.00	2,452,950.00	525,000.00	46,645.00	618,290.00
3/2/13		122,709.38			33,520.00	
9/2/13	2,210,000.00	122,709.38	2,455,418.75	555,000.00	33,520.00	622,040.00
3/2/14		72,984.38			19,645.00	
9/2/14	1,975,000.00	72,984.38	2,120,968.75	490,000.00	19,645.00	529,290.00
3/2/15		27,312.50			7,395.00	
9/2/15	655,000.00	27,312.50	709,625.00	165,000.00	7,395.00	179,790.00
3/2/16		11,756.25			3,187.50	
9/2/16	240,000.00	11,756.25	263,512.50	60,000.00	3,187.50	66,375.00
3/2/17		6,056.25			1,657.50	
9/2/17	255,000.00	6,056.25	267,112.50	65,000.00	1,657.50	68,315.00
TOTAL	$30,515,000.00	$11,355,642.44	$41,870,642.44	$7,630,000.00	$3,198,061.41	$10,828,061.41

PROJECTED DEBT SERVICE COVERAGE

Gross Debt Service Coverage

The table below sets forth an approximation of the gross debt service coverage for the Bonds (both Senior and Subordinate Bonds), taking into account all payments due to the Authority under the Acquired Obligations and estimated Residual Assessments.

Bond Year Ending	Revenue[(1)]	Gross Annual Debt Service	Gross Bonds Revenue Coverage Ratio
9/2/99	$2,255,701.92	$2,237,282.59	1.01
9/2/00	4,203,104.93	3,432,863.75	1.22
9/2/01	4,232,262.27	3,452,076.25	1.23
9/2/02	4,235,050.39	3,460,126.25	1.22
9/2/03	4,252,492.90	3,466,963.75	1.23
9/2/04	4,267,666.63	3,471,235.00	1.23
9/2/05	4,290,135.26	3,490,550.00	1.23
9/2/06	4,303,509.95	3,499,465.00	1.23
9/2/07	4,337,359.30	3,521,541.25	1.23
9/2/08	3,824,235.66	3,097,831.25	1.23
9/2/09	3,856,708.65	3,129,731.25	1.23
9/2/10	3,748,053.75	3,029,066.25	1.24
9/2/11	3,777,589.74	3,056,283.75	1.24
9/2/12	3,814,738.68	3,071,240.00	1.24
9/2/13	3,816,809.69	3,077,458.75	1.24
9/2/14	3,300,173.72	2,650,258.75	1.25
9/2/15	1,102,923.60	889,415.00	1.24
9/2/16	413,367.32	329,887.50	1.25
9/2/17	414,658.39	335,427.50	1.24
TOTAL	$64,446,542.86	$52,698,703.84	

(1) The projected Revenues shown above include (a) scheduled payments of principal and interest on the Acquired Obligations, and (b) $2,255,701.92 of Residual Assessments projected to be collected in the Bond Year ending September 2, 1999, consisting primarily of assessment installments of the Original Assessment Districts which become delinquent if not paid by April 10, 1999, and assuming a delinquency rate of not more than 4%. See *"SOURCES FOR PAYMENT OF THE BONDS -- Repayment of the Bonds - Residual Assessment Installments"* herein. Assessment Installments of the Original Assessment Districts totalling 1.84% became delinquent for nonpayment on December 10, 1998. See *"THE REASSESSMENT DISTRICT -- Tax Delinquency History"* and Table 8 herein. The Authority makes no assurance that the projected Revenues will be achieved (see *"RISK FACTORS"* herein). No earnings are expected on the Senior Reserve Fund because it is funded by a reserve fund surety policy.

Senior and Subordinate Bond Debt Service Coverage

The table below sets forth an approximation of debt service coverage for the Senior Bonds and Subordinate Bonds, taking into account all payments due to the Authority under the Acquired Obligations and estimated Residual Assessments.

Bond Year Ending	Revenue[(1)]	Senior Bonds Annual Debt Service	Senior Bonds Coverage Ratio	Net Revenue[(2)]	Subordinate Bonds Annual Debt Service	Subordinate Bonds Coverage Ratio	Annual Excess Revenue[(3)]
9/2/99	$2,255,701.92	$1,769,311.19	1.27	486,390.73	$467,971.41	1.04	$18,419.33
9/2/00	4,203,104.93	2,715,395.00	1.55	1,487,709.93	717,468.75	2.07	770,241.18
9/2/01	4,232,262.27	2,734,045.00	1.55	1,498,217.27	718,031.25	2.09	780,186.02
9/2/02	4,235,050.39	2,737,695.00	1.55	1,497,355.39	722,431.25	2.07	774,924.14
9/2/03	4,252,492.90	2,746,332.50	1.55	1,506,160.40	720,631.25	2.09	785,529.15
9/2/04	4,267,666.63	2,753,438.75	1.55	1,514,227.88	717,796.25	2.11	796,431.63
9/2/05	4,290,135.36	2,771,653.75	1.55	1,518,481.61	718,896.25	2.11	799,585.36
9/2/06	4,303,509.95	2,775,778.75	1.55	1,527,731.20	723,686.25	2.11	804,044.95
9/2/07	4,337,359.30	2,799,635.00	1.55	1,537,724.30	721,906.25	2.13	815,818.05
9/2/08	3,824,235.66	2,464,100.00	1.55	1,360,135.66	633,731.25	2.15	726,404.41
9/2/09	3,856,708.65	2,486,700.00	1.55	1,370,008.65	643,031.25	2.13	726,977.40
9/2/10	3,748,053.75	2,413,595.00	1.55	1,334,458.75	615,471.25	2.17	718,987.50
9/2/11	3,777,589.74	2,433,375.00	1.55	1,344,214.74	622,908.75	2.16	721,305.99
9/2/12	3,814,738.68	2,452,950.00	1.56	1,361,788.68	618,290.00	2.20	743,498.68
9/2/13	3,816,809.69	2,455,418.75	1.55	1,361,390.94	622,040.00	2.19	739,350.94
9/2/14	3,300,173.72	2,120,968.75	1.56	1,179,204.97	529,290.00	2.23	649,914.97
9/2/15	1,102,923.60	709,625.00	1.55	393,298.60	179,790.00	2.19	213,508.60
9/2/16	413,367.32	263,512.50	1.57	149,854.82	66,375.00	2.26	83,479.82
9/2/17	414,658.39	267,112.50	1.55	147,545.89	68,315.00	2.16	79,230.89
TOTAL	$64,446,542.86	$41,870,642.44		$22,575,900.42	$10,828,061.41		$11,747,839.01

(1) The projected Revenues shown above are subject to several variables described herein. The Authority makes no assurance that the projected Revenues will be achieved (see *"RISK FACTORS"* herein). No earnings are expected on the Senior Reserve Fund because it is funded by a reserve fund surety contract. See *"PROJECTED DEBT SERVICE COVERAGE -- Gross Debt Service Coverage"* at Note 1 above.

(2) Total Revenue minus Senior Bond Annual Debt Service. Net Revenue shown does not include earnings on Subordinate Reserve Fund.

(3) The portion of Annual Excess Revenue remaining after making all deposits to the funds and accounts as required in the Indenture and after providing for the Authority's administrative expenses will be returned to the Reassessment District Fiscal Agent for deposit in the debt service fund of the Acquired Obligations and credit to the next levied installment of the Reassessments.

SOURCES OF PAYMENT FOR THE BONDS

Repayment of the Bonds

General. The Bonds are payable solely from and secured by the pledged Revenues and any other amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture, except the Rebate Fund, the Expense Fund and the Residual Account of the Revenue Fund, as and to the extent provided in the Indenture. Revenues consist of (i) payments received by the Authority from the City under the Acquired Obligations, (ii) investment income earned with respect to any monies held by the Trustee in the funds and accounts established under the Indenture excepting the Rebate Fund, the Expense Fund and the Residual Account of the Revenue Fund, and (iii) any other investment income received under the Indenture.

The Bonds are special obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the City, the State, or any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds and the interest thereon from the Revenues and the other funds and assets pledged pursuant to the Indenture. Neither the faith and credit nor the taxing power of the City, the State of California or any of its political subdivisions, including the Authority, is pledged to payment of the principal of or the interest on the Bonds.

Flow of Funds. The Fiscal Agent for the Acquired Obligations is required under the terms of the Assessment Bond Indenture to make all payments thereon to the Trustee. Scheduled payments of principal and interest on the Acquired Obligations in each year are scheduled to be greater in amount than scheduled payments of principal and interest on the Bonds in such year except in the Bond Year ending September 2, 1999 in which it is expected that the interest payment on the Acquired Obligations due September 2, 1999, and Residual Assessments transferred by the City to the Authority will exceed principal and interest due on the Bonds on September 2, 1999. Therefore, Revenue derived from payments on the Acquired Obligations and Residual Assessments may exceed the corresponding payments on the Bonds (the "Excess Revenues"). Excess Revenues will be used to provide coverage for the payment of debt service on the Bonds and provide a source of payment of certain Administrative Costs of the Authority incurred in connection with the Bonds and of certain annual costs of administration of the Authority, the Acquired Obligations and the Reassessment District which are in excess of the proceeds of the annual assessments for administrative costs and surcharges for the costs of collection of the Reassessment installments and the costs of registration of the Acquired Obligations which the City is authorized to collect on the tax roll. Excess Revenues on hand in the Revenue Fund at the close of each Fiscal Year (June 30), after provision for all payments due on the Bonds on the following September 2 (the "Credit Revenues"), if any, will be deposited in the Residual Account of the Revenue Fund and transferred to Fiscal Agent for use in the next payments of the Acquired Obligations and such amounts will be credited as a reduction to the Reassessment installment levied against all parcels in the Reassessment District in the following Fiscal Year. Such Excess Revenues will be generated only to the extent that Reassessment installments are collected in amounts at least sufficient to pay the Bonds. Reassessment installment delinquencies (i) would reduce the funds available to repay the Acquired Obligations, (ii) may result in a draw on the Subordinate Reserve Fund, and (iii) could impair payment on the Bonds if such delinquencies exceeded Revenue coverage. See *"PROJECTED DEBT SERVICE COVERAGE"* above.

Revenue Fund. Revenues which are Extraordinary Redemption Proceeds and Optional Redemption Proceeds from the Acquired Obligations resulting from any Prepayments of the Reassessments or optional redemption of the Acquired Obligations will be deposited in the Redemption Account for early redemption of the Bonds. The Trustee will deposit all other Revenues into the Revenue Fund as received and make further deposits of such Revenues into the various accounts within the Revenue Fund on the following dates, in the following amounts and in the following order of priority:

(1) On March 2, July 2 and September 2 of each year, to the Senior Interest Account an amount which, together with amounts then on deposit therein, is equal to the amount of interest coming due and payable on the Senior Bonds at such Interest Payment Date or, in the case of any July 2 deposit, the next Interest Payment Date.

(2) On July 2 and September 2 of each year, to the Senior Principal Account an amount which, together with amounts then on deposit therein, is equal to the amount of principal coming due and payable, either by mandatory redemption or maturity, on the Senior Bonds at such Interest Payment Date or in the case of any July 2 deposit, the next Interest Payment Date.

(3) On March 2, July 2 and September 2 of each year, to the Insurer the amount, if any, necessary to reinstate the Surety for the Senior Reserve Fund following any draw thereon.

(4) On March 2, July 2 and September 2 of each year, to the Subordinate Interest Account an amount which, together with amounts then on deposit therein, is equal to the amount of interest coming due and payable on the Subordinate Bonds at such Interest Payment Date or, in the case of any July 2 deposit, the next Interest Payment Date.

(5) On July 2 and September 2 of each year, to the Subordinate Principal Account an amount which, together with amounts then on deposit therein, is equal to the amount of principal coming due and payable on the Subordinate Bonds at such Interest Payment Date or, in the case of any July 2 deposit, the next Interest Payment Date.

(6) On March 2, July 2, and September 2 of each year, to the Subordinate Reserve Account an amount which, together with other funds therein, is equal to the Subordinate Reserve Requirement.

(7) On the next Business Day following each July 2nd deposit made pursuant to (1) through (6) above, the Trustee shall deposit in the Expense Fund such amount as may be requested in a Written Request of an Authorized Representative of the Authority for the payment of Administrative Costs.

(8) On the next Business Day following each July 2nd deposit made pursuant to (1) through (7) above, the Trustee shall deposit in the Rebate Fund all amounts which the Authority directs to be deposited therein pursuant to the arbitrage rebate provisions of the Indenture.

(9) On the next Business Day following each July 2nd deposit made pursuant to (1) through (8) above, the Trustee shall deposit in Residual Account of the Revenue Fund the amount then on deposit in the Revenue Fund.

Residual Account. Monies deposited into the Residual Account are in excess of that required to correct any deficiency in the funds and accounts described above (the "Credit Revenues") and will be applied by the Trustee, for immediate transfer to the Fiscal Agent for deposit in the Reassessment Installment Credit Account of the Redemption Fund established under the Assessment Bond Indenture. All Credit Revenues thus transferred to the Fiscal Agent shall be released from the lien and pledge established by the Indenture. The Credit Revenues will be used, pursuant to the terms of the Assessment Bond Indenture, to make a portion of the next required payment of debt service on the Acquired Obligations. Such transfer to, and use by, the Fiscal Agent of the Credit Revenues will be credited as a reduction of the Reassessment installments levied in such Fiscal Year.

Senior Reserve Fund Surety Bond. The Indenture requires the establishment of a Senior Reserve Fund in an amount equal to $3,051,500. The Indenture authorizes the Issuer to obtain a Surety Bond in place of fully funding the Senior Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation ("Insurer") for the issuance of a Surety Bond for the purpose of funding the Senior Reserve Fund (see *"APPENDIX F - SUMMARY OF LEGAL DOCUMENTS - The Indenture"* herein.) The Senior Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one day after receipt by Insurer of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Senior Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Insurer, Insurer will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Senior Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

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

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

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent. **Amounts drawn on the Surety for the Senior Reserve Fund may not be used and are not available to pay the principal of, premium, if any, or interest on the Subordinate Bonds.**

Subordinate Reserve Fund. In order to secure further the timely payment of principal of and interest on the Subordinate Bonds, the Authority is required, upon delivery of the Subordinate Bonds, to deposit $763,000 in the Subordinate Reserve Fund. The Authority is required to maintain in the Subordinate Reserve Fund an amount of money equal to the Subordinate Reserve Requirement, which is defined as an amount equal to 10% of the initial principal amount of the Subordinate Bonds less any amounts transferred from the Subordinate Reserve Fund in connection with the prepayment or expiration of Reassessments. Amounts in the Subordinate Reserve Fund, will be used to pay debt service on the Subordinate Bonds to the extent other monies are not available therefor. Earnings on amounts in the Subordinate Reserve Fund will be deposited into the Revenue Fund on September 3 of each year, but only if and to the extent such earnings are not required to be retained in the Subordinate Reserve Fund to meet the Subordinate Reserve Requirement. **Amounts in the Subordinate Reserve Fund may not be used and are not available to pay the principal of, premium if any, or interest on the Senior Bonds, except to the extent that such amounts are in excess of the Subordinate Reserve Requirement and are therefore transferred on September 3 of each year to the Revenue Fund for allocation among the various Accounts of the Revenue Fund as described in "-- *Payment of the Bonds - Revenue Fund*" above.**

Residual Assessment Installments. Pursuant to the Assessment Bond Indenture and the Bond Purchase Agreement, the City has covenanted to complete the collection of certain assessment installments of the Original Assessment Districts consisting primarily of those installments that were levied for the 1998/99 tax year that will become delinquent if not paid by April 10, 1999 which have not yet been collected by the County Tax Assessor and remitted to the City (the "Original Assessment Districts' Residual Assessment Installments" or "Residual Assessments"). Such Residual Assessments shall be used by the City first to provide for payment of interest due on the Acquired Obligations due September 2, 1999 and second, any remaining amounts shall be transferred by the City to the Trustee. Upon receipt of such transfer and payment of the Acquired Obligations by the Trustee, such amounts shall constitute Revenues. See "-*Revenue Fund*" above. Assuming that 4% of the assessment installments that will become delinquent if not paid by April 10, 1999 remain delinquent on September 2, 1999, such Revenues will be 1.01 times the principal and interest due on the Bonds on September 2, 1999. See *"PROJECTED DEBT SERVICE COVERAGE -- Gross Debt Service Coverage"* above.

Repayment of the Acquired Obligations

General. The Acquired Obligations are payable solely from and secured by unpaid Reassessments together with interest thereon, on parcels located within the Reassessment District. See *"PLAN OF REFUNDING"* and *"THE REASSESSMENT DISTRICT."* Installments of Reassessments will be billed by the County on the general property tax bill to the owners and parcels within the Reassessment District. The County, upon collection, will remit the portion of the tax payment attributable to the Reassessment installments to the City. Upon receipt by the City, Reassessment installments are to be transferred to the Fiscal Agent and deposited into the Redemption Fund established under the Assessment Bond Indenture to pay principal and interest payments on the Acquired Obligations as they become due.

Pursuant to the provisions of California Streets and Highways Code Section 8769, the City has determined not to obligate itself to advance funds from any funds, accounts or revenues of the City to cure any deficiency which may occur in the funds and accounts held under the Assessment Bond Indenture for payment of the Acquired Obligations. If a delinquency occurs in the payment of any Reassessment installment, the City, at the end of the fiscal year of delinquency, has no duty to transfer to the Fiscal Agent under the Assessment Bond Indenture the amount of the delinquency out of available funds of the City. While ad valorem property tax levies may be advanced to the City by the County in amounts in excess of actual collections under a tax collection mechanism known as the Teeter Plan, Reassessment installments collected on the tax roll are not covered by the Teeter Plan. NO OTHER FUNDS OF THE CITY ARE PLEDGED FOR PAYMENT OF DELINQUENT REASSESSMENT INSTALLMENTS. THE ACQUIRED OBLIGATIONS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS. NEITHER THE FAITH IN CREDIT, NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE ACQUIRED OBLIGATIONS.

Redemption Fund. The Fiscal Agent is directed under the Assessment Bond Indenture to establish and maintain a Redemption Fund into which will be placed all sums received for the collection of the Reassessments and the interest thereon and the Credit Revenues transferred to the Fiscal Agent from the Trustee. See "*Flow of Funds*" above.

The City shall transfer or cause to be transferred all sums received for the collection of the Reassessments and of interest and certain penalties thereon, all sums received in payment of the original assessments of the Original Assessment Districts not refunded by the Reassessments, and all sums received for the prepayment of Reassessments to the Fiscal Agent within thirty (30) business days of the receipt thereof by the City.

Principal of and interest on the Acquired Obligations shall be paid by the Fiscal Agent to the Trustee as the registered owner of the Acquired Obligations, on behalf of the Authority, out of the Redemption Fund to the extent funds on deposit in said Redemption Fund are available therefor.

Prepayment Account. The Fiscal Agent is directed under the Assessment Bond Indenture to establish a prepayment subaccount within the Redemption Fund to be known as the Prepayment Account. The Fiscal Agent shall deposit in the Prepayment Account all monies received from the Treasurer of the City representing the principal of and redemption premium on any prepaid Reassessments. Such amounts shall be identified in writing to the Fiscal Agent. Such monies shall be applied solely to the payment of principal of and premium on Acquired Obligations to be redeemed prior to maturity pursuant to the provisions of the Assessment Bond Indenture.

Levy and Collection of Reassessments

Pursuant to the Refunding Act, installments of Reassessments will be billed by the County on the general property tax bill to the owner of parcels within the Reassessment District against which there are unpaid Reassessments. Installments of Reassessments billed against the parcels of property in the Reassessment District will be equal to the total principal and interest coming due on all of the Acquired Obligations that year, plus an administrative charge. The installments billed against each property each year represent a pro rata share of the amount needed to pay the total principal and interest on the Acquired Obligations coming due that year, based on the percentage which the unpaid Reassessment levied against that property bears to the total of unpaid Reassessments levied to repay the Acquired Obligations. Reassessments will be collected and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the parcels upon which the Reassessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

Each Reassessment and each installment thereof and any interest and penalties thereon constitutes a lien against the parcel of land on which it is levied until paid. Only the Reassessments and installments thereof are pledged to secure the Acquired Obligations. Pursuant to its Ordinance No. O-17882, the City has established its Assessment District Delinquency Fund into which all penalties and interest on delinquent Reassessment installments will be deposited to be used by the City for costs incurred in fulfilling its obligations under assessment bond indentures. Amounts deposited in the Assessment District Delinquency Fund are not pledged to payment of the Acquired Obligations.

The lien of the Reassessments is co-equal to and independent of the lien for general ad valorem property taxes and other taxes, special taxes and charges collected on the property tax roll. The lien is subordinate to all fixed special assessment liens imposed prior to the date of recordation of the assessment lien for the Prior Bonds upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be levied against the property. Upon the refunding of the Prior Bonds, there will be no prior fixed special assessment liens on parcels within the Reassessment District.

Although the Reassessments constitute a fixed lien on the respective assessed parcels, they do not constitute personal indebtedness of the affected property owners. Further, there are no restrictions on the ability of property owners to sell parcels subject to Reassessments. No assurance can be given as to the ability or the willingness of any assessee to pay the annual installments of the Reassessments when due. The failure of an assessee to pay an annual installment of a Reassessment will not result in an increase in Reassessments against other parcels in the Reassessment District. See *"RISK FACTORS -- Owners Not Obligated to Pay Acquired Obligations or Reassessments"* herein.

There is no reserve fund established under the Reassessment Bond Indenture from which payments on the Acquired Obligations can be made in the event of a delinquency in the payment of any installment of a Reassessment. The City has covenanted in certain circumstances to undertake and diligently prosecute foreclosure proceedings following a delinquency in the payment of Reassessments. See *"Covenant to Foreclose"* below. The City is not required to bid at the foreclosure sale.

In the proceedings for the authorization and issuance of the Acquired Obligations, the City has determined not to obligate itself to advance any available funds from the City treasury to cover any deficiency or delinquency that may occur in the Redemption Fund by reason of the failure of a property owner to pay an annual installment of a Reassessment. This determination does not prevent the City, in its sole discretion, from so advancing such funds.

Method of Reassessment Spread

The Refunding Act provides for the issuance of refunding bonds, payable from certain reassessments. Such refunding bonds may be issued to refund bonds originally issued under the 1915 Act, and the reassessments supersede the original assessments which secure such 1915 Act bonds. The Refunding Act generally requires each estimated annual installment of principal and interest on any reassessment to be less than the original assessment being superseded by the same percentage for all subdivisions of land within the reassessment district. Therefore, the reassessment spread for each parcel will be roughly proportional to the original assessment spread. The City has retained the Reassessment Engineer to calculate the Reassessments in accordance with the Refunding Act.

Pursuant to the Refunding Act, the Reassessment Engineer certifies in the Reassessment Report that:

1. each estimated annual installment of principal and interest on the Reassessments is less than the corresponding annual installment of principal and interest on the original assessments being superseded and supplanted by the same percentage for all subdivisions of land within the Reassessment District;

2. the number of years to maturity of the Acquired Obligations is not more than the number of years to the last maturity of the Prior Bonds being refunded; and

3. the principal amounts of the Reassessments on each subdivision of land within the Reassessment District is less than the unpaid principal amount of the portion of the original assessments being superseded and supplanted by the same percentage for each subdivision of land within the Reassessment District.

A copy of the Engineer's Report on the Reassessment apportionment for the Reassessment District prepared by the Reassessment Engineer is available for inspection at the City of San Diego, Office of the City Clerk.

Original Assessment Spreads

The 1915 Act requires that assessments, as levied pursuant to the provisions of the 1913 Act, must be based on the benefit that the subject properties receive from the works of improvement. The 1915 Act does not specify the method or formula that should be used in any particular special assessment district proceeding. That responsibility rests with the reassessment engineer, who is retained by the City for the purpose of making an analysis of the facts and determining the correct apportionment of the assessment obligation. For the proceedings relating to the issuance of the Prior Bonds, the City retained assessment engineers for each of the Original Assessment Districts. The 1915 Act provides that the Reassessment Engineer recommends the cost and method of apportionment of the assessments at the public hearing on the assessment district, and final authority and action with respect to the levy of the assessments rests with the City Council after hearing all testimony and evidence presented at the public hearing. Upon the conclusion of the public hearing, the City Council must take final action in determining whether or not the assessment apportionment has been made in direct proportion to the benefits received by the properties assessed.

In each of the Original Assessment Districts the reassessment engineer, after first confirming that the proposed improvement project did in fact provide benefit to the parcels of land located within the respective assessment district, assessed the total cost of the improvement project against the assessable parcels of land in that assessment district.

Covenant to Foreclose

The Acquired Obligations issued under the Refunding Act are subject to the provisions of the 1915 Act with respect to foreclosure remedies. The 1915 Act provides that upon default in the payment of any installment of an assessment, the parcel securing such assessment shall be sold (and shall be subject to the right of redemption by the owner) in the same manner in which real property is sold for the nonpayment of general *ad valorem* property taxes.

The 1915 Act also provides that, as a cumulative remedy, in the event any installment of an assessment is not paid when due, the City may order the collection of the installment by the institution of a court action to foreclose the lien of such assessment. In such an action, the real property subject to the unpaid assessment may be sold at a judicial foreclosure sale. This foreclosure sale procedure is not mandatory. In the Assessment Bond Indenture, the City has covenanted that it will determine or cause to be determined, no later than August 15 of each year in which the Acquired Obligations are outstanding, whether or not any owners of the real property within the Reassessment District are delinquent in the payment of Reassessment installments. If such delinquencies exist, the City shall order and cause to be commenced an action in the Superior Court to foreclose the lien of any Reassessment or installment thereof not paid when due, no later than the next following November 1 against any parcel that is subject to delinquencies of more than $7,500 or any group of parcels under common ownership with aggregate delinquencies of more than $7,500, except that during any period in which the amount on deposit in the Subordinate Reserve Fund is less than the Subordinate Reserve Requirement then the City shall commence foreclosure proceedings against any parcel that is subject to delinquencies of more than $2,500 or any group of parcels under common ownership with aggregate delinquencies of more than $2,500. The City further covenants in the Assessment Bond Indenture to diligently prosecute any such foreclosure action.

In the event such judicial foreclosure or foreclosures are necessary, there may be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is also possible that no acceptable bid for the purchase of the applicable parcel would be received at the foreclosure sale.

Judicial Foreclosure Sale Proceedings

The 1915 Act provides that the court in a foreclosure proceeding has the power to order a parcel securing delinquent Reassessments to be sold for an amount not less than all delinquent annual installments of the Reassessments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1915 Act (the "Minimum Price"). The court may also include subsequent delinquent Reassessments and all other delinquent amounts.

If the parcel is sold to a purchaser other than the City, the City shall pay the proceeds from the sale of the parcel after payment of any expenses related to the foreclosure into the Redemption Fund. The City has no obligation to advance any monies (other than the foreclosure sale proceeds) to the Redemption Fund. However, if the City for any reason voluntarily chooses to advance funds, then the City shall be reimbursed, from the proceeds of a sale, first for amounts advanced by it to the Redemption Fund to cover delinquent installments of the Reassessments and interest with respect to the parcel or parcels sold in such proceedings. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to reimburse other funds, if any, used to cover delinquent installments of the Reassessments and interest or to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sale proceeds.

If the parcel or parcels to be sold fails to sell for the Minimum Price, the City may petition the court to modify the judgment so that the parcel or parcels may be sold at a lesser price or without a Minimum Price. In certain circumstances, as provided in the 1915 Act, the court may modify the judgment after a hearing if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to the owners of the Acquired Obligations or that the owners of at least seventy-five percent (75%) of the principal amount of the Acquired Obligations outstanding have consented to the petition and the sale will not result in an ultimate loss to nonconsenting bondholders. The court may also make such modification of the judgment upon consent of the owners of at least seventy-five percent (75%) of the principal amount of the Acquired Obligations without determining that the sale will not result in an ultimate loss to the nonconsenting bondholders if: (i) the City is not obligated to advance available funds to cure a deficiency; (ii) no bids equal to or greater than the Minimum Price have been received at the foreclosure sale; (iii) no funds remain in the special reserve fund; (iv) the City has reasonably determined that a reassessment and refunding proceeding is not practicable or has in good faith endeavored to accomplish a reassessment and refunding and has not been successful, or has completed reassessment and refunding arrangements which will, to the maximum extent feasible, minimize the ultimate loss to the bondholders; and (v) no other remedy acceptable to the owners or holders of seventy-five percent (75%) or more of the principal amount of the outstanding Acquired Obligations, is reasonably available. As assignee of the Authority, the Trustee for the Bonds will hold one hundred percent (100%) of the Acquired Obligations. Neither the parcel owner nor any holder of a security interest in the parcel, nor any defendant in the foreclosure action, nor any agent thereof, may purchase the parcel at the foreclosure sale for less than the Minimum Price. The assessment lien upon property sold at a lesser price than the Minimum Price is to be reduced by the difference between the Minimum Price and the sale price.

No assurance can be given that in the event of a foreclosure proceeding a parcel could be sold for the full amount of the delinquency or that any bid would be received for such parcel. See *"RISK FACTORS -- Land Values"* herein. The ability of the City to foreclose the lien of a delinquent installment of a Reassessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by California law relating to judicial foreclosure. See *"RISK FACTORS -- Bankruptcy and Limitations on Enforcement of Remedies."*

Sales of Tax-Defaulted Property Generally

A parcel securing delinquent installments of a Reassessment that is not sold pursuant to the judicial foreclosure proceeding as described above may be sold, subject to redemption by the parcel owner, in the same manner and to the same extent as real property sold for nonpayment of general City property taxes. On or before June 30 of the tax year in which such delinquency occurs, the parcel becomes tax-defaulted. This initiates a five-year period during which the parcel owner may redeem the parcel. At the end of the five-year period the parcel becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the 1915 Act, the purchaser at any such sale takes such parcel subject to all delinquent installments of the Reassessment, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all prior assessments which may have priority.

Bond Insurance

The payment of principal of and interest on the Senior Bonds when due will be insured by a municipal bond insurance policy and will be further secured by the Senior Reserve Fund surety bond policy ("Surety"), each to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the delivery of the Senior Bonds. See the information under the caption *"BOND INSURANCE," "APPENDIX G - Form of Municipal Bond Insurance Policy"* and *"APPENDIX H - Form of Senior Reserve Fund Surety Bond"* herein. **The Subordinate Bonds are not insured and have no claim on the municipal bond insurance policy or the Senior Reserve Fund Surety.**

BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

Set forth below is a brief summary of certain information concerning Ambac Assurance Corporation (the "Insurer") and the terms of the Insurer's municipal bond insurance policy (the "Municipal Bond Insurance Policy") with respect to the Senior Bonds. Information with respect to the Insurer has been supplied to the Authority by the Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Municipal Bond Insurance Policy and the Senior Reserve Fund Policy. See *"APPENDIX G - Form of Municipal Bond Insurance Policy"* hereto.

The Insurer has made a commitment to issue a Municipal Bond Insurance Policy relating to the Senior Bonds effective as of the date of issuance of the Senior Bonds. Under the terms of the Municipal Bond Insurance Policy, the Insurer will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Senior Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes due for payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Senior Bonds and, once issued, cannot be canceled by the Insurer.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Senior Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all Outstanding Senior Bonds, the Insurer will remain obligated to pay principal and interest on Outstanding Senior Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Senior Bond which has become Due for Payment and which is made to a Bondholder by the Trustee on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined therein. Specifically, the Municipal Bond Insurance Policy does **not** cover:

(1) Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

(2) Payment of any redemption, prepayment or acceleration premium.

(3) Nonpayment of principal or interest caused by the insolvency or negligence of the Trustee or paying agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Senior Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Senior Bonds to be registered in the name of the Insurer to the extent of payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Senior Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Senior Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

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

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $3,200,000,000 (unaudited) and statutory capital of approximately $1,815,000,000 (unaudited) as of September 30, 1998. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

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

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the headings *"BOND INSURANCE"* and *"SOURCES OF PAYMENT FOR THE BONDS - Repayment of the Bonds - Senior Reserve Fund Surety Bond"* herein.

Available Information

The parent company of Ambac Assurance Corporation, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

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

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

(2) The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;

(3) The Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

(4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998;

(5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and

(6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

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

Disclaimer

The information relating to the Insurer and the Municipal Bond Insurance Policy contained above has been furnished by the Insurer. No representation is made by the Authority, the City or the Underwriters as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the Insurer subsequent to the date of this Official Statement. **NO ASSURANCE CAN BE GIVEN THAT THE INSURER WILL BE ABLE TO MEET ITS OBLIGATIONS UNDER THE MUNICIPAL BOND INSURANCE POLICY.**

THE AUTHORITY

The Authority is a joint exercise of powers authority organized and existing by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act"). The City and the Redevelopment Agency for the City of San Diego formed the Authority by the execution of a joint exercise of powers agreement dated as of May 14, 1991, as amended (the "Joint Powers Agreement"). Pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584) (the "Bond Law"), the Authority is authorized to issue its revenue bonds to provide funds to acquire local obligations acquired by the Authority. The Authority is purchasing the Acquired Obligations pursuant to the powers granted to the Authority pursuant to the Bond Law. Pursuant to the terms of the Joint Powers Agreement, the Authority is governed by a five member Commission composed of the City Manager, the City Auditor and Comptroller (both of whom are appointed officials) and three members of the public appointed by the Mayor and confirmed by the City Council and the Agency.

THE CITY

The City of San Diego (the "City") is situated in the southwest portion of San Diego County, California. The City encompasses a land area of approximately 330 square miles and has an estimated population of 1.2 million. The City is the sixth largest city in the nation and the second largest city in California. Over the past 10 years, the City has experienced rapid growth and an expanding diversified economy. Recent growth has concentrated on 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 and video equipment, and printing and publishing), public and private higher education, health services, military and local government. Additional information regarding the City is set forth in *"APPENDIX C -- Supplemental Information Concerning the City of San Diego"* hereto.

THE REASSESSMENT DISTRICT

General

The Reassessment District is located in the City of San Diego and includes, 2,940 assessment parcels of real property grouped in seven noncontiguous areas as shown in the Reassessment Diagram. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* hereto. The Reassessment District is composed of parcels formally included in The seven separate Original Assessment Districts which totaled approximately 2,545 acres before the prepayment and termination of assessments on 208 parcels. See "-- *Prepayments History"* below. The Original Assessment Districts, the Reassessments in each of those areas, the expiration of those Reassessments on the "Reassessment Maturity", shown below and certain value to lien information is provided in the following table.

Table 1
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Original Assessment Districts

Original Assessment Districts	Reassessment Maturity	Total Assessed Value[1]	Reassessment Lien	Assessed Value -to-Lien Ratio
1. AD 4007 ("FSDRIP")	9/2/07	170,441,859	3,396,533	50.18
2. AD 4029 ("Sorrento")	9/2/09	93,739,739	805,463	116.38
3. AD 4010 ("Otay I")	9/2/13	143,418,442	4,565,157	31.42
4. AD 4019 ("Otay II")	9/2/14	116,831,603	8,441,227	13.84
5. AD 4013 ("Calle Cristobal")	9/2/14	374,154,265	10,781,670	34.70
6. AD 4025 ("Mission Valley")	9/2/15	64,542,670	6,174,201	10.45
7. AD 4070 ("Black Mountain")	9/2/17	76,031,285	3,980,749	19.10
Reassessment District No. 1999-1 Total		$922,328,260	$38,145,000	24.18

Source: Reassessment Engineer
[1] As shown in the County Tax Assessor's 1998/99 property tax roll. Total assessed value of the Reassessment District is shown net of duplicate assessed value of AD 4019 that overlaps and is included within AD 4010.

All of the public improvements financed by proceeds of the Prior Bonds issued with respect to the Original Assessment Districts have been completed. Those public improvements generally consist of a portion of the infrastructure items required to facilitate development of the properties now included within the Reassessment District. There are no monies remaining in the Improvement Funds of the Original Assessment Districts. See *"THE REASSESSMENT DISTRICT -- Original Assessment Districts"* below for descriptions of each of the Original Assessment Districts, the public improvements completed therein, their current development status and the Appraisals of certain parcels within each Original Assessment District.

Land Uses and Development Status

The City has retained the Reassessment Engineer, to compile data regarding the parcels within the Reassessment District that are subject to the lien of Reassessments and presented in the following tables.

Parcels shown in the following tables as "Developed Property" include (i) parcels that have an assessed value for improvements shown in the County Tax Assessor's 1998/99 tax roll records which reflect development activities through January 1, 1998, and (ii) parcels for which no assessed value of improvements is shown on the 1998/99 tax roll but for which the City has verified that a building permit was issued since January 1, 1998, and the Reassessment Engineer has confirmed that the County Tax Assessor's records available through November 30, 1998, indicate that assessed values for improvements will be included on the next tax roll.

Parcels shown in the following tables as "Under Construction" include parcels for which a building permit was issued since January 1, 1998, but the Reassessment Engineer was not able to confirm that the County Tax Assessor's records available through November 30, 1998, indicate that assessed values for improvements will be included on the next tax roll.

Parcels identified as "Undeveloped Property" are those for which no assessed value of improvements is included on the 1998/99 tax roll and for which no building permit has been issued through November 30, 1998.

As summarized in the following table, substantial portions of the Reassessment District has been developed with residential, commercial and manufacturing projects that are responsible for $19,568,364.68 or 51.30% of the total Reassessment lien. Property that is Under Construction is responsible for $4,030,209.29 or 10.56% of the total Reassessment lien. Undeveloped property within the Reassessment District is responsible for $14,546,426.03 or 38.14% of the total Reassessment lien and is zoned for residential, manufacturing, commercial and agricultural uses.

Table 2
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages Parcels	Percentages Liens	Assessed Value-to-Lien
Developed Property						
Residential	2,471	461,253,337	8,683,736.48	84.06%	22.76%	53.12
Commercial	41	176,440,511	4,459,474.77	1.40%	11.69%	39.57
Manufacturing	108	211,395,233	6,425,153.43	3.67%	16.85%	32.90
Subtotal:	2,620	849,089,081	19,568,364.68	89.13%	51.30%	43.39
Under Construction						
Residential	98	17,120,232	1,478,149.39	3.33%	3.88%	11.58
Commercial	13	6,351,598	2,341,336.71	0.44%	6.13%	2.71
Manufacturing	7	1,517,520	210,723.19	0.24%	0.55%	7.20
Subtotal:	118	24,989,350	4,030,209.29	4.01%	10.56%	6.20
Undeveloped Property						
Residential	100	6,791,365	3,296,156.10	3.40%	8.64%	2.06
Commercial	44	18,715,417	5,094,400.47	1.49%	13.36%	3.67
Manufacturing	49	20,945,584	4,040,151.70	1.67%	10.59%	5.18
Other	9	1,797,463	2,115,717.76	0.30%	5.55%	0.85
Subtotal:	202	48,249,829	14,546,426.03	6.86%	38.14%	3.32
Grand Totals:	**2,940**	**$922,328,260**	**$38,145,000.00**	**100%**	**100%**	**24.18**

Source: City of San Diego; Reassessment Engineer.

Further detail regarding the development status and land use types within the Reassessment District is provided by the following table.

Table 3
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Detail

Development Status and Land Use Type	Number of Parcels	Number of Units or Acres	1998/99 Assessed Values Land	1998/99 Assessed Values Improvement	1998/99 Assessed Values Total	Reassessment Lien	Percentages Parcels	Percentages Lien	Assessed Value-to-Lien
Developed Property, Residential									
Residences owned by individual home owners on 1998/99 roll	2,277	2,277	161,566,525	286,168,642	447,735,167	7,986,323.77	77.54%	20.92%	56.06
Residences owned by developers on 1998/99 roll	11	11	664,484	1,758,134	2,422,618	54,171.62	0.37%	0.14%	44.72
Residences owned by individual home owners subsequent to 1998/99 roll	95	95	3,966,807	4,703,415	8,670,222	263,913.60	3.23%	0.69%	32.85
Residences owned by individual home owners subsequent to 1998/99 roll (w/o imp. value)	81	81	2,082,521	0	2,082,521	347,782.34	2.76%	0.92%	5.99
Residences owned by developers on 1998/99 roll (w/o imp. value)	7	7	342,809	0	342,809	31,545.15	0.24%	0.08%	10.87
Total Residential Developed Property	2,471	2,471	168,623,146	292,630,191	461,253,337	8,683,736.48	84.14%	22.75%	53.12
Under Construction, Residential (building permits issued)									
Residential – R1 (single family detached)	96		5,510,232	0	5,510,232	1,178,358.31	3.26%	3.09%	4.68
Residential – R4 (multifamily)	2	15.74	11,610,000	0	11,610,000	299,791.08	0.07%	0.79%	38.73
Total Residential Under Construction	98	15.74	17,120,232	0	17,120,232	1,478,149.39	3.33%	3.88%	11.58
Undeveloped Residential (no building permit)									
Vacant residential – R1 (subdivided lots)	83		3,229,770	0	3,229,770	668,393.91	2.82%	1.75%	4.83
Vacant residential – R1	13	64.08	2,928,907	0	2,928,907	2,489,312.96	0.44%	6.53%	1.18
Vacant residential – R4 (multifamily)	3	6.31	568,293	0	568,293	120,183.08	0.10%	0.32%	4.73
Multi residential, 5 to 30 units/acre	1	0.83	64,395	0	64,395	18,266.15	0.03%	0.05%	3.53
Total Residential Undeveloped Property	100	71.22	6,791,365	0	6,791,365	3,296,156.10	3.39%	8.65%	2.06
Total of All Residential	**2,669**		**$192,534,743**	**$292,630,191**	**$485,164,934**	**$13,458,041.97**	**90.86%**	**35.28%**	**36.05**

Development Status and Land Use Type	Number of Parcels	Number of Units or Acres	1998/99 Assessed Values Land	Improvement	Total	Reassessment Lien	Percentages Parcels	Lien	Assessed Value-to-Lien
Developed Property, Commercial									
1 to 3 story misc. store bldg	16	35.82	18,911,468	38,368,680	57,280,148	1,342,263.19	0.54%	3.52%	42.67
Misc comm, radio sta, bank	4	2.58	1,913,491	2,197,087	4,110,578	127,282.00	0.13%	0.33%	32.30
Restaurant	6	8.29	4,730,058	4,611,075	9,341,133	498,404.02	0.20%	1.31%	18.74
Hotel/Motel	2	7.09	7,180,750	27,085,869	34,266,619	328,607.39	0.06%	0.86%	104.28
Grocery or Drug – Large Chain	1	4.13	2,700,000	2,874,887	5,574,887	402,722.30	0.03%	1.06%	13.84
Neighborhood Shopping center	2	3.79	1,251,572	2,268,010	3,519,582	193,215.63	0.07%	0.51%	18.22
Community Shopping Center	6	28.18	18,455,715	26,101,361	44,557,076	898,707.67	0.20%	2.36%	49.58
Regional Shopping Center	1	20.25	13,494,600	594,218	14,088,818	519,110.99	0.03%	1.36%	27.14
Medical, dental, animal hospital	1	1.02	343,332	1,203,925	1,547,257	63,347.97	0.03%	0.17%	24.42
Service station	2	2.31	1,425,372	729,041	2,154,413	85,813.61	0.07%	0.22%	25.11
Total Developed Commercial	41	113.46	70,406,358	106,034,153	176,440,511	4,459,474.77	1.36%	11.70%	39.57
Under Construction, Commercial (all subdivided lots)	13	63.51	6,351,598	0	6,351,598	2,341,336.71	0.44%	6.13%	2.71
Undeveloped Commercial									
Restaurant	1	0.62	413,100	0	413,100	13,789.89	0.03%	0.04%	29.96
Vacant commercial, includes subdivided lots	42	92.57	18,281,029	0	18,281,029	5,005,601.70	1.42%	13.12%	3.65
Misc residential	1	1.57	21,288	0	21,288	75,008.88	0.03%	0.20%	0.28
Total Undeveloped Commercial	44	94.76	18,715,417	0	18,715,417	5,094,400.47	1.48%	13.36%	3.67
Total of All Commercial	**98**	**271.73**	**$95,473,373**	**$106,034,153**	**$201,507,526**	**$11,895,211.95**	**3.28%**	**31.19%**	**16.94**
Developed Property, Manufacturing									
1 to 3 story misc store bldg	6	14.85	3,666,150	7,307,912	10,974,062	68,857.48	0.20%	0.18%	159.37
4 story and up, office and storage	1	1.86	3,541,650	21,158,350	24,700,000	56,308.82	0.03%	0.15%	438.65
Factory- light manufacturing	37	116.73	22,190,193	45,895,695	68,085,888	1,467,734.56	1.25%	3.85%	46.39
Warehousing- process or storage	53	128.05	29,084,402	72,531,441	101,615,843	4,623,203.91	1.80%	12.12%	21.98
Industrial Condos	7	0.54	353,033	456,674	809,707	19,239.88	0.24%	0.05%	42.08
Bulk storage- tanks, etc	1	2.00	793,310	1,159,585	1,952,895	73,994.68	0.03%	0.19%	26.39
Service station	1	0.79	827,354	341,102	1,168,456	37,743.32	0.03%	0.10%	30.96
Spec/misc industrial	2	2.10	1,174,569	913,813	2,088,382	78,070.78	0.07%	0.20%	26.75
Total Developed Manufacturing	108	266.92	61,630,661	149,764,572	211,395,233	6,425,153.43	3.65%	16.84%	32.90
Under Construction, Manufacturing									
Vacant industrial, all subdivided lots	7	5.79	1,517,520	0	1,517,520	210,723.19	0.24%	0.55%	7.20

Development Status and Land Use Type	Number of Parcels	Number of Units or Acres	1998/99 Assessed Values Land	Improvement	Total	Reassessment Lien	Percentages Parcels	Lien	Assessed Value-to-Lien
Undeveloped, Manufacturing									
Special/misc. industrial, all subdivided lots	2	12.95	3,296,805	0	3,296,805	483,810.32	0.07%	1.27%	6.81
Vacant industrial, all subdivided lots	47	98.95	17,289,299	359,480	17,648,779	3,556,341.38	1.60%	9.32%	4.96
Total Undeveloped Manufacturing	49	111.90	20,586,104	359,480	20,945,584	4,040,151.70	1.67%	10.59%	5.18
Total of All Manufacturing	**164**	**384.61**	**$83,734,285**	**$150,124,052**	**$233,858,337**	**$10,676,028.32**	**5.56**	**27.98**	**21.90**
Other									
Agricultural	8	173.26	1,797,463	0	1,797,463	2,102,112.12	0.27%	5.51%	0.86
City use	1	4.43	0	0	0	13,605.64	0.03%	0.04%	0.00
Total Other	**9**	**177.69**	**1,797,463**	**0**	**1,797,463**	**2,115,717.76**	**0.30%**	**5.55%**	**0.85**
Grand Totals	**2,940**		**$373,539,864**	**$548,788,396**	**$922,328,260**	**$38,145,000.00**	**100.00%**	**100.00%**	**24.18**

Source: City of San Diego; Reassessment Engineer

(1) Assessed values only reflect improvements completed through January 1, 1998. Development data include building permits issued through November 30, 1998, and transfer of ownership data from the County Assessor through November 30, 1998.

As indicated in the above table, according to the County Assessor's 1998/99 property tax roll, 2,532 parcels in the Reassessment District had assessed values for improvements which reflects the development status of those parcels as of January 1, 1998, the basis date for the 1998/99 tax roll records. Since that time, parcels within the Reassessment District have continued to develop. According to information obtained by the City's Reassessment Engineer, 81 additional residential parcels have been improved and sold to final users, 7 residential parcels have been completed and are either in escrow with final home purchasers or remain as builder inventory and available for sale, and 98 residential parcels, 13 commercial parcels, and 7 manufacturing parcels have started construction, of which development status ranges from parcels with slabs to substantially built units. One hundred (100) residential parcels, 44 commercial parcels, 49 manufacturing parcels, 8 agricultural parcels and 1 City owned parcel remain as undeveloped lots.

Assessed Value-to-Lien Ratios

The San Diego County Assessor (the "Assessor") assesses taxable value ("assessed value") of all real property within the County as of January 1 of each year at 100% of its "full cash value." The assessed value of a parcel represents the full cash value of such parcel as determined by the Assessor as of the parcel's most recent assessment, plus an inflation factor of not more than 2% per year since the date of such assessment. A new assessment of an assessed parcel to its then current fair market value will occur only upon a change of ownership, commencement of new construction with respect to such parcel or a successful appeal of the assessed value by the parcel owner. Assessed values shown on the Assessor's 1998/99 tax roll reflect activities through the January 1, 1998 "lien date" for that tax roll. The 1998/99 tax roll does not reflect activities since January 1, 1998 (such as changes of ownership or new construction) that could result in reductions or increases to assessments of "full cash value" for the 1999/2000 tax roll that will be based on data available to the Assessor as of the January 1, 1999. Accordingly, the 1998/99 tax roll assessed values may not necessarily be representative of the actual market value of the property in the Reassessment District. While, in general, market value has tended historically to often be in excess of assessed value, as a result of the early 1990s downturn in the California real estate market, no assurance can be given that the market values of the properties within the Reassessment District exceed or equal the assessed values of such properties. Additionally, there is no assurance that, in the event of a foreclosure sale for a delinquent Reassessment installment, any bid would be received for such property or that any bid received would be sufficient to pay such delinquent Reassessment installment. See *"SPECIAL RISK FACTORS -- Land Values"* herein.

The following table illustrates the breakdown of the assessed value-to-lien ratios on all parcels within the District based on the 1998/99 tax roll which was compiled by the Assessor using available data through January 1, 1998.

Table 4
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Assessed Value-to-Lien Ratio Ranges

Assessed Value-to-Lien Range	Number of Parcels	1998/99 Assessed Values Land	Improvement	Total	Aggregate Reassessment Lien	Assessed Value-to-Lien Ratio	% of Lien
100:1 and above	102	40,965,487	108,039,336	149,004,823	695,759.47	214.16	1.84%
50:1 to 99.99:1	1,503	130,262,419	239,090,992	369,353,411	5,864,135.99	62.99	15.37%
30:1 to 49.99:1	784	81,555,768	114,522,458	196,078,226	4,933,372.01	39.75	12.93%
20:1 to 29.99:1	87	35,000,978	46,667,101	81,668,079	3,186,811.92	25.63	8.35%
10:1 to 19.99:1	69	20,119,717	36,037,820	56,157,537	3,642,750.34	15.42	9.55%
5:1 to 9.99:1	200	28,875,721	3,990,689	32,866,410	4,792,618.69	6.86	12.56%
3:1 to 4.99:1	150	24,881,876	440,000	25,321,876	6,034,301.16	4.20	15.82%
2:1 to 2.99:1	14	3,418,840	0	3,418,840	1,462,445.57	2.34	3.83%
1:1 to 1.99:1	20	6,929,366	0	6,929,366	4,557,914.00	1.52	11.95%
Less than 1:1	11	1,529,692	0	1,529,692	2,974,890.85	0.51	7.80%
Total	2,940	373,539,864	548,788,396	922,328,260	$ 38,145,000.00	24.18	100.00%

Source: City of San Diego; Reassessment Engineer

The above table shows that 45 parcels in the Reassessment District have assessed value-to-lien ratios of less than 3-to-1 based on the County Assessor's 1998/99 property tax roll that reflects development activities through January 1, 1998. Those 45 parcels are further discussed in the following section. **The City has not sought the opinion of any appraiser as to the current market values of any of the parcels within the Reassessment District except those discussed in the following section.**

Appraised Value-to-Lien Ratios

In connection with the issuance of the Bonds, the City authorized Lipman Stevens, Marshall & Thene ("Lipman") and Jones Roach & Caringella, Inc. ("Jones" and collectively with Lipman, the "Appraisers"), to prepare written appraisal reports (the "Appraisals") appraising the market value of 51 parcels of property within the Reassessment District. Since authorizing the Appraisals, assessments on three (3) of the 51 parcels have been prepaid in full (see *"--Original Assessment Districts –AD4070"* below) and upon final calculation of the Reassessments, three (3) of the 51 parcels had an assessed value-to-lien ratio greater than 3-to-1 (see *"-- Original Assessment Districts –AD4007"* below). The remaining 45 parcels are the only parcels remaining in the Reassessment District which, based on assessed values shown on the 1998/99 tax roll, have an assessed value-to-lien ratio of less than 3-to-1 (the "Appraised Parcels"). Portions of the Appraisals are set forth in *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* hereto. According to the Appraisals the retail fair market value, or bulk sale value, as applicable, of the Appraised Parcels as of September 30, 1998, subject to the limiting conditions as set forth in the Appraisals, is as summarized in the following table. Of the 45 Appraised Parcels, 4 parcels which in aggregate are responsible for 2.57% of Reassessments, have appraised value-to-lien ratios of less than 3-to-1. See *"APPENDIX B -- General Information Pertaining to Appraised Properties."*

Table 5
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Appraised Value-to-Lien Ratios by Original Assessment District

Original Assessment District	No. of Parcels	Reassessment Lien	% of Lien	Reassessment Maturity	1998/99 Assessed Valuations Land	Imp.	Total	Assessed Value -to-Lien	9/30/98 Appraised Value	Appraised Value-to-Lien
4029	2	84,705.58	0.23%	9/2/09	125,247	0	125,247	1.48	1,958,500	23.12
4010-4019	12	1,961,450.66	5.14%	9/2/13-9/2/14	3,984,095	0	3,984,095	2.03	7,963,836	4.06
4013	8	2,102,112.12	5.51%	9/2/14	1,797,463	0	1,797,463	0.86	5,550,000	2.64
4025	9	2,288,057.29	5.97%	9/2/15	2,983,214	0	2,983,214	1.30	15,563,500	6.80
4070	14	2,558,924.77	6.71%	9/2/17	2,987,879	0	2,987,879	1.17	18,852,148	7.37
	45	8,995,250.42	23.56%		11,877,898	0	11,877,898	1.32	49,887,984	5.55

Source: City of San Diego; Reassessment Engineer

(1) The Appraisal of parcels in Original Assessment District 4013 were prepared on the basis of market value net of special taxes and assessments. All other parcels were appraised on the basis of bulk sale value net of bonded debt.

The Appraisers' valuation assumes fee simple ownership of the property, free and clear of any liens or encumbrances and reflects the Appraisers' estimation of the retail market value or bulk sale value, as applicable of each parcel. In the event that undeveloped property were to be sold in a "bulk sale," the value of the property could be significantly less than the retail value. In considering the estimates of value evidenced by the Appraisals, it should be noted that the Appraisals are based upon a number of standard and special assumptions which affected the estimates as to value. See *APPENDIX A* hereto. The Appraisals set forth the Appraisers' opinion as to value as of the dates shown in the above table based upon data available at that time. Consequently the Appraisals do not reflect any changes to value that might have occurred due to occurrences after the Appraisals were prepared or which may occur in the future.

Included among the assumptions made in the Appraisals are assumptions that no conditions exist that are not discoverable through normal, diligent investigation which would affect the use and the value of the property and that no hazardous materials which may cause a loss in value of the property exist within the property appraised. The Appraisers did not observe any hazardous material in the Reassessment District, however, they expressly disclaim in the Appraisals any expertise with respect to detection of such substances or responsibility for such substances. The Appraisers assume no responsibility for building permits, zoning changes, engineering or other services or duties connected with legally utilizing the property.

The information contained herein is a summary only of certain information contained in the Appraisals and such information is qualified in its entirety by the complete Appraisal reports. See *"APPENDIX A - Reassessment Diagram and Appraisal Reports"*.

In comparing the appraised value of real property within the Reassessment District and the principal amount of the Bonds, it should be noted that only real property upon which there is a delinquent Reassessment can be foreclosed, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Reassessments. In any event, individual parcels may be foreclosed upon to pay delinquent installments of the Reassessments levied only against such parcels.

The 45 Appraised Parcels are distributed among 10 owners as summarized in the following table.

Table 6
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Value to-Lien Ratios by Owner

Owner	Original AD	No. of Parcels	Reassessment Lien	% of Lien	1998/99 Assessed Value	Assessed Value -to-Lien	Appraised Value	Appraised Value-to-Lien
1. City of San Diego	4029	1	13,605.64	0.04%	0	0.00	410,100	30.14
2. HG Fenton Material Co.	4025	9	2,288,057.29	5.97%	2,983,214	1.30	15,563,500	6.80
3. Kascommercial Properties	4010-4019	1	75,008.88	0.20%	21,288	0.28	38,531	0.51
4. Kaiser Foundation Hospital	4013	1	111,079.06	0.29%	57,608	0.52	0	0.00
5. Lusk-Smith Mira Mesa North	4013	1	518,538.47	1.36%	910,801	1.76	717,000	1.38
6. Mansfield, Florence E	4013	1	34,248.37	0.09%	46,002	1.34	368,000	10.75
7. Otay Internt'l Center	4010-4019	11	1,886,441.78	4.94%	3,962,807	2.10	7,925,305	4.20
8. Pardee Constr. Co.	4070	14	2,558,924.77	6.71%	2,987,879	1.17	18,852,148	7.37
9. Pipefitters Welfare Edu. & Pension Fund	4013	5	1,438,246.22	3.77%	783,052	0.54	4,465,000	3.10
10. Wong, Herbert & Beverly	4029	1	71,099.94	0.19%	125,247	1.76	1,548,400	21.78
Totals		45	8,995,250.42	23.56%	11,877,898	1.32	49,887,984	5.55

The above table summarizes certain data regarding the 45 Appraised Parcels which is presented in full in *"APPENDIX B - General Information Pertaining to Appraised Properties"* hereto. See the further discussion of the 45 Appraised Parcels in *"-- Original Assessment Districts"* below.

Largest Ownerships

The following table illustrates the ten largest property ownerships within the Reassessment District, and the total Reassessment allocated to such owners' properties.

Table 7
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Ten Largest Reassessment Assessees

Owner and Land Use	No. of Parcels	Reassessment Lien	Percentage of Total Reassessment Liens: Developed	Undev.	Total	Assessed Value to Lien
HG Fenton Material Co.						
Developed Manufacturing - Factory Light	5	510,192.94	1.34%	0.00%	1.34%	12.35
Developed Manufacturing - Warehouse	5	778,652.41	2.04%	0.00%	2.04%	15.08
Commercial Under Construction	10	2,224,892.00	5.83%	0.00%	5.83%	2.53
Undeveloped Commercial, Subdivided Lot	2	825,424.97	0.00%	2.16%	2.16%	1.32
Total HG Fenton Material Co.	22	4,339,162.32	9.21%	2.16%	11.37%	5.71
Pardee Construction Co.						
Residences owned by Developer-1998/99 roll	5	6,740.06	0.02%	0.00%	0.02%	90.20
Residences owned by Developer-1998/99 roll (w/o imp. value)	7	31,545.15	0.08%	0.00%	0.08%	10.87
Residential Under Construction	94	1,167,911.59	3.06%	0.00%	3.06%	4.65
Undeveloped Residential Subdivided Lots	59	543,033.04	0.00%	1.42%	1.42%	4.31
Undeveloped Residential - R1	13	2,489,312.96	0.00%	6.53%	6.53%	1.18
Undeveloped Residential - Multiresidential	1	18,266.15	0.00%	0.05%	0.05%	3.53
Total Pardee Construction Co.	179	4,256,808.95	3.16%	8.00%	11.16%	2.75
Otay International Center						
Commercial Under Construction	7	951,565.81	2.49%	0.00%	2.49%	3.76
Undeveloped Commercial, Subdivided Lots	5	548,782.77	0.00%	1.44%	1.44%	2.45
Undeveloped Industrial	4	1,103,744.58	0.00%	2.89%	2.89%	1.94
Total Otay International Center	16	2,604,093.16	2.49%	4.33%	6.82%	2.71
Pipefitters Welfare Ed. Fund						
Agricultural	5	1,438,246.22	0.00%	3.77%	3.77%	0.54
Pacific Retail Trust						
Developed Commercial	13	1,355,408.86	3.55%	0.00%	3.55%	22.85
US Gateway II Invest.						
Developed Manufacturing	1	732,502.25	1.92%	0.00%	1.92%	26.74
Jewish Community Found.						
Manufacturing	4	554,231.57	0.37%	1.09%	1.46%	6.51
Conrock Co.						
Undeveloped Residential and Commercial	4	551,678.25	0.00%	1.45%	1.45%	3.56
Mission Valley Partnership						
Commercial	2	532,900.88	1.40%	0.00%	1.40%	27.21
Otay Comerc'l Partners LP						
Developed Manufacturing	3	529,317.32	1.39%	0.00%	1.39%	17.82
TOTALS	249	16,894,349.78	23.49%	20.80%	44.29%	7.36

Source: City of San Diego; Reassessment Engineer

Tax Delinquency History

The Original Assessment Districts have experienced some delinquencies in the collection of assessment installments since their formation. Delinquencies through December 1, 1998 totaling $58,521 were still outstanding. The following table summarizes the historical assessment installment delinquencies for the last five fiscal years for all parcels included in the Reassessment District.

Table 8
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Delinquency History

Fiscal Year	Parcels Assessed	Total Levy	Delinquent Installments	Percent Delinquent	Amount Remaining Delinquent	Percent Remaining Delinquent
1998-99(1)	2953	$4,859,427	$44,752	1.84%	$44,752	1.84%
1997-98	2808	$5,152,380	$15,415	0.30%	$8,641	0.17%
1996-97	2560	$5,512,666	$52,777	0.96%	$4,374	0.08%
1995-96	2048	$5,585,985	$73,830	1.32%	$656	0.01%
1994-95	1971	$5,828,552	$1,083,532	18.59%	$99	0.01%
1993-94	1864	$6,880,013	$1,072,400	15.59%	$0	0.00%
					$58,522	

Source: City of San Diego, as of January 13, 1999
(1) 1st installment only.

All of the 1993/94 delinquent installments and $1,077,209 (99.4%) of the $1,083,532 1994/95 delinquent installments shown in Table 8, and $8,243,355 of the prepaid assessments noted in Tables 9 and 10, were caused by five undeveloped parcels (the "Delinquent Parcels") in Assessment District No. 4007(First San Diego River Improvement Project) ("AD 4007"). All assessments on the Delinquent Parcels have been prepaid and they are not subject to the lien of Reassessment securing the Acquired Obligations.

The 1994/95, 1993/94 and earlier delinquencies in AD 4007 occurred when the Delinquent Parcels, responsible for approximately 45% of the assessments of AD 4007, were placed in bankruptcy. After obtaining relief from the stay in bankruptcy, the City completed the judicial foreclosure of the lien of delinquent assessments and a foreclosure judgment was entered October 28, 1994 in the amount of $7,101,298. An attempted foreclosure sale on May 24, 1995 failed to attract any bids. See *"SOURCES OF PAYMENT FOR THE BONDS -- Judicial Foreclosure Sale Proceedings"* herein. As a result of the "failed sale," the Delinquent Parcels continued in the ownership of the bankrupt owner. Rather than allow that ownership to continue, the City adopted a "Recovery Plan" under which the City acquired the beneficiary's interest under a deed of trust on the Delinquent Parcels. Pursuant to a nonjudicial foreclosure of that deed of trust the City acquired title and placed the Delinquent Parcels under management of a receiver. The receiver negotiated the sale of the Delinquent Parcels to the Metropolitan Transit Development Board and a private party under terms that required conveyance of the Delinquent Parcels free and clear of the lien of assessments of AD 4007. In order to complete those sales and pursuant to an August 15, 1995 Offer to Purchase, the City used the sales proceeds to tender for and purchase $8,240,000 principal amount of AD 4007 improvement bonds that were then tendered to the City Treasurer to prepay and discharge the assessment liens on the Delinquent Parcels. The Delinquent Parcels are not subject to the lien of Reassessments.

Prepayments History

As indicated on the following table, 723 parcels have prepaid all or a portion of their original assessment since formation of the applicable Original Assessment District, with a corresponding reduction in the outstanding Prior Bonds. Any additional prepayments will be used to redeem Bonds prior to maturity. See *"THE BONDS -- Redemption - Extraordinary Redemption From Prepayments"* herein.

Table 9
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Historical Prepayments

Year	Parcels Partially Prepaid	Partial Prepayment Amounts	Parcels Fully Prepaid	In Full Prepayment Amounts	Total Parcels Prepaid	Total of All Prepayments
1998/99	87	$435,000	3	$542,390	90	$977,390
1997/98	59	$295,000	0	$0	59	$295,000
1996/97	157	$785,000	103	$3,921,063	260	$4,706,063
1995/96	116	$580,000	19	$9,855,583(1)	135	$10,435,583
1994/95	93	$460,000	2	$7,858	95	$467,858
1993/94	0	$0	4	$538,290	4	$538,290
1992/93	0	$0	80	$1,376,639	80	$1,376,639
Totals	512	$2,555,000	211	$16,241,823	723	$18,796,823

Source: City of San Diego
(1) $8,243,355 of prepaid assessments are attributable to implementation of a "Recovery Plan" in AD4007 discussed in "*--Tax Delinquency History*" above.
(2) 1992/93 includes all prior years.

Table 10
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Prepayment History By Original Assessment District

Original Assessment District	Assessment Maturity	Original Assessment	Assessment Prepayments
1. AD 4007 ("FSDRIP")	9/2/07	$24,082,085	$13,002,579 (1)
2. AD 4029 ("Sorrento")	9/2/09	1,631,756	32,800
3. AD 4010 ("Otay I")	9/2/13	6,994,955	575,904
4. AD 4019 ("Otay II")	9/2/14	12,212,211	340,607
5. AD 4013 ("Calle Cristobal")	9/2/14	19,195,128	3,775,311 (2)
6. AD 4025 ("Mission Valley")	9/2/15	8,570,000	527,232
7. AD 4070 ("Black Mountain")	9/2/17	5,500,000	542,390
TOTALS:		$78,186,135	$18,796,823

Source: City of San Diego.
(1) $8,243,355 of prepaid assessments are attributable to implementation of a "Recovery Plan" in AD4007. See "*--Tax Delinquency History*" above.
(2) $2,555,000 of prepaid assessments are attributable to prepayments by Pardee Construction Co., the primary developer within this district, in the amount of $5,000 each, on 511 single family lots.

Original Assessment Districts

AD 4007. Assessment District No. 4007 (First San Diego River Improvement Project) ("AD 4007") issued $24,082,084.62 of its Prior Bonds dated July 9, 1987 to fund the acquisition and construction of certain flood control improvements, including grading, flood control channel, three river crossings, sewer relocation, and revegetation, and sidewalks, together with appurtenances and appurtenant work. AD 4007 contained 14 assessed parcels of approximately 254 net acres at the time of district formation. Five of those parcels responsible for approximately 45% of the assessment liens of AD 4007 were prepaid in full and are not subject to Reassessment liens. See *"SOURCES OF PAYMENT FOR THE BONDS -- Delinquency History"* herein. The portion of AD 4007 remaining within the Reassessment District and subject to the lien of Reassessments is composed of 173 parcels of which 166 parcels are Developed Property in residential (154) commercial (11) or manufacturing (1) uses. Two residential parcels and one commercial parcel are Under Construction. The remaining four parcels are residential (3) and commercial (1) Undeveloped Property. See *"-- Land Uses and Development Status"* above.

In connection with the issuance of the Bonds the City authorized Jones, Roach & Caringella, Inc. to prepare a written Appraisal Report (the "AD 4007 Appraisal") setting forth the bulk market value of one parcel of Under Construction commercial property within AD 4007, containing approximately 16 acres of developable area owned by Conrock Co. Based on the final Reassessment lien amount on that parcel, it has a 3.24-to-1 assessed value-to-lien ratio, and therefore is not included among the 45 "Appraised Parcels" shown in Tables 5 and 6 and discussed in *"--Appraised Value-to-Lien Ratios"* above. Nevertheless, the Appraisal for that parcel is included in Appendix A hereto. Based on the Appraiser's conclusion of value as of September 30, 1998 that parcel had an appraised value-to-lien ratio of 27.51-to-1. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein.

Table 11
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment District 4007

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages (1) Parcels	Percentages (1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	154	24,598,554	377,760.93	5.24%	0.99%	65.12
Commercial	11	107,153,772	2,097,204.03	0.37%	5.50%	51.09
Manufacturing	1	24,700,000	56,308.82	0.03%	0.15%	438.65
Subtotal:	166	156,452,326	2,531,273.78	5.64%	6.64%	61.81
Under Construction						
Residential	2	11,610,000	299,791.08	0.07%	0.79%	38.73
Commercial	1	1,398,140	431,495.17	0.03%	1.13%	3.24
Manufacturing	0					
Subtotal:	3	13,008,140	731,286.25	0.10%	1.92%	17.79
Undeveloped Property						
Residential	3	568,293	120,183.08	0.10%	0.32%	4.73
Commercial	1	413,100	13,789.89	0.03%	0.04%	29.96
Manufacturing	0					
Other	0					
Subtotal:	4	981,393	133,972.97	0.13%	0.36%	7.33
Grand Totals:	**173**	**$170,441,859**	**$3,396,533.00**	**5.87%**	**8.92%**	**50.18**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

AD 4029. Assessment District No. 4029 (Sorrento Valley Road) ("AD 4029") issued $1,631,756.13 of its Prior Bonds dated June 20, 1989 to fund the construction of major street and drainage improvements, together with appurtenances and appurtenant work. The area originally included in AD 4029 was approximately 290 gross acres. The portion of AD 4029 remaining subject to the lien of Reassessments is composed of 47 parcels of approximately 154 total net acres, all of which are zoned for commercial and manufacturing uses. Of the 47 total parcels, 43 parcels are Developed Property in commercial (4) and manufacturing (39) uses. The remaining parcels are undeveloped commercial (1), undeveloped manufacturing (2) and one lot owned by the City. See *"-- Land Uses and Development Status"* above.

Two (2) of the parcels within the area of AD 4029 have assessed value-to-lien ratios of less than 3-to-1 and are therefore among the 45 "Appraised Parcels" discussed in *"-- Appraised Value-to-Lien Ratios"* above. In connection with issuance of the Bonds, the City authorized Jones, Roach & Caringella, Inc. (the "Appraiser") to prepare a written appraisal report (the "AD 4029 Appraisal") setting forth the bulk market value of the 2 Appraised Parcels within the area of AD 4029. Based on the Appraiser's conclusion of value as of September 30, 1998, those

2 parcels have an appraised value-to-lien ratio of 23.12 as indicated in Table 5 above. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein. See "*APPENDIX B -- General Information Pertaining to Appraised Properties*" for individual parcel appraised value and appraised value-to-lien data.

Table 12
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment District 4029

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages(1) Parcels	Percentages(1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	0					
Commercial	4	15,854,570	78,965.47	0.14%	0.21%	200.78
Manufacturing	39	76,117,422	573,068.05	1.33%	1.50%	132.82
Subtotal:	43	91,971,992	652,033.52	1.47%	1.71%	141.05
Under Construction						
Residential	0					
Commercial	0					
Manufacturing	0					
Subtotal:	0					
Undeveloped Property						
Residential	0					
Commercial	1	750,000	48,218.80	0.03%	0.13%	15.55
Manufacturing	2	1,017,747	91,605.04	0.07%	0.24%	11.11
Other	1		13,605.64	0.03%	0.04%	
Subtotal:	4	1,767,747	153,429.48	0.13%	0.41%	11.52
Grand Totals:	**47**	**$93,739,739**	**$805,463.00**	**1.60%**	**2.12%**	**116.38**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

AD 4010 & AD 4019. Assessment District No. 4010 (Otay International Center) ("AD 4010") issued $6,994,955.24 of its Prior Bonds dated September 1, 1988 and Assessment District No. 4019 (Otay International Center - Phase II) ("AD 4019") issued $12,212,210.86 of its Prior Bonds dated September 1, 1989, to fund the acquisition of street, utility, water, sewer, and drainage improvements, together with appurtenances and appurtenant work. All parcels were assessed under AD 4019 and a subset of these parcels was assessed under AD 4010. The entire area within the AD 4010 and AD 4019 contains approximately 449 net acres. The area of AD 4010 and AD 4019 subject to the lien of Reassessments is composed of 165 parcels zoned for commercial and manufacturing uses. Of those 165 parcels, 69 parcels are Developed Property in commercial (12) and manufacturing (57) uses, 17 parcels are Under Construction in commercial (10) and manufacturing (7) uses with the remaining parcels being Undeveloped Property. See *"-- Land Uses and Development Status"* above.

Twelve (12) of the parcels within the area of AD 4010 and AD 4019 have assessed value-to-lien ratios of less than 3-to-1 and are therefore among the 45 "Appraised Parcels" discussed in *"-- Appraised Value-to-Lien Ratios"* above. In connection with issuance of the Bonds, the City authorized Lipman Stevens Marshall & Thene, Inc. (the "Appraiser") to prepare a written appraisal report (the "AD 4010/4019 Appraisal") setting forth the bulk sale value of the 12 Appraised Parcels. Based on the Appraiser's conclusion of value as of September 30, 1998, those 12 parcels have an appraised value-to-lien ratio of 4.06-to-1 as indicated in Table 5 above. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein. See "*APPENDIX B -- General Information Pertaining to Appraised Properties*" for individual parcel appraised value and appraised value-to-lien data. One parcel, owned by Suroeste Properties, was also appraised and based on the final Reassessment amount, is not included among the 45 Appraised Parcels. That parcel has an assessed value-to-lien of 3.01:1 and an appraised value-to-lien of 2.15:1.

Table 13
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment Districts 4010 & 4019

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages (1) Parcels	Percentages (1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	0					
Commercial	12	16,089,020	710,998.45	0.41%	1.86%	21.63
Manufacturing	57	90,093,684	4,244,199.35	1.94%	11.13%	22.63
Subtotal:	69	106,182,704	4,955,197.80	2.35%	12.99%	21.43
Under Construction						
Residential	0					
Commercial	10	3,866,250	1,084,416.57	0.34%	2.84%	3.57
Manufacturing	7	1,517,520	210,723.19	0.24%	0.55%	7.20
Subtotal:	17	5,383,770	1,295,139.76	0.58%	3.39%	4.16
Undeveloped Property						
Residential	0					
Commercial	32	11,924,131	2,807,499.78	1.09%	7.36%	4.25
Manufacturing	47	19,927,837	3,948,546.66	1.60%	10.35%	5.05
Other	0					
Subtotal:	79	31,851,968	6,756,046.44	2.69%	17.71%	4.71
Grand Totals:	**165**	**$143,418,442**	**$13,006,384.00**	**5.62%**	**34.09%**	**11.03**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

AD 4013. Assessment District No. 4013 (Calle Cristobal) ("AD 4013") issued $19,195,127.63 of its Prior Bonds dated July 17, 1989 to fund the acquisition and construction of public works including street, drainage, bridge and water improvements, together with appurtenances and appurtenant work and incidental costs and expenses related thereto. The area originally included in AD 4013 was approximately 1,000 acres predominantly devoted to residential development and located in the Mira Mesa community of San Diego. There have been substantial prepayments of assessments in the area of AD 4013 and the primary developer within this area has adopted the practice, since 1994/95, of making partial prepayments of assessments on residences sold to the public. See *"-- Prepayments History"* above. Of the 2,011 parcels within the area of AD 4013, 1,832 are residential Developed Property, 88 are residential properties Under Construction, 83 parcels are Undeveloped Properties zoned for residential uses and 8 parcels are classified for agricultural use. See *"-- Land Uses and Development Status"* above.

Eight (8) of the parcels within the area of AD 4013 have assessed value-to-lien ratios of less than 3-to-1 and are therefore among the 45 "Appraised Parcels" discussed in *"-- Appraised Value-to-Lien Ratios"* above. In connection with issuance of the Bonds, the City authorized Lipman Stevens Marshall & Thene, Inc. (the "Appraiser") to prepare a written appraisal report (the "AD 4013 Appraisal") setting forth the market value of the 8 Appraised Parcels within the area of AD 4013. Based on the Appraiser's conclusion of value as of September 30, 1998, those 8 parcels have an appraised value-to-lien ratio of 2.64-to-1 and are responsible for 5.51% of the Reassessment Lien as indicated in Table 14 below. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein. See *"APPENDIX B -- General Information Pertaining to Appraised Properties"* for individual parcel appraised value and appraised value-to-lien data. The Appraised Parcels are held by four owners as follows:

Owner	Parcels	Acres	Appraised Value
Pipefitters Welfare Education & Pension Fund	5	118	$4,465,000
Lusk-Smith Mira Mesa North	1	37	717,000
Florence E. Mansfield	1	14	368,000
Kaiser Foundation Hospital	1	5	"nominal"

The eight Appraised Parcels are raw land that are largely in open space with relatively small areas of residential development potential, estimated by the Appraiser at 37% of the land area. With respect to the parcels owned by the Pipefitters Welfare Education & Pension Fund, Lusk-Smith Mira Mesa and Florence E. Mansfield, there have been no transactions within the past three years. A representative of Pardee Construction Company, the dominant homebuilder in the area, verified that his company is negotiating to purchase the Pipefitters property. Information regarding the price for the land or the expected development potential is not available. The Lusk-Smith Mira Mesa North Appraised Parcel is responsible for 1.36% of the Reassessment lien, has an appraised value with resulting appraised value-to-lien ratio of 1.38-to-1, and has a 1998/99 assessed value of $910,801 with resulting 1.76-to-1 assessed value-to-lien ratio.

The five acres owned by Kaiser Foundation Hospital ("Kaiser") were acquired on May 12, 1998 at a reported price of $1,400,000 which the Appraiser believes is substantially above market value. The site contains vernal pools and was acquired by Kaiser for off-site mitigation for another project in Mira Mesa and it is anticipated that Kaiser will grant a permanent open space easement to the City covering the entire five acres. The Kaiser Appraised Parcel is responsible for 0.29% of the Reassessment lien, has a "Nominal" appraised value with resulting appraised value-to-lien ratio of 0-to-1, and has a 1998/99 assessed value of $57,608 with resulting 0.52-to-1 assessed value-to-lien ratio.

Table 14
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment District 4013

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages (1) Parcels	Percentages (1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	1,832	364,973,500	7,253,048.89	62.32%	19.01%	50.32
Commercial	0					
Manufacturing	0					
Subtotal:	1,832	364,973,500	7,253,048.89	62.32%	19.01%	50.32
Under Construction						
Residential	88	4,153,532	758,115.08	2.99%	1.99%	5.48
Commercial	0					
Manufacturing	0					
Subtotal:	88	4,153,532	758,115.08	2.99%	1.99%	5.48
Undeveloped Property						
Residential	83	3,229,770	668,393.91	2.82%	1.75%	4.83
Commercial	0					
Manufacturing	0					
Other	8	1,797,463	2,102,112.12	0.27%	5.51%	0.86
Subtotal:	91	5,027,233	2,770,506.03	3.09%	7.26%	1.81
Grand Totals:	**2,011**	**$374,154,265**	**$10,781,670.00**	**68.40%**	**28.26%**	**34.70**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

AD 4025. Assessment District No. 4025 (Mission Valley Heights) ("AD 4025") issued $8,570,000 of its Prior Bonds dated October 2, 1990 to fund the acquisition of street, water, sewer, and drainage improvements, together with appurtenances and appurtenant work. At formation, AD 4025 contained approximately 95 acres, of which approximately 86 acres composed of 37 parcels are subject to the lien of Reassessments. The parcels are zoned for commercial, neighborhood commercial and light industrial use. Of the 37 parcels, 25 parcels are Developed Property in commercial (14) and manufacturing (11) uses. The remaining parcels are commercial properties Under Construction (2) or commercially zoned Undeveloped Property (10) parcels. See "*-- Land Uses and Development Status*" above.

Nine (9) of the parcels within the area of AD 4025 have assessed value-to-lien ratios of less than 3-to-1 and are therefore among the 45 "Appraised Parcels" discussed in "*-- Appraised Value-to-Lien Ratios*" above. In connection with issuance of the Bonds, the City authorized Joans, Roach & Caringella, Inc. (the "Appraiser") to prepare a written appraisal report (the "AD 4025 Appraisal") setting forth the bulk market value fee simple interest in the subject properties (land only). The AD 4025 Appraisal does not value the improvements that are under construction on 2 of the 9 appraised parcels. Based on the Appraiser's conclusion of value as of September 30, 1998, those 9 parcels have an appraised value-to-lien ratio of 6.80-to-1 as indicated in Table 5 above. All of the 9 Appraised Parcels are owned by H.G. Fenton Materials Company. See "*APPENDIX A -- Reassessment Diagram and Appraisal Reports*" herein. See "*APPENDIX B -- General Information Pertaining to Appraised Properties*" for individual parcel appraised value and appraised value-to-lien data.

Table 15
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment District 4025

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages (1) Parcels	Percentages (1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	0					
Commercial	14	37,343,149	1,572,306.82	0.48%	4.12%	23.75
Manufacturing	11	20,484,127	1,551,577.21	0.37%	4.07%	13.20
Subtotal:	25	57,827,276	3,123,884.03	0.85%	8.19%	18.51
Under Construction						
Residential	0					
Commercial	2	1,087,208	825,424.97	0.07%	2.16%	1.32
Manufacturing	0					
Subtotal:	2	1,087,208	825,424.97	0.07%	2.16%	1.32
Undeveloped Property						
Residential	0					
Commercial	10	5,628,186	2,224,892.00	0.34%	5.83%	2.53
Manufacturing	0					
Other	0					
Subtotal:	10	5,628,186	2,224,892.00	0.34%	5.83%	2.53
Grand Totals:	**37**	**$64,542,670**	**$6,174,201.00**	**1.26%**	**16.18%**	**10.45**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

AD 4070. Assessment District No. 4070 (Black Mountain Road) ("AD 4070") issued $5,500,000 of its Prior Bonds dated December 1, 1992, to fund the acquisition of certain street improvements, including grading, paving, curbs, gutters, sidewalks, traffic signalization, landscape and certain utilities and sewer, waterline and flood control improvements, including acquisition of right-of-way where necessary, together with appurtenances and appurtenant work. AD 4070 contains approximately 119 net developable acres located in the northeastern section of the Mira Mesa community of the City of San Diego, north of Mira Mesa Boulevard, and between Interstate 15 and Black Mountain Road. The area of AD 4070 contains 507 parcels subject to Reassessments of which 485 parcels are residential Developed Property, 8 parcels are residential properties Under Construction and 14 parcels remain as residential Undeveloped Property. See *"-- Land Uses and Development Status"* above.

Fourteen (14) of the parcels within the area of AD 4070 have assessed value-to-lien ratios of less than 3-to-1 and are therefore among the 45 "Appraised Parcels" discussed in *"-- Appraised Value-to-Lien Ratios"* above. In connection with issuance of the Bonds, the City authorized Lipman Stevens Marshall & Thene, Inc. (the "Appraiser") to prepare a written appraisal report (the "AD 4070 Appraisal") setting forth the bulk sale value of 18 parcels within the area of AD 4070. See *"APPENDIX A -- Reassessment Diagram and Appraisal Reports"* herein. Since authorizing the Appraisal, the City has received prepayment of assessments on three (3) parcels comprising the Westview Unit 3 discussed in the Appraisal. Although included in the Appraisal in Appendix A, the Westview Unit 3 parcels are not included among the 45 Appraised Parcels discussed in "*--Appraised Value-to-Lien Ratios*" above and are not subject to Reassessment liens securing the Acquired Obligations, and consequently, the Bonds. The remaining 15 parcels that were appraised within AD 4070 are part of the Westview/Casa Mira View development of Pardee Construction Company. Parcels included in the "Casa Mira View" and "Westview Unit 5" areas presented in the Appraisal are rough graded lots zoned for multi-family residential uses. Parcels included in the "Westview Units 2, 4 and 10" presented in the Appraisal are finished lots for which the City is currently processing development applications for a 147-unit detached condominium project (detached small-lot housing) at a density of approximately 10 units per acre. Based on the final Reassessment amount on one of those 15 parcels, it is not included among the Appraised Parcels because that parcel has an assessed value-to-lien ratio of 3.01:1 and an appraised value-to-lien ratio of 8.77:1. Based on the Appraiser's conclusion of value as of September 30, 1998, the remaining 14 Appraised Parcels within AD 4070 have an appraised value-to-lien ratio of 7.37-to-1 as indicated in Table 5 above. See "*APPENDIX B -- General Information Pertaining to Appraised Properties*" for individual parcel appraised value and appraised value-to-lien data.

Table 16
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Development Status and Land Use Summary
Original Assessment District 4070

Land Uses	Number of Parcels	1998/99 Assessed Value	Reassessment Lien	Percentages (1) Parcels	Percentages (1) Liens	Assessed Value-to-Lien
Developed Property						
Residential	485	71,681,283	1,052,926.66	16.50%	2.76%	68.08
Commercial	0					
Manufacturing	0					
Under Construction						
Residential	8	1,356,700	420,243.23	0.27%	1.10%	3.23
Commercial	0					
Manufacturing	0					
Undeveloped Property						
Residential	14	2,993,302	2,507,579.11	0.48%	6.57%	1.19
Commercial	0					
Manufacturing	0					
Other	0					
Grand Totals:	**507**	**$76,031,285**	**$3,980,749.00**	**17.25%**	**10.43%**	**19.10**

Source: City of San Diego; Reassessment Engineer.
(1) Percentages are of the entire Reassessment District.

Overlapping Debt

Contained within the Reassessment District's boundaries are overlapping local agencies providing public services, some of which have outstanding bonds or other indebtedness. The direct and overlapping debt of the Reassessment District is shown in the table below. Tax and revenue anticipation notes, and revenue bonds are excluded from the debt statement. The following table does not include authorized but unissued debt. Furthermore, other public agencies may levy assessments and special taxes on property within the Reassessment District.

Table 17
Public Facilities Financing Authority of the City of San Diego
Refunding Revenue Bonds (Reassessment District No. 1999-1)
Statement of Direct and Overlapping Debt

CITY OF SAN DIEGO REASSESSMENT DISTRICT NO. 1999-1

1998-99 Assessed Valuation: $926,245,762[1]

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/98	
Metropolitan Water District	0.111%	$ 737,817	
San Diego County Water Authority	0.650	49,043	
San Ysidro School District	14.483	1,577,923	
City of San Diego	1.305	263,610	
City of San Diego Open Space Park District	1.305	749,396	
City of San Diego Assessment District No. 1999-1	100.	42,860,000	(1)
TOTAL GROS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$46,237,789	
Less: San Diego Open Space Park District		749,396	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$45,488,393	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Diego County General Fund Obligations	0.625%	$ 3,229,644	
San Diego County Pension Obligations	0.625	2,332,625	
San Diego County Superintendent of Schools Obligations	0.625	14,172	
Mira Costa Community College District Certificates of Participation	0.466	6,710	
San Diego Community College District Certificates of Participation	1.186	276,338	
San Diego Unified School District Certificates of Participation	1.374	5,607,088	
Sweetwater Union High School District Certificates of Participation	1.224	131,886	
San Ysidro School District Certificates of Participation	14.527	462,577	
City of San Diego General Fund Obligations	1.305	5,435,260	
Otay Municipal Water District Certificates of Participation	2.061	588,622	
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		$18,084,922	
Less: City of San Diego Stadium Authority		56,768	
Otay Municipal Water District		588,622	
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		$17,439,532	
GROSS COMBINED TOTAL DEBT		$64,322,711	(2)
NET COMBINED TOTAL DEBT		$62,927,925	

(1) Excludes 1915 Act bonds to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Direct Debt ($42,860,000)	4.63%
Total Gross Direct and Overlapping Tax and Assessment Debt	4.99%
Total Net Direct and Overlapping Tax and Assessment Debt	4.91%
Gross Combined Total Debt	6.94%
Net Combined Total Debt	6.79%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/98: $768,783

Source: California Municipal Statistics, December 9, 1998.
(1) The $922,328,260 1998-99 assessed valuation shown in Tables 1-4 has been adjusted by the Reassessment Engineer to reflect recent prepayments and has not been adjusted to show supplemental assessments after January 1, 1998.

RISK FACTORS

Prospective investors should carefully consider the following risk factors before making an investment in the Bonds.

Limited Obligations

The ability of the Authority to pay the principal of and interest on the Bonds depends upon the receipt by the Trustee of sufficient Revenues from repayment of the Acquired Obligations, amounts on deposit in the Reserve Funds and interest earnings on amounts in the funds and accounts for the Bonds established by the Indenture. A number of risks that could prevent the City from repaying the Acquired Obligations are outlined below.

The Bonds are subject to optional and mandatory redemption prior to their respective stated maturities. Mandatory redemption from prepayment of Acquired Obligations from amounts constituting prepayments of unpaid Reassessments may occur on any date (see *"THE BONDS - Redemption"* herein).

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Bond Owners with respect to the payment when due of the Acquired Obligations, or with respect to the observance or performance by the City of other agreements, conditions, covenants and terms required to be observed or performed by it under the Acquired Obligations, the Assessment Bond Indenture or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

Under the Indenture, the Trustee is under no obligation to institute any suit or take any remedial action or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any action or exercise any rights or powers under the Indenture at the request, order or direction of any Bond Owners or otherwise until it is indemnified to its satisfaction, against any and all reasonable costs and expenses, outlays and counsel fees and other disbursements, and against all liability not due to its negligence or willful default, provided, however, that if the Trustee intends to rely on the Indenture as a basis for non-action it is required to so inform the Bond Owners (as appropriate) and the Authority as soon as possible.

Delinquency in Payment of Reassessments

Under the provisions of the Assessment Bond Law, Reassessment installments, from which funds for the payment of annual installments of principal of and interest on the Acquired Obligations, and consequently the Bonds, are derived, will be billed to properties in the Reassessment District against which there are unpaid Reassessments on an annual basis. Such Reassessment installments are due and payable and bear the same penalties and interest for non-payment as do regular property tax payments.

In order to pay debt service on the Acquired Obligations and consequently the Bonds, it is necessary that Reassessment Installments are paid in a timely manner. Should the installments not be paid on time, the City will not be able to make timely payments on the Acquired Obligations and if those delinquencies exceed the Revenue coverage provided by the Acquired Obligations for payment of the Bonds the Authority will not be able to make timely payments of principal and interest on the Bonds. The Authority has established the Reserve Funds to cover delinquencies for a period of time. The City has covenanted in the Assessment Bond Indenture under certain circumstances following a delinquency in the payment of Reassessments to undertake and diligently prosecute judicial foreclosure proceedings. However, judicial foreclosure can be a slow and lengthy process due to crowded court calendars, active defense by a delinquent owner, bankruptcy filings by a delinquent owner or other factors beyond the City's control. There can be no assurance that the Reserve Funds would not be exhausted in the event of material delinquencies, long foreclosure proceedings or failed foreclosure sales.

Failure by owners of the parcels to pay installments of Reassessments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the failure to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Reassessments levied against such parcels may result in the inability of the Authority to make full or punctual payments of debt service on the Bonds and Bond Owners would therefore be adversely affected.

Owners Not Obligated to Pay Reassessments or Bonds

Unpaid Reassessments do not constitute a personal indebtedness of the owners of the parcels within the Reassessment District and the owners have made no commitment to pay the principal of or interest on the Acquired Obligations or the Bonds or to support payment of such obligations in any manner. There is no assurance that the owners have the ability to pay the Acquired Obligations or the Reassessment installments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the assessments when due and cannot be legally compelled to do so. If an owner decides it is not economically feasible to develop or continue owning its property encumbered by the lien of the Reassessment, or decides that for any other reason it does not want to retain title of the property, such owner may choose not to pay Reassessments and to allow the property to be foreclosed. Such a choice may be made due to a decrease in the market value of the property, or for other reasons. A successful foreclosure of the property would result in such owner's interest being transferred to another party. Neither the City, the Authority nor any Owner of the Bonds will have the ability to seek payment from the owners of the property of any Reassessment or any principal or interest due on the Acquired Obligations or the Bonds, and will not have the ability to control who becomes a subsequent owner of any property within the Reassessment District.

Land Values

The value of the land within the Reassessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of a Reassessment installment, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Reassessment installment. Reductions in land values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations, environmental constraints or other events could adversely impact the security of the Reassessment and the Bonds.

The 1998/99 assessed value of the parcels is an estimate of the value as determined by the County at the time a parcel was last transferred and does not necessarily reflect the current market value. The appraised value of the parcels is an estimate of the value as determined by the Appraisers. There can be no assurance that the County's assessed valuation or the Appraisers' appraised valuation of the parcels is an accurate representation of their fair market value. No assurance can be given that the assumptions of the County Assessor are correct, or that the values of the property in the Reassessment District will not decline in the future, if one or more events, such as natural disasters or adverse economic conditions, occur.

No assurance can be given that, should a parcel with delinquent Reassessments be foreclosed upon, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent assessments with respect thereto.

Concentration of Undeveloped Property Ownership

The Reassessment District includes 202 parcels of Undeveloped Property which bear 38.14% of the total Reassessments. Of this Undeveloped Property, (a) 73 residential parcels, bear 8.00%, of the total Reassessment which are held by a single owner, the Pardee Construction Company, (b) 2 commercial parcels bear 2.16% of the total Reassessment which are held by a single owner, H.G. Fenton Material Co., and (c) 9 commercial parcels bear 4.33% of the total Reassessment Lien which are held by a single owner, Otay International Center. See Tables 3 and 7 above. Because of this concentration of ownership, the timely payment of the Bonds could depend upon the willingness and ability of the these property owners to pay the Reassessments with respect to their property when due. The only asset of each owner of property within the Reassessment District which constitutes security for the Acquired Obligations, and therefore the Bonds, is that owner's real property located within the Reassessment District and subject to the Reassessment. The Bonds are not corporate or personal obligations of the property owner.

Bankruptcy and Foreclosure

The payment of property owners' Reassessment installments and the ability of the City to foreclose the lien of a delinquent unpaid assessment, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the assessment lien to become extinguished, bankruptcy of a property owner could result in a delay in the City prosecuting Superior Court foreclosure proceedings. Such a delay would increase the likelihood of a delay or a default in payment of the principal of and interest on the Bonds and the possibility that delinquent assessment installments would eventually not be paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully repay outstanding Bonds. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Limited Obligation Upon Delinquency

The City is not obligated to advance City Funds for delinquent assessment installments in order to make payments under the Acquired Obligations. The only obligation of the City is to transfer amounts to the Trustee under the terms of the Assessment Bond Indenture, and to commence and diligently prosecute foreclosure proceedings as provided therein. The Indenture does not contain a provision allowing for the acceleration of the principal of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. The Authority will establish a Reserve Fund and initially deposit therein a portion of bond proceeds. If a delinquency occurs in the debt service funds for the Bonds, the Authority will transfer to such funds an amount from the respective Senior and Subordinate Reserve Funds equal to such delinquency. During a period of delinquency if there are insufficient funds in the Reserve Funds, a delay may occur in payments to Bond Owners.

Future Overlapping Indebtedness

The ability of an owner of land within the Reassessment District to pay the Reassessments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Bonds. In addition, other public agencies whose boundaries overlap those of the Reassessment District could, without the consent of the Reassessment District, and in certain cases without the consent of the owners of the land within the Reassessment District, impose additional taxes or assessment liens on the property within the Reassessment District to finance public improvements to be located inside of or outside of the Reassessment District.

The Reassessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

Failure to Develop Land

The property within the Reassessment District subject to the Reassessment lien which secures payment of the Acquired Obligations, and, in turn, the Bonds, includes vacant land. The incentive for certain property owners in the Reassessment District to pay their Reassessment installments when due could be reduced if the development potential of their property is diminished. No assurance can be given that such development potential of the vacant land in the Reassessment District will not be diminished.

The development potential of the vacant land in the Reassessment District is based, in part, on the assumption that discretionary approvals to build a home or construct a commercial building, or in some cases, to further subdivide land and build several homes or commercial building can be obtained from the appropriate governmental agencies. 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 Reassessment District. See also *"Future Land Use Regulations and Growth Control Initiatives"* below. There can be no assurance that the owners of the vacant land in the Reassessment District will be able to secure all of the necessary discretionary approvals necessary to develop their properties. A failure to be able to secure those discretionary approvals could reduce the desire of the property owners to pay their annual Reassessment installments when due.

In addition to reducing the ability and/or willingness of the owners of the vacant land in the Reassessment District to make Reassessment installment payments when due, a reduction of the development potential of the land could adversely affect land values and reduce the proceeds which could be collected at a foreclosure sale in the event that Reassessment installments are not paid when due. See *"Land Values"* above.

Except as described herein, no property owner has provided the City with any information about its development plan, its financial resources for such plan, its experience or its abilities, nor has any such property owner participated in any other way in the issuance of the Acquired Obligations or the Bonds. Furthermore, the Authority has not made, and will not make, any investigation of any property owner. Therefore, no representation is made herein as to the experience abilities or financial resources of any such property owner or as the likelihood that any such property owner will be successful in developing its property. Purchasers of the Bonds should not assume that any property owner will have the experience, abilities or financial resources necessary to successfully develop such property. A failure to complete final development of such property would likely make the resale thereof more difficult, thereby limiting diversification of ownership. Such lack of diversification could be perceived as adversely affecting the security for the Bonds, which could reduce the value and marketability thereof.

Future Land Use Regulations and Growth Control

It is possible that future growth control initiatives could be enacted by the voters or future local, State or Federal land use regulators could be adopted by governmental agencies and be made applicable to the development of the vacant land within the Reassessment 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 also *"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 Acquired Obligations, and therefore the Bonds, will not be repaid when due. The owners of the Bonds should assume that any reduction in the permitted density or significant increase in the cost of development of the vacant land due to more restrictive land use regulations would cause the values of the vacant land within the Reassessment District to decrease due to diminished development potential. A reduction in land values increases the likelihood that in the event of a default in payment of Reassessment installments a foreclosure action will result in inadequate funds to repay the Bonds when due. See *"Land Values"* above.

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. Because future development of property in the District will occur over time, 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 property and the ability or willingness of owners of such land to pay the Reassessment installments when due or causing land values of such land within the District to decrease substantially.

Endangered Species

At present, certain undeveloped properties within the Reassessment District may be inhabited by certain animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has proposed for addition to the endangered species list. Furthermore, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to the property within the Reassessment District could negatively impact the ability of the owners of vacant land to develop such land. This, in turn, could reduce the likelihood of timely payment of the Reassessment installments levied against such vacant land and would likely reduce the value of such land and the potential revenues available at the foreclosure sale for delinquent Reassessment installments. While existing development within the District has conformed to current standards and permit requirements, there can be no guaranty that these standards and requirements will not change and make future development more difficult or expensive. See *"Failure to Develop Land"* and *"Land Values"* above.

Geologic, Topographic and Climatic Conditions

The market value of the land and improvements within the Reassessment District can be adversely affected by a variety of factors, particularly those which may impair infrastructure and other public improvements and private improvements of the parcels and the continued habitability and enjoyment of such public and private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and fire hazard).

The seismic risks to a structure are dependent upon several factors, including: the distance of the structure from the fault, the character of the earthquake, the nature of construction, and the geologic conditions underlying a structure. Ground surface rupture tends to occur along lines of previous faulting, where fault displacement intersects the ground surface. Displacement may either occur suddenly during an earthquake or it may occur slowly as the fault "creeps" over a long period of time. The City has experienced significant earthquakes in the past.

These factors are taken into account in the design of public improvements and are taken into account in the design of other infrastructure and public improvements, the design of which must be approved by the City. Further, City building codes require that these factors be taken account in the design of private improvements of the parcels, and the City has adopted the 1988 Uniform Building Code standards, with some modifications, with regard to seismic standards. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance between the present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of nor the establishment of design criteria with respect to any particular condition means that the City has evaluated the condition and has established design criteria in the situations in which such criteria are needed to preserve value, or has established such criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other consideration preclude such repair or replacement. Under any of these circumstances, the actual value of the parcels in the Reassessment District and the possessory interests therein may well depreciate or disappear notwithstanding the establishment of design criteria for any such condition.

Earthquake insurance is available, but many property owners elect not to purchase it. Damage or destruction to property within the Reassessment District caused by earthquake or other natural disasters could result in the failure of the owner of property within the Reassessment District to pay the Reassessments and could result in a significant reduction in the value of property within the Reassessment District, with no source of funds fore reconstruction.

Hazardous Substances

While governmental taxes, assessments and charges are common claim against the value of a taxed parcel, other less common claims may become an obligation of one or more of the assessed parcels and may be secured by a lien on parity with the

Reassessments securing the Acquired Obligations. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Reassessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the District 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 "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 parcels within the District 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 owner is obligated to remedy the condition. 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 property that is realizable upon a delinquency and foreclosure.

The assessed and appraised values expressed herein do not take into account the possible reduction in marketability and value of any of the assessed parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City is not aware that the owner (or operator) of any of the assessed parcels has such a current liability with respect to any of the assessed parcels. However, it is possible that such liabilities do currently exist.

Further, it is possible that liabilities may arise in the future with respect to one or more of the assessed parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous or may arise in the future resulting from the existence, currently, on the parcel of a substance presently not 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 assessed parcel.

Future Private Indebtedness

At the present time, some of the property in the Reassessment District is undeveloped or partially developed. In order to develop any improvements on that land, the property owners will need to construct private improvements over and above those which were financed with the proceeds of the Prior Bonds. The cost of these additional private improvements may increase the private debt for which the land in the Reassessment District or other land or collateral owned by the property owners is security over that contemplated by the Bonds, and such increased debt could reduce the ability or desire of the property owners to pay the Reassessments secured by the land in the District. Should a significant default occur with respect to the Reassessments, the Authority will not receive adequate funds under the Acquired Obligations to pay principal and interest on the Bonds. It should be noted, however, that the lien of any commercial financing secured by the land within the Reassessment District would be subordinate to the lien of the Reassessments. See *"SOURCES OF PAYMENT FOR THE BONDS -- Levy and Collection of Reassessments"* herein.

Special Risks Associated with Commercial and Manufacturing Properties

A significant portion of the parcels within the Reassessment District are zoned for commercial and manufacturing users. Commercial and manufacturing property secures approximately 59.33% of the total Reassessment lien, of which 28.62% is Developed Property. For property owners that operate their own commercial or manufacturing property, the ability of the property owners of those parcels to pay the Reassessments securing the Acquired Obligations, and consequently the Bonds, may depend on the profitability of their commercial or manufacturing operations. For property owners that lease commercial or manufacturing property, defaults by tenants under leases covering parcels within the Reassessment District may result in delays or a reduction in the cash flow generated by the property. Similarly, the inability of the property owner to renew leases or to relet parcels on favorable terms may result in a reduction of cash flow generated by the property. Any such reduction or delay in cash flow could result in delays or defaults in payment of Reassessment installments. Moreover, commercial and industrial properties are more likely than residential properties to contain, use and have been subjected to releases of hazardous materials. See *"Hazardous Substances"* herein.

Subordinate Bonds

There are additional risks associated with the Subordinate Bonds due to the fact that they are secured by Revenues on a basis subordinate to the Senior Bonds. See *"SOURCES OF PAYMENT FOR THE BONDS -- Revenue Fund"* herein.

Possible Early Redemption of the Bonds

Property owners within the Reassessment District have the right to prepay all or any portion of the Reassessment lien on their property. There has been a history of prepayment in the Reassessment District. See *"REASSESSMENT DISTRICT -- Prepayments History."* The Acquired Obligations are subject to special mandatory redemption in the event of such prepayments.

Under the terms of the Indenture, proceeds from special redemption of the Acquired Obligations will be used to redeem outstanding Bonds. See *"THE BONDS -- Redemption - Extraordinary Redemption From Prepayments"* herein.

Loss of Parcels Securing Bonds Over Time

There is no uniform relationship between the value of parcels in the Reassessment District and the proportionate share of the Reassessment borne by the parcel. Scheduled retirement of Reassessment liens on groups of parcels comprising the former Original Assessment Districts and prepayment of Reassessment liens on particular parcels will change the value to lien ratios between all parcels remaining subject to Reassessment liens and all remaining Outstanding Bonds. Should the Reassessment liens on parcels having a relatively high ratio of value to Reassessment lien be retired as scheduled or prepaid, the security for the Bonds, particularly the Subordinate Bonds, will be reduced.

Reassessments on parcels in the various Original Assessment Districts will terminate on various dates prior to the maturity of the Bonds (see *"PLAN OF REFUNDING -- Refunding of Prior Bonds"* herein). Elimination of parcels from the Reassessment District, through prepayment or termination of the Reassessment liens, will result in changes to the value of property securing the Reassessment liens and may also result in increasing concentration of ownership within the Reassessment District. See *"Concentration of Undeveloped Property Ownership"* herein.

Year 2000 Related Risks

A "Year 2000" problem arises because most computer systems and programs are designed to handle only a two-digit year, not a four digit year. When the Year 2000 begins, these computers may interpret "00" as the year 1900 (e.g., 1998 is seen as "98") and may either stop processing date-related computations or process them incorrectly. If this Year 2000 problem is not timely remedied, problems could arise in the levy and collection of taxes and the calculation of interest and principal payments on the Bonds. To prevent this, public entities and banking organizations need to examine their computers and programs, fix the problem, test their systems and test interactions with other systems. The Securities and Exchange Commission ("SEC") has introduced proposed temporary regulations for non-bank related paying agents and broker dealers to submit reports to the SEC regarding their attempts to solve the Year 2000 problem. Failure to solve the Year 2000 problem could adversely impact the levy and collection of pledged Revenues which secure the Bonds, and could cause the City, the Fiscal Agent, the Trustee and/or DTC to experience problems that may affect the timely payment of debt service on the Bonds.

County. The County's property tax system, including its billing and collection systems related to property taxes, special taxes and special assessments, has been in compliance since July 1998. As a result, the County does not expect any Year 2000 issues to affect its collection of the Reassessment installments, however, no assurances can be given that circumstances relating to the County's Year 2000 compliance program will not change in the future.

City. With respect to the City, in fiscal year ended June 30, 1997, the City's Financial and Technical Services Business Center undertook to identify which computer programs would have to be modified to extend beyond December 31, 1999, and entered into contracts with outside vendors for these services. The budget for this project, all of which is earmarked for software modifications, is approximately $9.6 million for the General Fund and all enterprise funds, of which $6.05 million relates to General Fund activities. No hardware modifications are expected. It is expected that modifications for all internal functions for systems will be complete by June, 1999.

Trustee and Fiscal Agent. The Trustee has undertaken an effort to evaluate its computer programs in order to avoid computer problems on and after January 1, 2000. No assurance can be given as to whether the Trustee will be successful in its efforts to address "Year 2000" problems. The Trustee has advised the City that certain information regarding such efforts towards compliance with the Year 2000 matter is contained in filings by U.S. Bancorp (the corporate parent of the Trustee) with the Securities and Exchange Commission, the Year 2000-related provisions of which are herein incorporated by reference.

DTC. DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a redemption plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform its services properly is also dependent upon other parties, including but not limited to, issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Property Tax Rate Limitations - Article XIIIA

Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any *ad valorem* property tax. The 1% property tax is automatically levied annually by the county and distributed according to a formula among using agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Any special tax to pay voter-approved indebtedness is levied in addition to the basic 1% property tax. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

In the June 1990 election, the voters of the State approved amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchase or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters of the State approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Court Challenges to Article XIIIA

In early 1989, the United States Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia which has resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be reassessed up to 2% per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A. Based on this decision, however, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991 the United States Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently decided to drop the case.

On June 18, 1992, the United States Supreme Court upheld the decision in *Nordlinger v. Hahn,* 225 Cal.App.3d 1259, one of the cases involving residential property taxation decided by the State Court of Appeals. The 8 to 1 majority held that the Article XIII A assessment method serves a rational state interest by providing certainty regarding property taxes to homeowners and therefore does not violate provisions of the Equal Protection Clause codified in the 14th Amendment of the U.S. Constitution.

The Authority cannot predict whether future challenges to the State's present system of property tax assessment will be made, when the ultimate resolution of any challenge will occur or the ultimate effect any decision holding the State's present system of property tax assessment unconstitutional would have on the City's revenues. One possible outcome of a decision to invalidate Article XIII A would be a decrease in the amount of property tax revenues paid to the City.

Appropriation Limitation - Article XIIIB

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is Fiscal Year 1979 and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIII B generally include any authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article XIII B, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the Fiscal Year 1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded appropriation for "all qualified capital outlay Expansion Projects, as defined by the Legislature" from the definition of "appropriations subject to limitation."

Article XIII B allows voters to approve a temporary waiver of a government's Article XIII B limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. In June 1990, San Diego voters approved a four year increase in the City's Article XIII B limit (for Fiscal Years 1992 through 1995). In the November 1994 election, San Diego voters approved another four year increase in the City's Article XIII B limit (for Fiscal Years 1996 through 1999). The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services. When preparing the fiscal 1999 Budget, the City calculated its appropriations limit at $539,035,663, with appropriations subject to the limit estimated at $421,341,468. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Both Article XIII A and XIII B were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Articles XIIIC and XIIID

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of the Reassessment District to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing local taxes, special taxes, assessments, fees and charges. In the case of the unpaid assessments which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the Reassessment District and the County Auditor to post installments on account of the unpaid Reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 1998/99, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. The terms "assessments," "fees" and "charges" are not defined in Article XIIIC. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of the Reassessment which is pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the Reassessment District and the County Auditor with respect to the unpaid Reassessments which are pledged as security for payment of the Bonds.

Article XIIID requires that, beginning July 1; 1997, the proceedings for the levy of any assessment (including, if applicable, any increase in such assessment or any supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIIID. Any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied. The assessments of the Original Assessment Districts were levied prior to the approval of Proposition 218 and the Reassessments relate back to and derive their lien priority from the date of the assessments of each respective Original Assessment District.

Implementing legislation respecting Proposition 218 has been introduced in the State legislature that would supplement and add provisions to California statutory law. One piece of the legislation, SB 919, was signed by the Governor and became effective on July 1, 1997. No assurance may be given as to the final terms of any other legislation, or the impact on the Reassessment District of SB 919 or such other legislation. The interpretation and application of Proposition 218 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 certainly the outcome of such determination or its affect on repayment of the Bonds.

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are due is delinquent on or about June 10 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency in the county recorder's office, in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Brown Diven Hessell & Brewer LLP, Solana Beach, California, Bond Counsel. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinion as to the matters set forth therein. A complete copy of the proposed form of Bond Counsel opinion is contained in *APPENDIX E* hereto and will accompany the Bonds. Certain legal matters will be passed upon for the Authority by Luce, Forward, Hamilton & Scripps LLP, San Diego, California, Disclosure Counsel. Payment of the fees and expenses of Bond Counsel and disclosure counsel are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the City by Casey Gwinn, Esq., City Attorney. A certain legal matters will be passed upon for the Underwriters by Stradling, Yocca Carson & Rauth, Newport Beach, California.

TAX MATTERS

In the opinion of Brown Diven Hessell & Brewer LLP, Solana Beach, California, Bond Counsel, 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. In the further opinion of Bond Counsel, interest and original issue discount on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest and original issue discount on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative maximum taxable liability of such corporations.

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.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Bonds is based upon certain representations of fact and certifications made by the city, the Underwriter and others and is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond to assure that interest and original issue discount on the Bonds 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 City has covenanted to comply with all such requirements.

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

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

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

CONTINUING DISCLOSURE

The Authority, on behalf of itself and the City for the Reassessment District, has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Reassessment District by not later than April 1st after the end of the Authority's fiscal year (presently June 30) in each year commencing with its report for the 1999-2000 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notice of a material event will be filed by the dissemination agent (the "Dissemination Agent"), with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State depository, if any (the "Repositories"). The specific nature of the information to be contained in the Annual Report or any notice of a material event is set forth in the Continuing Disclosure Agreement, the form of which is set forth in *"APPENDIX D - Form of Continuing Disclosure Agreement"* (the "Continuing Disclosure Agreement"). The notices of material events will be filed by the Authority with the Municipal Securities Rulemaking Board. The covenants of the Authority and the City in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"); provided however, a default under the Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Indenture or the Acquired Obligations, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Authority, the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel specific performance. Neither the Authority nor the City has ever failed to comply with an undertaking under the Rule.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Bonds, Grant Thornton LLP ("Verification Agent"), will deliver its independent certified public accountant verification report on the mathematical accuracy of certain computations, contained in schedules provided to it which were prepared on behalf of the City by the Underwriter, relating to the sufficiency of the amounts deposited in the redemption fund for each of the Prior Bonds to pay, on March 2, 1999, the principal, interest and redemption premium requirements of the Prior Bonds. See *"TAX MATTERS"* above.

The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

RATINGS

Senior Bonds

Moody's and Standard & Poor's have assigned their municipal bond ratings of "Aaa" and "AAA," respectively, to the Senior Bonds with the understanding that upon delivery of the Senior Bonds, a policy insuring the payment when due of the principal of and interest on the Senior Bonds will be issued by Ambac Assurance Corporation. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from them as follows: Moody's Investors Service, 99 Church Street, New York, NY 10007, (212) 553-0300, and Standard & Poor's Corporation, 25 Broadway, New York, NY 10004, (212) 208-8000.

There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that a rating might not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. None of the Authority, the City or the Underwriters has undertaken any responsibility to bring to the attention of the Senior Bondholders any proposed change in or withdrawal of a rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of a rating could have an adverse effect on the market price or marketability of the Senior Bonds.

No Rating on Subordinate Bonds

The Subordinate Bonds are not rated. The Authority has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Subordinate Bonds.

MISCELLANEOUS

All quotations from, and summaries and explanations of the Indenture, the Assessment Bond Indenture, the Bonds, the Refunding Act, the Bond Act or other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriters. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the Bonds.

All information contained in this Official Statement pertaining to the City has been furnished by the City and the execution and delivery of this Official Statement has been duly authorized by the City and the Authority.

Financial Advisor

The City has appointed Evensen Dodge, Inc., Los Angeles, California, and Gardner Underwood & Bacon, Oakland, California, as Financial Advisors for the sale of the Bonds. The Financial Advisors will receive a portion of their compensation from the City contingent upon sale and delivery of the Bonds. The Financial Advisors are not obligated to undertake and have not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

No Litigation

There is no litigation pending and served or, to the Authority's or the City's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds or any proceedings of the Authority or the City with respect thereto. In the opinion of the City and its counsel, there are no lawsuits or claims pending against the City which will materially affect the City's finances so as to impair its ability to pay principal of and interest on the Acquired Obligations when due. In the opinion of the Authority and its counsel, there are no lawsuits or claims pending against the Authority which will materially affect the Authority's finances so as to impair the Authority's ability to pay the principal of and interest on the Bonds when done.

Underwriting

The Bonds are being purchased for reoffering by Salomon Smith Barney, E. Wagner & Associates, Inc. and Charles A. Bell Securities Corp. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds and in connection therewith receive an Underwriting Fee of $310,319.35. The purchase contract pursuant to which the Underwriters are purchasing the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such purchase contract.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

In reoffering Bonds to the public, the Underwriters may over allocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

The execution and delivery of this Official Statement by Michael T. Uberuaga has been duly authorized by the Authority and the City.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

/s/ Patricia T. Frazier

Patricia T. Frazier, specified designee of
Michael T. Uberuaga, Chair

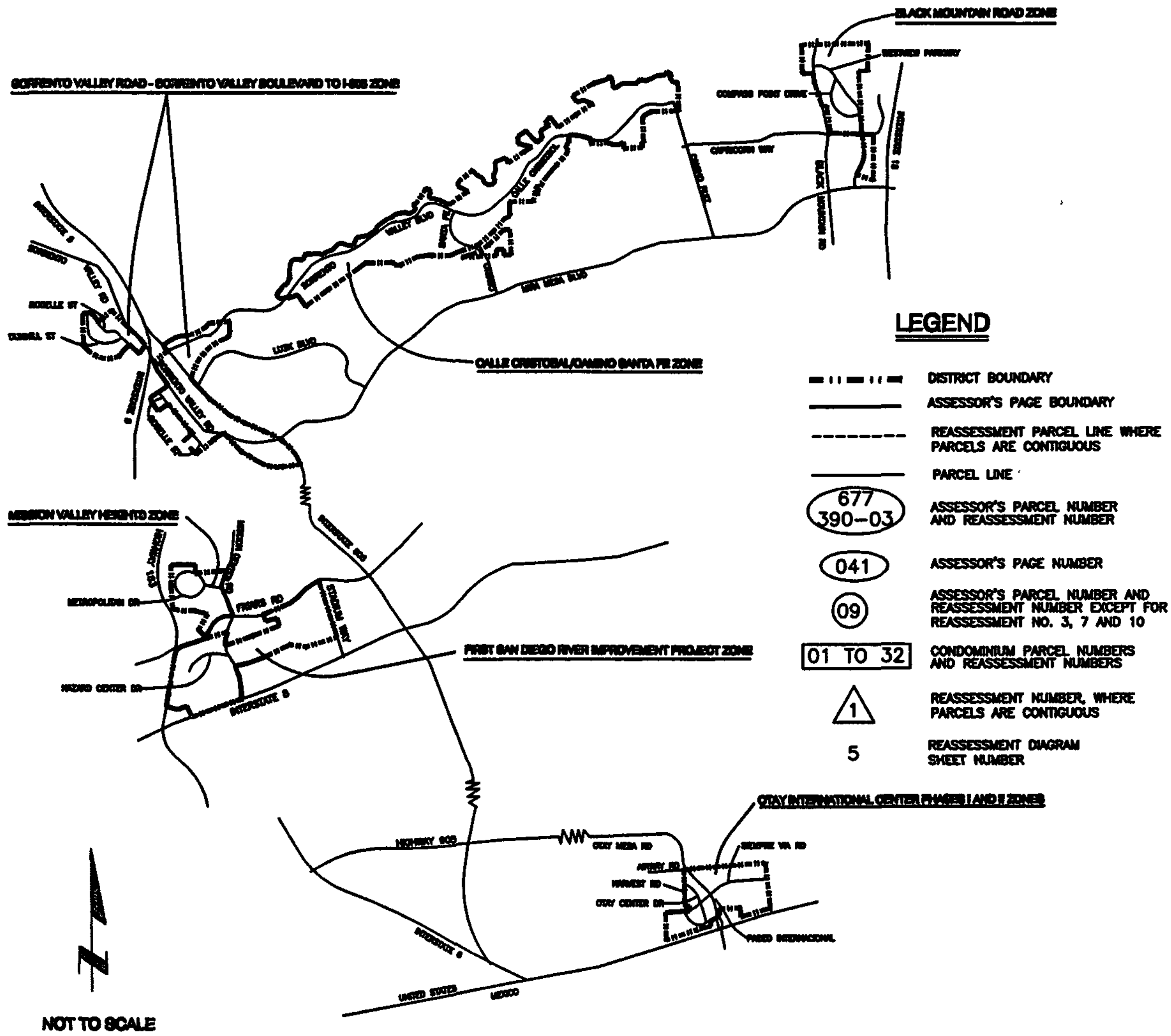
APPENDIX A

REASSESSMENT DIAGRAM AND APPRAISAL REPORTS

REASSESSMENT DIAGRAM OF REASSESSMENT DISTRICT NO. 1999-1

CITY OF SAN DIEGO

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



VICINITY MAP

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN DIEGO THIS 8th DAY OF JANUARY, 1999.

/s/ JACK FISHKIN
CITY CLERK OF THE CITY OF SAN DIEGO

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF SAN DIEGO THIS 26th DAY OF JANUARY, 1999.

/s/ FRANK BELOCK
SUPERINTENDENT OF STREETS OF THE CITY OF SAN DIEGO

A REASSESSMENT WAS LEVIED BY THE CITY COUNCIL OF THE CITY OF SAN DIEGO ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS REASSESSMENT DIAGRAM. THE REASSESSMENT WAS LEVIED ON THE 11th DAY OF JANUARY, 1999; THE REASSESSMENT DIAGRAM AND THE REASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF SAN DIEGO ON THE 26th DAY OF JANUARY, 1999. REFERENCE IS MADE TO THE REASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS FOR THE EXACT AMOUNT OF EACH REASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND SHOWN ON THIS REASSESSMENT DIAGRAM.

/s/ JACK FISHKIN
CITY CLERK OF THE CITY OF SAN DIEGO

FILED THIS 16th DAY OF FEBRUARY, 1999, AT THE HOUR OF 10:11 AM, IN BOOK 33 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, PAGE 06, AS INSTRUMENT NO. 1999-0091682 IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

/s/ MICHAEL HELLMANN
COUNTY RECORDER OF THE COUNTY OF SAN DIEGO

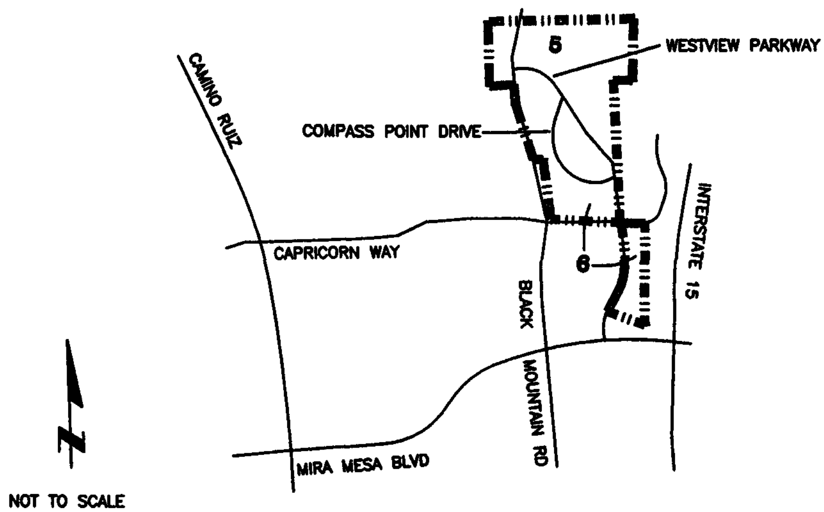
FEE: $ 91.00

PREPARED BY GALEN N. PETERSON, CONSULTING ENGINEER (619) 487-7000
REFERENCE THE SAN DIEGO COUNTY ASSESSOR MAPS FOR A DETAILED DESCRIPTION OF PARCEL LINES AND DIMENSIONS

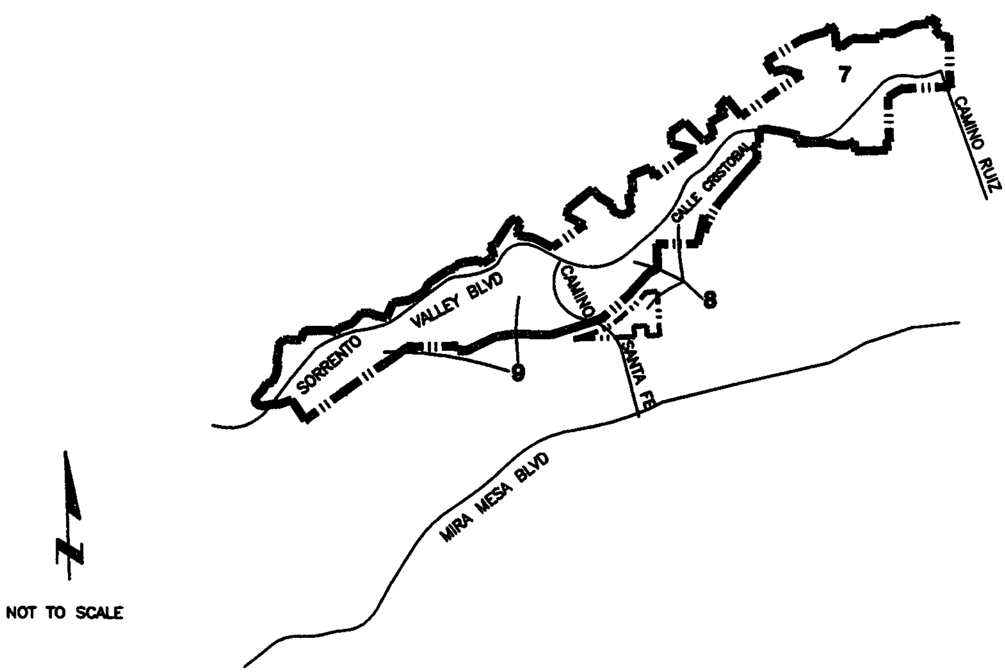
REASSESSMENT DIAGRAM OF REASSESSMENT DISTRICT NO. 1999-1

CITY OF SAN DIEGO

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



BLACK MOUNTAIN ROAD ZONE INDEX MAP



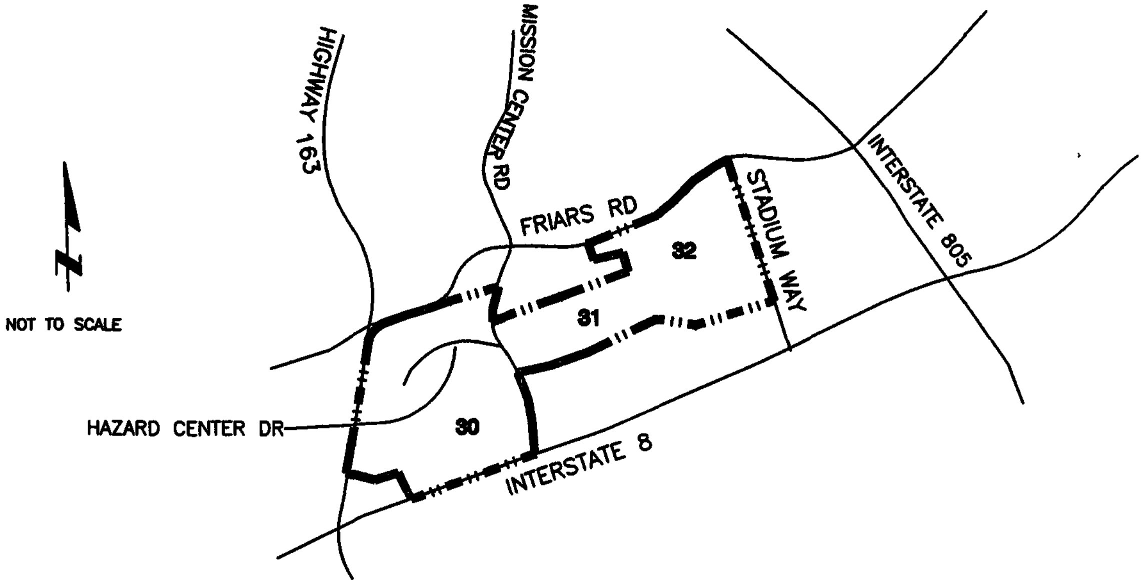
CALLE CRISTOBAL/CAMINO SANTA FE ZONE INDEX MAP

PREPARED BY GALEN N. PETERSON, CONSULTING ENGINEER (619) 487-7000
REFERENCE THE SAN DIEGO COUNTY ASSESSOR MAPS FOR A DETAILED DESCRIPTION OF PARCEL LINES AND DIMENSIONS

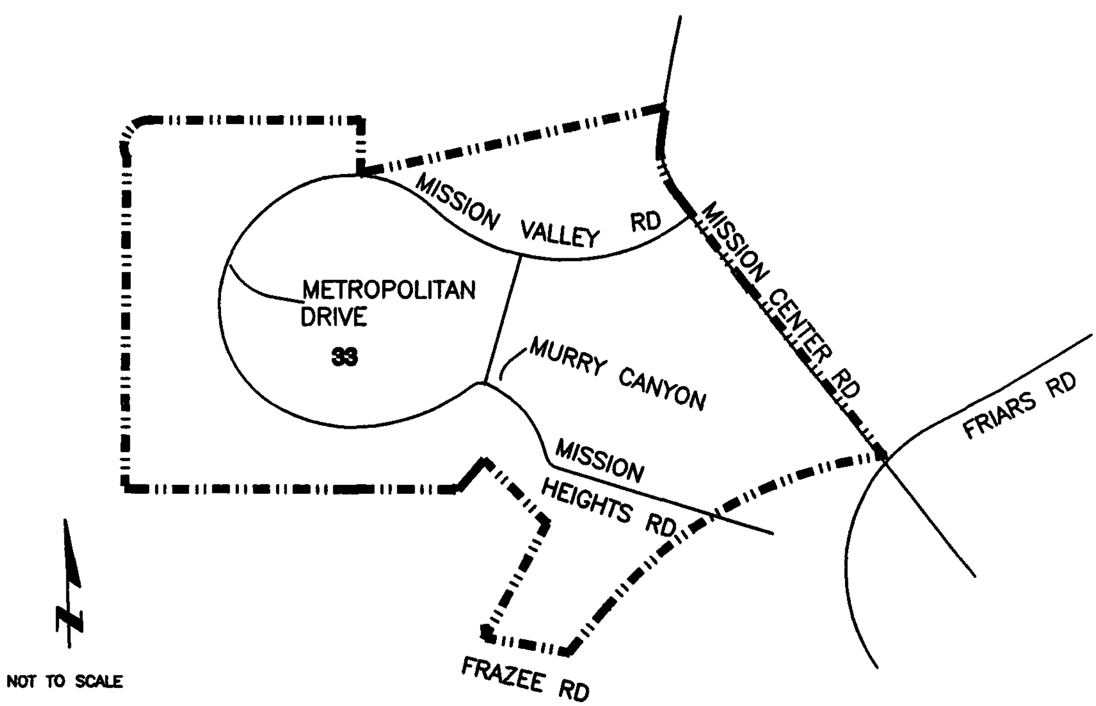
REASSESSMENT DIAGRAM OF REASSESSMENT DISTRICT NO. 1999-1

CITY OF SAN DIEGO

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



FIRST SAN DIEGO RIVER IMPROVEMENT PROJECT ZONE INDEX MAP

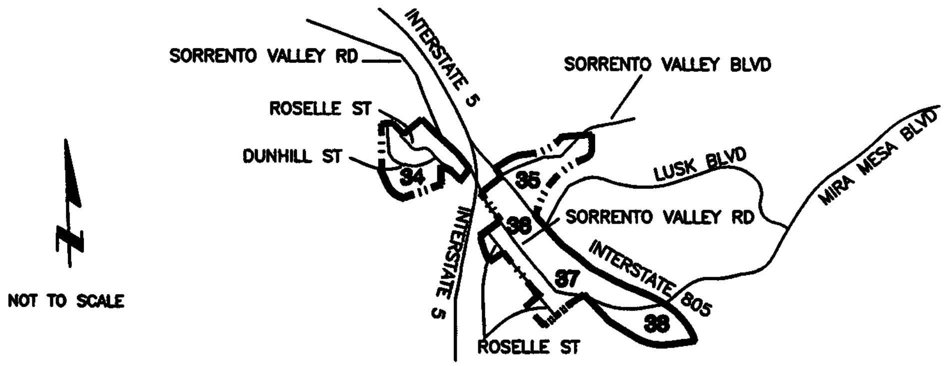


MISSION VALLEY HEIGHTS ZONE INDEX MAP

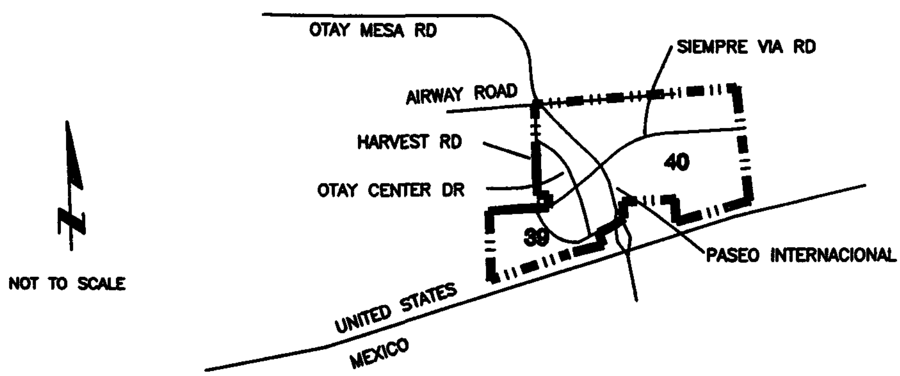
REASSESSMENT DIAGRAM OF REASSESSMENT DISTRICT NO. 1999-1

CITY OF SAN DIEGO

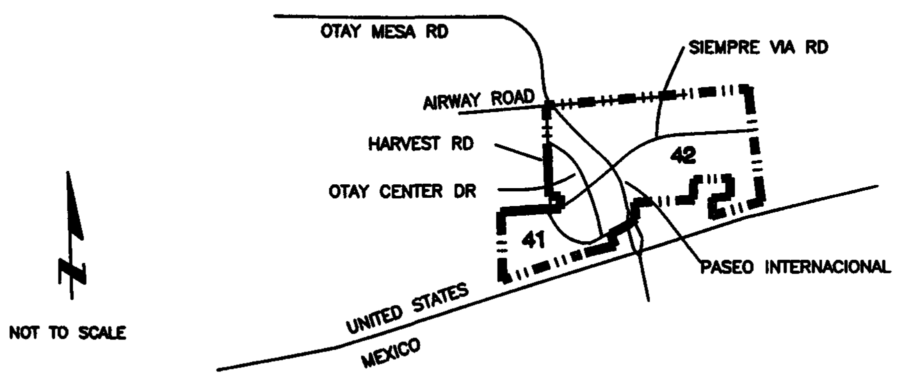
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



SORRENTO VALLEY ROAD - SORRENTO VALLEY BOULEVARD TO I-805 ZONE INDEX MAP



OTAY INTERNATIONAL CENTER PHASE I ZONE INDEX MAP



OTAY INTERNATIONAL CENTER PHASE II ZONE INDEX MAP

PREPARED BY GALEN N. PETERSON, CONSULTING ENGINEER (619) 487-7000
REFERENCE THE SAN DIEGO COUNTY ASSESSOR MAPS FOR A DETAILED DESCRIPTION OF PARCEL LINES AND DIMENSIONS

SHANNON L. CUTSINGER, MAI
WILLIAM N. PATTERSON, MAI, SRA
MATHEW D. SHAKE, MAI
GALEN JUSTICE-BLACK

JONES, ROACH & CARINGELLA, INC.
REAL ESTATE APPRAISERS AND CONSULTANTS
4669 MURPHY CANYON ROAD, SUITE 200
SAN DIEGO, CALIFORNIA 92123-4333
(619) 565-2400 FAX: (619) 565-4916

ROBERT P. CARINGELLA, MAI
ROBERT N. JONES, MAI
STEPHEN D. ROACH, MAI

October 1, 1998

Ms. Lucille Galvin, SR/WA
Property Agent, Real Estate Assets
The City of San Diego
1200 Third Avenue, Suite 1700
San Diego, California 92056

Re: AP2645; Appraisal of *Portions of Assessment Districts 4007, 4025, and 4029, San Diego, California.*
Jones, Roach & Caringella File No. 98111

Dear Ms. Galvin:

In accordance with your request, we have performed complete appraisals of certain parcels that are part of the referenced assessment districts and have presented our findings in a summary appraisal report. This summary report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land-Secured Financings, which was prepared by the California Dept Advisory Commission and is dated May 1994. As such, this report contains only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinions of value. Supporting documentation concerning the data, reasoning, and analyses has been retained in our file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated later. The appraisers are not responsible for unauthorized use of this report.

The following summary report includes a description of the subject properties as well as discussions of the data and reasoning that has resulted in our opinions. This appraisal is subject to certain assumptions and limiting that are made part of this report. Acceptance and use of this report by the client or any other party constitutes acceptance of these assumptions and limiting conditions.

The value conclusions are presented in the summaries of Salient Facts and Conclusions on pages two through four of this report. Thank you for this opportunity to be of service.

Sincerely,

Robert P. Caringella, MAI
AG003295

William N. Patterson, MAI, SRA
AG002923

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- Assessment District No. 4029 2
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ASSESSMENT DISTRICT DESCRIPTION AND VALUATION

(See Individual Tabbed Sections)

ADDENDA

Exhibit A	Land Comparable Maps
Exhibit B	Land Comparable Data Sheets
Exhibit C	Corporate Profile
Exhibit D	Qualifications of the Appraisers

ASSESSMENT DISTRICT NO. 4025

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	Mission Valley Heights Improvement District.
PROPERTY IDENTIFICATION:	Lots identified by Assessor Parcel Numbers (APN's) 677-390-03, 04, 05, 06, 07, 24, 25, 26, and 29.
PROPERTY LOCATION:	The subject lots are part of Mission Valley Heights, a business park, and are accessed from Mission Valley Road, Metropolitan Drive, or Mission Center Road.
LAND DESCRIPTION:	The subject lots are irregular in shape and contain between 63,162 and 311,889 square feet of net (developable) area. The net area of each of the subject lots is level. All of the subject lots are zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego and are similarly designated in the Mission Valley Community Plan and Mission Valley Planned District Ordinance.
HIGHEST AND BEST USE:	Commercial development.
ESTATE APPRAISED:	Fee simple estate (land only).
VALUE ESTIMATED:	Bulk market value (land only).
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$15,563,503
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4025.

CONTRIBUTORY BULK VALUE BY PARCEL

The following table provides a breakdown of the contributory bulk value by parcel number. The contributory bulk value of each parcel is generated by applying the discount to each retail value. The figures were then rounded.

"Contributory" Bulk Value Summary		
APN	"Contributory" Bulk Value	Rounded
Commercial/Light Industrial Sites		
677-390-03	$1,055,241	$1,055,200
677-390-04	1,362,557	1,362,600
677-390-05	1,303,315	1,303,300
677-390-06	1,540,282	1,540,300
677-390-07	2,606,630	2,606,600
677-390-24	4,241,690	4,241,700
677-390-25	1,072,278	1,072,300
677-390-26	859,003	859,000
677-390-29	1,522,506	1,522,500
Bulk Value		$15,563,500

ASSESSMENT DISTRICT NO. 4029

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	Sorrento Valley Road - Sorrento Valley Boulevard to I-805 Improvement District
PROPERTY IDENTIFICATION:	The two subject lots are identified as Assessor Parcel Numbers (APN's) 343-131-11, which we identified as Lot 1.in this analysis, and 343-130-12, which we identified as Lot 2 in this analysis..
PROPERTY LOCATION:	The subject lots are located in the Sorrento Valley community of San Diego. The address of Lot 1 is 10355 Sorrento Valley Road. The address of Lot 2 is 10050 Sorrento Valley Road.
LAND DESCRIPTION:	The subject lots are irregular in shape. Lot 1 contains about 214,315 gross square feet (4.92 acres) and Lot 2 contains about 192,970 gross square feet (4.43 acres). We have estimated that Lots 1 and 2 are about 90 and 50 percent developable, respectively. Both lots are zoned M1-A by the City of San Diego and are similarly designated in the Torrey Pines Community Plan. A significant portion of Lot 2 is designated as floodway, 100-year flood plain, and biologically sensitive riparian area.
HIGHEST AND BEST USE:	Light industrial/office development.
ESTATE APPRAISED:	Fee simple estate (land only).
VALUE ESTIMATED:	Bulk market value (land only).
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$1,958,488
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4029.

CONTRIBUTORY BULK VALUE BY PARCEL

The following table provides a breakdown of the contributory bulk value by parcel number. The contributory bulk value of each parcel is generated by applying the discount to each retail value. The figures were then rounded.

"Contributory" Bulk Value Summary		
APN	"Contributory" Bulk Value	Rounded
343-131-11	1,548,426	$1,548,400
343-130-12	410,061	410,100
Bulk Value		$1,958,500

ASSESSMENT DISTRICT NO. 4007

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	First San Diego River Improvement District (FSDRIP)
PROPERTY IDENTIFICATION:	Lot identified by Assessor Parcel Number (APN) 438-362-01.
PROPERTY LOCATION:	The subject lot is part of Rio Vista West, a mixed-use development that is located in the Mission Valley community of San Diego. It abuts Rio San Diego Drive on the north, Camino Del Este on the west, Qualcomm Way on the east, and the San Diego River channel on the south. Vehicular access is via Rio San Diego Drive and Camino Del Este.
LAND DESCRIPTION:	The subject lot is rectangular in shape and, according to Map No. 13148, contains 28.203 gross acres. In the Rio Vista West Specific Plan, it is reported that the subject lot contains 16.03 acres, or about 698,265 square feet, of net (developable) area. The developable portion of the subject lot is zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego and is similarly designated in the Mission Valley Community Plan.
HIGHEST AND BEST USE:	Residential and commercial development.
ESTATE APPRAISED:	Fee simple estate.
VALUE ESTIMATED:	Bulk market value.
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$11,870,505
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4007.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

1. Information, estimates, and opinions furnished by others and contained in this report are assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.

2. No responsibility is assumed for matters legal in character, nor do we render an opinion as to title, which is assumed to be held in fee simple interest as of the date of valuation unless otherwise stated.

3. It is assumed that the properties are readily marketable and free of all liens and encumbrances except any specifically discussed in this report.

4. Photographs, plats, and maps furnished in this report are to assist the reader in visualizing the properties. No survey of the properties has been made, and no responsibility has been assumed in this matter.

5. A soils engineering study was not been provided for this appraisal. It is assumed that there are no hidden or unapparent conditions of the properties such as subsoil conditions which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such factors.

6. Possession of this report, or a copy thereof, does not carry with it the right of publication. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or the MAI designation) may be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communications without prior written consent and approval of the appraiser.

7. This report may not be used for any purpose by anyone other than the party to whom it is addressed without the written consent of the appraiser.

8. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide the appraiser customary compensation relating to any subsequent required depositions, conferences, additional preparation, or testimony.

9. No warranty is made as to the seismic stability of the subject properties.

10. The effective date of the appraisal to which the opinions expressed in this report apply are set forth in the report. The appraisers assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.

ASSUMPTIONS AND LIMITING CONDITIONS
(continued)

11. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

12. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and it is assumed that the properties are not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

13. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short-term supply and demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraisers and could affect the future income or value projections.

14. Testimony or attendance in court or any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.

15. By acceptance and use of this report, the user agrees that any liability for errors, omissions, or judgment of the appraisers is limited to the amount of the fee charged for the appraisal. Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein, who has the potential for monetary loss due to the reliance thereon, is advised to secure an independent review and verification of all such conclusions and/or facts. The user agrees to notify the appraiser, prior to any loan or irrevocable investment decision, of any error which could reasonably be determined from a thorough and knowledgeable review.

16. The properties are appraised as having knowledgeable ownership and competent management.

17. Title reports were not provided for this appraisal. Based on our inspection of the subject properties and surrounding development, it does not appear that there are any atypical easements or encumbrances that adversely affect its utility (unless otherwise stated herein). As a result, the values estimated in this appraisal are predicated on the assumption that there are no easements or encumbrances that limit their utility. Additionally, no responsibility is assumed for undisclosed items of record or any unrecorded items that may limit the utility of the subject properties.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the ADA. If so, this fact could have a negative impact on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

ASSUMPTIONS AND LIMITING CONDITIONS
(continued)

19. Physical inspection of the properties revealed no apparent contamination by hazardous chemicals, toxic wastes, or materials. However, the appraisers not experts in the field. For purposes of this appraisal, we assumed that neither the utility nor value of the subject properties are adversely effected either by on-site contamination, contamination from surrounding sites, or hazardous materials.

20. Taxes and fees in arrears, if any, are assumed to be discharged through escrow and have not been reflected in the value conclusions.

21. At the request of the client, only the land has been valued. There are two buildings under construction on two of the lots in District No. 4025, and one of the lots in District No. 4029 is improved with at least one frame structure, a billboard, and a number of site improvements. None of these improvements were valued in this analysis.

22. Legal descriptions were not provided for any of the lots considered in this appraisal. As a result, we assumed that the legal descriptions of the lots reflect the same areas identified by the Assessor's Parcel Numbers of the subject lots.

23. This appraisal was made in compliance with the California Debt Advisory Commission Guidelines for land-secured financing.

APPRAISER'S CERTIFICATE

We do hereby certify that, except as otherwise noted in this appraisal report:

1. We have no present or contemplated future interest in the real estate that is the subject of this appraisal report nor do we have any personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

2. To the best of our knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

3. This appraisal report sets forth all of the limiting conditions affecting the analyses, opinions, and conclusions in this report.

4. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

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

6. Our compensation for this appraisal is not contingent upon the reporting of predetermined values or direction in values that favors the cause of the client, the amount of the value estimates, the attainment of a stipulated result, or the occurrence of a subsequent event.

7. No one other than the undersigned prepared the analyses, opinions, and conclusions concerning real estate that are set forth in this appraisal report.

8. The subject properties were inspected by both Robert P. Caringella and William N. Patterson.

9. As of the date of this report, Robert P. Caringella, MAI, and William N. Patterson, MAI, SRA have completed the requirements of the continuing education program of the Appraisal Institute. Robert P. Caringella (No. AG003295) and William N. Patterson (No. AG002923) have each received certification from the state of California as a Certified General Real Estate Appraiser.

10. This appraisal assignment was not based on requested minimum valuations, specific valuations, or the approval of a loan.

11. We have the knowledge and experience to complete this appraisal assignment and have appraised this type of property before. Please refer to the attached Qualifications of the Appraisers for additional information.

Robert P. Caringella, MAI
AG003295

William N. Patterson, MAI, SRA
AG002923

October 1, 1998
Date

APPRAISAL REPORT FORMAT

The purpose of this report is to present appraisal conclusions as to property located in three assessment districts. Each of the appraisals pertains to parcels of land located in the following districts: Assessment District No. 4007 (First San Diego River Improvement District), Assessment District No. 4025 (Mission Valley Heights Improvement District), and Assessment District No. 4029 (Sorrento Valley Road/Sorrento Valley Boulevard Improvement District). Since some discussions presented in this report are common to all three of these appraisals, these discussions have been presented first. We have then presented the description and valuation analyses of the various parcels, tabbed by assessment district. Market data sheets are presented in the Addenda.

PURPOSE OF THE APPRAISAL

The purpose of these appraisals is to estimate the bulk market value of the fee simple interest of the subject properties (land only), as encumbered by existing assessment districts.

DEFINITION OF PROPERTY RIGHTS APPRAISED

Bulk value is defined on page 9 of the of the *Appraisal Standards for Land-Secured Financings,*, which was prepared by the California Debt Advisory Commission and is date May 1994, 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, knowledgeably, and for self-interest, and assuming neither is under undue duress."

Market value is defined on page 9 of the referenced appraisal guidelines as follows:

"The most probable price in case 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 a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

Unless stated otherwise, the sales reported in this appraisal exhibit all cash to the seller and did not involve special or creative financing or sales concessions.

Fee simple estate is defined on page 140 of *The Dictionary of Real Estate Appraisal, Third Edition* (1993) as follows:

"Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental power of taxation, eminent domain, police power, and escheat."

For purposes of these appraisals, we expanded this definition to include covenants, conditions, and restrictions of record, if any, and the bond indebtedness of the existing improvement districts.

In the referenced appraisal guidelines, retail value is identified as being synonymous with "aggregate retail value", which is the sum of the values of the parcels that are being valued relative to each of the assessment districts.

INTENDED USE OF APPRAISAL

These appraisals are to be used by the client, City of San Diego, to assist in evaluating the security of the real estate in the refinancing of bond deft.

EFFECTIVE DATE OF APPRAISAL

The effective date of these appraisals, also known as the date of value, is September 30, 1998.

DATE OF REPORT

This appraisal report is dated October 1, 1998.

SCOPE OF APPRAISAL

As stated, our findings are presented in a summary appraisal report format. Supporting documentation is retained in our file. The scope of our analysis is intended to be appropriate to the significance of the appraisal problem. The purpose of these appraisals was to estimate the bulk market value (land only) of the subject parcels, as encumbered by the existing assessment districts. Prior to each valuation analysis, we formed an opinion as to the highest and best use as if vacant of each of the parcels being appraised. We then estimated the retail market land value of each parcel, as encumbered by the existing assessment districts, using the sales comparison approach. The income and cost approaches were not considered relevant to the valuation of land. The final step in our analysis was to estimate the bulk market value of the parcels in each district. While some of the parcels may include buildings under construction, only the land was valued.

ASSESSMENT DISTRICT NO. 4025

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	Mission Valley Heights Improvement District.
PROPERTY IDENTIFICATION:	Lots identified by Assessor Parcel Numbers (APN's) 677-390-03, 04, 05, 06, 07, 24, 25, 26, and 29.
PROPERTY LOCATION:	The subject lots are part of Mission Valley Heights, a business park, and are accessed from Mission Valley Road, Metropolitan Drive, or Mission Center Road.
LAND DESCRIPTION:	The subject lots are irregular in shape and contain between 63,162 and 311,889 square feet of net (developable) area. The net area of each of the subject lots is level. The subject lots are zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego and are similarly designated in the Mission Valley Community Plan and Mission Valley Planned District Ordinance.
HIGHEST AND BEST USE:	Commercial development.
ESTATE APPRAISED:	Fee simple estate (land only), as encumbered by the existing assessment district.
VALUE ESTIMATED:	Bulk market value (land only).
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$15,563,503
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4025.

The subject of this appraisal is nine legal lots located in Mission Valley Heights, a 30-lot commercial development, which is situated in the Mission Valley community of San Diego.

NEIGHBORHOOD DESCRIPTION

The community of Mission Valley is located about four miles northeast of downtown San Diego, comprises about 1,635 acres, and is bisected by the San Diego River. This river empties into the Pacific Ocean about three miles to the west. The urban development of Mission Valley started in approximately 1960, when farmland and flood plain were converted to shopping centers, hotels, and office space. The first major development in the area was Mission Valley Center, a regional shopping center that was constructed in 1960. At about this same time, the western portion of the community along Interstate 8 was developed with hotels and recreation facilities.

Location and Access

Access to Mission Valley is excellent, as it is the junction point of five major freeways. Interstate 8 is an east-west freeway that runs through the center of Mission Valley. Interstate 5 is a north-south freeway that defines the community's western boundary. Interstate 15 is a north-south freeway that is located near the eastern boundary of the community. The other two freeways are Interstate 805 and State Highway 163, which both cross through the approximate center of the community in a north-south direction. While freeway access to Mission Valley is excellent, many of the surface streets within the community are overburdened during peak hours. The rapid development experienced since the early 1970's occurred without proper attention to infrastructure needs. In some areas the system of surface streets is barely adequate for current traffic levels and inadequate for future increases. In 1985 a community plan was adopted that limits development in areas in which the streets are already overburdened.

Population

According to the San Diego Association of Governments (SANDAG), the population of Mission Valley as of January 1, 1997, the most recent figure available, was estimated at 9,621 persons, an increase of about 83 percent since the April 1980 census. This fairly rapid growth rate is primarily the result of the relatively low 1980 base, as Mission Valley historically has been primarily a commercial and office district, with relatively little residential development. However, in the Mission Valley Community Plan, it is projected that when the community is completely built out (sometime after 2000), it may have a population of just under over 25,000 people.

Commercial Development

Mission Valley is one of the largest retail/commercial districts in San Diego County. The two largest shopping centers in San Diego County, Mission Valley Center and Fashion Valley, are located within Mission Valley. According to TURI Commercial Services (TURI), as of the third quarter 1997, the Mission Valley submarket contained a total of 3,964,686 square feet of retail space and overall vacancy rate was about 2.2 percent. In the Mission Valley Community Plan, it is estimated that when the community is completely built out, there will be a total of 4,300,000 square feet of commercial/retail space. The office component of Mission Valley's development experienced rapid growth beginning in the late 1970's and continuing through the late 1980's. According to the referenced TURI survey, Mission Valley contains about 6,220,000 square feet of office space, which represents about 15.5 percent of the total office space in San Diego county. Of this total, about three-fourths has been built since 1977. In late 1997 the reported office vacancy rate was just under 12.0 percent, down from just over 15.0 percent in the first quarter 1997. For the first time in nearly 10 years, new speculative office buildings are in the planning stages in Mission Valley. At less than 5.0 percent of the total usable land area in Mission Valley, industrial uses represent a small component of this community's total development. According to the referenced TURI survey, Mission Valley contains about 1,050,300 square feet of industrial space, or about 1.0 percent of the total for San Diego County. In late 1997, the reported overall industrial vacancy rate was 4.3 percent, up slightly from 3.8 percent in the first quarter 1997; this increase only equates to about 5,000 square feet.

There are six major projects in Mission Valley that have recently completed, are being developed, or are approved by the City of San Diego. These developments are Rio Vista West, the proposed expansion of the Town and Country Hotel/Convention Center, Phase II of the Hazard Center development, Mission City, the expansion of Fashion Valley, and redevelopment of the Mission Valley West shopping center. Rio Vista West is a 94.5-acre mixed project that comprises 165,000 square feet of office/commercial space, 1,070 dwelling units, and 325,000 square feet of retail space. The retail component of this development has been completed and construction is underway on 480 apartment units. The expansion of the Town and Country Hotel/Convention Center by Atlas Hotels was approved in late 1988, but work on this project has not been started. Phase II of Hazard Center is a 6.1-acre project that has been completed and comprises a 65,000-square-foot retail center that is anchored by a grocery store. Mission City is a mixed-use development that is approved for development with 4,100 multi-family residences, 1,962,000 square feet of office space, 115,000 square feet of retail space, a 500-room hotel, and open space. At present, only 190,000 square feet of office space has been built and construction has been started on a 600-unit apartment complex. The expansion of the Fashion Valley shopping center includes a total of 500,000 square feet of rentable area and several new parking structures. Phase I of this expansion, which included the majority the improvements, was completed in early 1998. When the redevelopment of the Mission Valley West shopping center is completed in 1999, it will comprise about 191,000 square feet of space primarily oriented to retail uses.

Residential Development

As mentioned in the population discussion, residential uses compose a relatively small component of Mission Valley. However, the number of living units in this community has continued to increase over the years. It was reported by SANDAG that on January 1, 1997 there were 6,384 living units, an increase of 858 units, or about 15.5 percent, since January 1, 1990. The most recent additions to this component, which are not included in the preceding figure, are the 1,080 apartment units being constructed as part of the Rio Vista West and Mission City projects. In the Mission Valley Community Plan, it is projected that at build out, there may be as many as about 15,000 living units in Mission Valley.

First San Diego River Improvement Project

In 1986, the city of San Diego instituted what is known as the First San Diego River Improvement Project (FSDRIP), a privately financed river improvement project that is designed to increase the utility of the land surrounding the San Diego River as well as increase the beauty of the river itself. FSDRIP encompasses 254 acres and is bordered by State Route 163 on the west, Camino de la Reina and Camino del Rio North on the south, Friars Road on the north, and Stadium Way on the east. The subject is not located within FSDRIP, as it is situated north of Friars Road.

Summary

Given the central location of Mission Valley, it is one of the areas in San Diego County that experienced significant office, commercial/retail, and residential development over the last decade. Although demand for all types of real estate decreased in the early 1990's, commercial/retail centers located in Mission Valley continued to experience higher occupancy rates than any other submarket in San Diego County, and still exists. This was judged to be attributable to its central location and the increasing number of living units situated in Mission Valley. Additionally, with the resurgence of San Diego's economy, demand for office space in Mission Valley has also increased. For these same reasons, it is our opinion that demand for office and commercial/retail space, and residential development in Mission Valley will continue to increase at least at a modest rate in the foreseeable future. This is best evidenced by strong demand for lots in the subject development in recent months.

DESCRIPTION OF REAL PROPERTY

Legal Description

As stated, the subject of this appraisal is nine legal lots that are part of Mission Valley Heights, a business park. According to public records and information provided by the property owner, the nine subject lots are identified by the APN's and legal descriptions presented in the following table.

APN's and Legal Descriptions

APN	Legal Description
677-390-03	Lot 3 Mission Valley Heights
677-390-04	Lot 4 Mission Valley Heights
677-390-05	Lot 5 Mission Valley Heights
677-390-06	Lot 6 Mission Valley Heights
677-390-07	Lot 7 Mission Valley Heights
677-390-24	Lot 24 Mission Valley Heights
677-390-25	Lot 25 Mission Valley Heights
677-390-26	Lot 26 Mission Valley Heights
677-390-29	Lot 29 Mission Valley Heights

Ownership and History

According to public records and information provided by Michael P. Neal of Fenton-Western Properties, the subject properties are vested in H.G. Fenton Materials Company, a California corporation, which has owned them since at least 1984. It was further reported by Mr. Neal that Lots 4, 5, 6, and 7 of Mission Valley Heights are in escrow at a price of $16.00 per square foot of net (developable) area, and the buyer will assume responsibility for the existing assessment district bond debt. The proposed use of this contiguous site is a 280,000-square-foot build-to-suit office building for the State of California. Mr. Neal further indicated that they are presently improving Lots 25 and 26 with about 47,000 square feet of speculative commercial/industrial space that they anticipate will be substantially built out as office space. He also reported that, until recently, Lot 24 had been under option at $16.00 per net square foot and Lot 29 had been listed for sale at a minimum of $16.00 per net square foot. He went on to state that the option on Lot 24 expired because the prospective buyer was not able to consummate a lease with their *specific* tenant, and that Lot 29 is no longer for sale. Lot 29 was taken off the market due to tax consequences if they sold the site. He did state that if they were to re-list Lot 29, the asking price would be greater than $16.00 per net square foot, due to strong market demand.

Location and Access

All of the subject lots front on Mission Valley Road or Metropolitan Drive, which are fully-improved two-lane streets that serve the northern portion of Mission Valley Heights, of which the subject lots are part. One lot also fronts on Mission Center Road, a fully-improved four-lane street. The subject development extends to Friars Road on the south, a primary six-plus-lane arterial, but the subject lots are located about one block north of this arterial and are not visible from vehicles using Friars Road. The site abutting Friars Road is improved as a neighborhood retail center. With the exception of Lot 3, the northern portion of Mission Valley Heights is designated for office/light industrial development; Lot3 is designated for a restaurant use. Access to the subject area is judged to be good, as the State Route 163/Friars Road interchange is located just southwest of the subject development and is improved with bi-directional freeway access. Immediate access to Mission Valley Road and Metropolitan Drive is via Friars Road, then north on Frazee Road, Murray Canyon Road, or Mission Center Road.

Excluding Lot 3, designated for a restaurant use, the locational desirability of all of the subject lots was judged good. The locational desirability of Lot 3 as a retail site was judged to be below average, as it lacks frontage on a primary arterial.

Street Improvements

As stated, the subject lots front on Mission Valley Road, Metropolitan Drive, or Mission Center Road. Mission Valley Road and Metropolitan Drive are fully-improved two-lane streets that are constructed within 70 to 98 foot wide rights-of-way. The intersection of Mission Valley Road and Metropolitan Drive is controlled by a stop sign and both of these streets are improved with a left-turn lane. Parking is permitted along significant portions of both of these streets. Mission Center Road is a fully-improved four-lane street that is constructed within a 96 foot wide right-of-way. The intersection of Mission Center Road and Mission Valley Road is improved with left-turn lanes. Parking is not permitted along Mission Center Road.

Shape and Size

According to a site plan for Mission Valley Heights provided by Mr. Neal, all of the subject lots are irregular in shape. A summary of the sizes of the subject lots is presented in the following table. Both the gross and net areas of the subject lots have been presented; buyers of sites similar to the subject typically base their investment decision on the lot's net area. Gross areas (except for Parcel 07) are based on the Assessor's plat map. Net areas were provided by Mr. Neal. The gross area of Parcel 07 is based on Mr. Neal's figure as it is consistent with the Mission Valley Heights subdivision map; the Assessor's map indicates a slightly smaller area.

Gross and Net Lot Areas		
APN	Gross Area (SF)	Net Area (SF)
677-390-03	96,703	82,764
677-390-04	110,207	100,188
677-390-05	107,158	95,832
677-390-06	120,661	113,256
677-390-07	199,940	191,664
677-390-24	413,384	311,889
677-390-25	89,298	78,844
677-390-26	98,446	63,162
677-390-29	115,434	111,949
Note: Net areas exclude slopes		

Topography and Drainage

The subject lots are at, slightly above, or slightly below street grade, and the net areas are level. With the exception of Lot 3, it appears that on-site surface water generally drains toward adjacent streets. It appears that on-site surface water on Lot 3 drains to the west and south, toward adjacent lots and the existing shopping center, respectively.

Surrounding Land Uses

The Mission Valley Heights development includes a neighborhood retail center located along Friars Road and an adjacent business park, of which the subject parcels are part. The business park is situated north-northwest of the retail center. Although one of the subject lots is designated for commercial/retail use, the business park component is substantially designated for office and light industrial uses. The land area northerly of the business park is undeveloped hillside. The easterly boundary of the business park is Mission Center Road, a four-lane street. The west-northwesterly boundary of the business park is the right-of-way of State Route 163, a primary freeway. The land area that is located immediately north-northeast of the State Route 163/Friars Road interchange is not part of the Mission Valley Heights development. This area is improved with two mid-rise office buildings, several self-storage facilities, a service station, and a restaurant.

Flood Hazard

According to FEMA Flood Insurance Rate Map No. 06073C1662 F (revised June 19, 1997), the subject lots are in Zone X, which denotes "... areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than one square mile; and areas protected by levees from 100-year flood." It is our understanding that flood hazard insurance is not required for properties within Zone X.

Soils

A soils report was not provided for this appraisal. Upon inspection by the appraisers, no apparent adverse soil conditions were noted. As a result, it was assumed that the subject lots offer soil capable of supporting development to their highest and best use.

Seismic Stability

According to the San Diego Seismic Safety Study map dated October 1995, the subject lots are not situated on an active earthquake fault and are not located in an Alquist-Priolo Special Studies Zone. The nearest known active faults are the Rose Canyon fault, which lies about 3.5 miles west of the subject, and several recently discovered faults in downtown San Diego, which lie about 4.0 miles southwest of the subject. Should an active, or potentially active, earthquake fault be found cross any of the subject parcels, this could have an adverse impact on the value of that lot.

Utilities

All public utilities are available within Mission Valley Road and Metropolitan Drive. Gas and electricity are provided by San Diego Gas & Electric Company. Water and sewer service are provided by the City of San Diego. Telephone service is provided by Pacific Bell.

Hazardous Waste

Inspection of the subject parcels did not reveal the existence of potential hazardous waste. The values estimated in this appraisal are based on the assumption that the utility of the subject parcels are not adversely affected by hazardous waste.

Adverse Influences

At the time of inspection, it was noted that a power transmission line crosses Lots 5 and 6. However, based on improvements constructed on other affected sites and the purchase price of the two parcels crossed by this line, there appears to be little impact on utility and value. No other adverse influences were noted by the appraisers.

Easements and Encumbrances

Title reports for the subject lots were not provided for this assignment. Based on a physical inspection and review of the subject subdivision map, there are several easements that affect certain subject lots. Many of the easements are typical for this property type and do not appear to adversely affected utility. A power line easement affecting Lots 5 and 6 contains major electrical lines. It appears that parking and landscaping are allowed within the easement area based on our observations of nearby development. Sewer and drainage easements (underground) affect Lot 3 and slightly reduce its utility. However, placement of a restaurant building on Lot 3 can be accommodated, and parking and landscaping would be located in the easement areas. We have assumed that there are no other easements or encumbrances that would adversely affect the subject lots.

Mission Valley Community Plan

All of the subject lots are designated for business/industrial park use in the Mission Valley Community Plan.

Mission Valley Planned District Ordinance (PDO)

All of the subject lots are zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay). The intent of this zone designation is to permit a broad range of commercial uses subject to any approved specific plans. Since the Mission Valley Heights Specific Plan was adopted prior to adoption of the Mission Valley PDO, development of the subject site is effectively regulated by the specific plan and Planned Industrial Development (PID) permit discussed in the following sections.

Mission Valley Heights Specific Plan, Planned Industrial Permit (PID) No. 40-018-0, and Planned Commercial Development Permit (PCD) No. 84-1028

A summary of the designated land uses of the subject lots that are contained in the specific plan, lasted amended in 1996, PID No. 40-018-0, and PCD No. 84-1028, is presented in the following table.

Specific Plan, PID, and PCD Use Designations		
APN	Specific Plan	PID and PCD Permits
677-390-03	Restaurant	8,800 SF restaurant
677-390-04	Business park	Commercial office
677-390-05	Business park	Commercial office
677-390-06	Business park	Commercial office
677-390-07	Business park	Commercial office
677-390-24	Business park	200,000 SF corporate center
677-390-25	Business park	Light industrial
677-390-26	Business park	Light industrial
677-390-29	Business park	Light industrial

It was reported by Mr. Neal that the anticipated use of the improvements constructed on the lots designated for light industrial use will be "high-end" industrial buildings, which are typically composed of 60 to 75 percent office space.

Mission Valley Heights Covenants, Conditions, and Restrictions (CC&R's)

According to Mr. Neal, development of all of the lots within Mission Valley Heights are regulated by recorded CC&R's. A copy of this document was not reviewed by the appraisers. It is our understanding that these CC&R's are not onerous, but that all structures must be approved by a design review committee. The composition of this review committee is not known to the appraisers. The analyses and value estimates presented in this report are predicated on the assumption that there are no restrictions in the CC&R's that would adversely affect the utility of the subject lots.

Agricultural Preserve Contract

According to the County of San Diego, none of the subject lots are encumbered by an agricultural preserve contract.

Real Estate Taxes

All of the subject lots are identified by individual APN's and located in Tax Rate Area 08001, which carries a 1997/98 tax rate of $1.1473 per $100.00 of assessed valuation. A summary of the assessed values and 1997/1998 real taxes for each the subject lots is presented in the following table. Under California law, the subject parcels would be reassessed upon sale.

Assessed Value and 1997/98 Real Estate Taxes		
APN	Assessed Value	Real Estate Taxes
677-390-03	$225,193	$2,510.28
677-390-04	272,068	3,032.82
677-390-05	215,315	2,400.18
677-390-06	303,986	3,388.62
677-390-07	407,323	4,540.54
677-390-24	872,343	9,724.26
677-390-25	193,549	2,157.54
677-390-26	170,642	1,902.18
677-390-29	264,306	2,946.28
Total	$2,924,725	N/A

Fixed Charge Assessments

In addition to annual real estate taxes, all of the subject lots are encumbered with fixed annual assessments for County mosquito and rat control, Metropolitan Water District standby charge, and County Water District availability fee. These charges are typical of properties located in San Diego. Additionally, there is an annual assessment for Assessment District No. 4025 - Mission Valley Heights Improvement District. A summary of the remaining principal bond debt for this assessment district is presented in the following table. The annual assessment was not reported in this table because it will be reduced when the remaining assessment district bond debt is refinanced.

Remaining Bond Debt	
APN	Bond debt
677-390-03	$188,495
677-390-04	213,942
677-390-05	199,876
677-390-06	243,183
677-390-07	371,807
677-390-24	740,284
677-390-25	154,534
677-390-26	141,579
677-390-29	226,712
Total	$2,480,412

Development Fees

In addition to fees common to all properties within the city of San Diego, which include water and sewer capacity charges, school fees, and a housing impact fee, development of the subject lots would require payment of transportation and fire fees specific to the Mission Valley Community Plan area. The transportation fee is $143 per average daily trip (ADT) and the fire fee is $65 per 1,000 square feet of gross building area.

Description of Improvements

Of the subject lots, only Lots 25 and 26 are being improved with structures. On the date of value, these two lots were being improved with about 47,000 square feet of "high-end" light industrial space that is contained in two buildings. These buildings are being constructed on a speculative basis by the present ownership. Since the valuation presented in this report reflects land only, these improvements have not been described further. However, they can be considered examples of the highest and best use of these subject lots.

VALUATION METHODOLOGY

As stated earlier, the purpose of this appraisal is to estimate the bulk market value of the subject parcels, as encumbered by the existing assessment districts. As a result, a multi-step analysis was used. First, we formed an opinion as to the highest and best use as if vacant of each of the properties being appraised. We then estimated the retail market land value of the individual parcels, as encumbered by the existing assessment district, using the sales comparison approach. The income and cost approaches were not considered relevant. The final step in our analysis was to estimate the bulk value of the individual parcels. This was accomplished through the use of a discounting process.

HIGHEST AND BEST USE

Highest and best use is an important concept in real estate valuation as it represents the premise upon which value is based. As used in this report, highest and best use is defined on page 297 of the eleventh edition (1996) of *The Appraisal of Real Estate* as follows:

"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."

This definition applies to vacant land or improved property. The highest and best use of vacant land could be immediate development of the property or holding for future development. As applied to improved property, it considers the possibility that the highest and best use of an improved site could be continued operation of the improvements (as they exist or remodeled), conversion to some alternative use, or demolition of the existing structures and construction of new improvements.

The determination of the highest and best use of a site, either improved or vacant, must consider four criteria. These criteria are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. These criteria should be considered in that order because qualification under the latter tests does not matter if the property fails the earlier tests.

Legally Permissible

All of the subject lots are zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego, but development of the subject lots is effectively regulated by the Mission Valley Heights Specific Plan, PID Permit No. 40-018-0, and PCD 84-0128. The following is a reiteration of the uses designated in these documents.

Specific Plan, PID, and PCD Use Designations		
APN	Specific Plan	PID and PCD Permits
677-390-03	Restaurant	8,800 SF restaurant
677-390-04	Business park	Commercial office
677-390-05	Business park	Commercial office
677-390-06	Business park	Commercial office
677-390-07	Business park	Commercial office
677-390-24	Business park	200,000 SF corporate center
677-390-25	Business park	Light industrial
677-390-26	Business park	Light industrial
677-390-29	Business park	Light industrial

Physically Possible

Given the size, shape, topography, access and availability of utilities, we concluded that it would be physically possible to develop the subject lots with any improvements that are legally permissible. When forming this opinion, consideration was given the fact that, to the best of our knowledge, the subject lots have no adverse soils, geological, or environmental conditions that would preclude them from being developed.

Financially Feasible

Any use which results in positive land value represents a financially feasible use. However, for a proposed use to be financially feasible, it must not only result in positive land value, but must be appropriate and supportable by market trends. Since several lots within Mission Valley Heights were in escrow for near-term development and the owner the Mission Valley Heights is presenting improving two lots with speculative high-end light industrial buildings, we concluded that the legally permissible uses of the subject lots would be perceived by market participants to be appropriate and financially feasible. The subject business park has good market appeal and has recently experienced strong demand.

Maximally Productive

The question of maximum productivity addresses the issue of which of the uses resulting in positive land value would result in the highest value. Absent approved development proposals and construction costs, we concluded that it would be speculative to base appraisals of the subject lots on hypothetical development scenarios. Based on trends in the Mission Valley community, including Mission Valley Heights, we concluded that the highest and best use of the subject lots identified for commercial/light industrial use is near-term development with improvements that are consistent with the legally permissible uses defined in the referenced specific plan and development permits.

When determining the highest and best use of Lot 3, which is identified for a restaurant use, several factors were given particular consideration. First, its locational desirability is inferior as it lacks frontage on a primary arterial. Second, although its location is less than ideal, there are only a limited number of similar retail sites in Mission Valley that are available for development. It is located in a quickly growing business park which will provide patrons for restaurant use. Third, although this lot is more than adequate in size for development with the permitted use, the central portion of this site is crossed by underground sewer and drainage easements. These encumbrances may result in some design/siting constraints. Finally, although it might be possible to obtain governmental approvals to develop this site with other than a restaurant, such an under taking would require specific plan, PCD, and PID amendments. This alternative was considered speculative at this time. Based on the preceding factors, we concluded that the highest and best use of Lot 3 is near- to mid-term development with a restaurant.

VALUATION ANALYSES

Market (Retail) Value of the Individual Subject Lots

The sales comparison approach was used to estimate the market value of the subject lots, as encumbered by the existing assessment district. This approach is based on the principle of substitution, which implies that a prudent buyer would pay no more to purchase a property than it would cost to purchase a comparable substitute property. In valuing the subject lots, a search was made for recent sales of similar sites in the subject market area. The primary sources of data were COMPS, Inc., a service updated monthly that summarizes sale activity throughout San Diego County, and Mr. Neal of Fenton-Western Properties.

The market data judged most helpful in valuing the subject lots are summarized in the following table and briefly described following this table. A map showing the locations of the market data and market data sheets are presented in the Addenda as Exhibits A and B, respectively. Of the units of comparison available for analysis, the price per net square foot of site area was used, as this is the unit of comparison most often used by purchasers of this property type in this neighborhood. The market data is arrayed by use and chronologically in the following table.

Summary of Land Sales					
No.	Location	Sale Date	Price	Net Size (SF)	Price/SF
	Commercial/Light Industrial Sites				
1	Lots 15 and 16 of Mission Valley Heights San Diego	09/96	$1,608,000	114,563	$14.04
2	West Bernardo Drive at South Bernardo Court San Diego (Ranch Bernardo)	02/98	6,425,000	348,480	18.44
3*	Lot 1 of Mission Valley Heights San Diego	Escrow	4,966,000	326,700	15.20
4*	Lots 4 - 7 of Mission Valley Heights San Diego (part of subject)	Escrow	8,015,000	500,940	16.00
5*	Lot 24 of Mission Valley Heights San Diego (part of subject)	Expired Option	4,990,000	311,890	16.00
	Retail Sites				
6	Mission Center Road at Camino del la Reina San Diego (Mission Valley)	04/95	1,334,000	103,650	12.87
7	Murphy Canyon Road south of Aero Drive San Diego (Kearny Mesa)	01/96	750,000	47,900	15.66
8	Carmel Mountain Road at Stoney Peak Road San Diego (Carmel Mountain)	11/96	890,000	34,850	25.54
9	Bernardo Center Drive at Iberia Place San Diego (Rancho Bernardo)	02/97	1,000,000	32,670	30.61

* The selling price is based on the reported price per square foot of net area and reported net area.

The sales reported in the table reflect sites with and without outstanding bond assessments. In each case where the site was encumbered with bond debt, the purchaser assumed this obligation. When researching this aspect of the sales, it was found that there is no "standard" adjustment that buyers make when acquiring a bond indebted site. Buyers may consider the impact of bond debt on what they are willing to pay for a site that is so encumbered by 1) capitalizing the first-year assessment payment, 2) developing a present-worth (discounted cash flow) analysis, and 3) "deducting" the remaining principal from a price they would be willing to pay for the same site if it were not encumbered. However, in most cases, it seems that buyers base the "adjustment" for bond debt on the opinion of the broker.

Due to the imperfect nature of the market, the most reasonable means of reflecting such debt in this analysis is to make a deduction based on remaining principal per net square foot. This methodology was selected for several reasons. First, the selection of an appropriate capitalization rate to capitalize the first-year assessment is speculative, directly affected by the remaining term and interest rate of the bond debt, and cannot be market supported. Second, the selection of appropriate parameters to use in a present-worth analysis is also significantly impacted by the remaining term and interest rate of the bond debt and cannot be market supported. Finally, and most importantly, comparison of several of land sales supports the methodology selected. Excluding bond debt, Land Sale Nos. 2 and 3 were judged to be similar overall. Land Sale No. 2, at a price of $18.44 per net square foot, is not encumbered by bond debt. Land Sale No. 3, at a price of $16.00 per net square foot, is encumbered with about $2.00 per net square foot of bond debt. Hence, the indicated unencumbered value of Lot No. 3 is $18.00 per net square foot ($16.00 + $2.00), which is within 2.5 percent of the price paid for Land Sale No. 2. It was similarly found that due to market imperfections, it is not possible to support a distinction by market participants between sites encumbered with moderately different levels of remaining bond debt. This is best evidenced through the comparison of Land Sale Nos. 3, 4 and 5. These sales are encumbered with $1.93, $2.05, and $2.37 per net square foot of bond debt, respectively, but the price for all of these lots is $16.00 per net square foot. As such, although the remaining bond debt encumbering the subject lots ranges from about $1.94 to $2.37 per net square foot, we reflected an adjustment of $2.00 per net square foot in our analysis of the unencumbered sales.

Discussion and Analysis of Commercial/Light Industrial Sties

Land Sale No. 1 is located in Mission Valley Heights along the western side of Mission Valley Road and the western boundary of this property abuts the right-of-way of State Route 163. Although the freeway visibility of this site is limited, this characteristic was judged to be somewhat superior to the subject lots. It was the buyer's intent to improve this site with a Homestead Village Hotel, which is now operational. This use required Specific Plan and PID Permit amendments, which were processed prior to the close of escrow. Market conditions have improved significantly since this transaction closed escrow. Overall, this property was judged to be somewhat inferior to the subject lots.

Land Sale No. 2 is located along the easterly side of West Bernardo Drive and abuts the westerly side of the right-of-way of Interstate 15. The general location of this site was judged to be similar to the subject, but its specific location was judged to be slightly superior to the subject lots, as it offers good freeway visibility. Although a specific amount was not disclosed, the finished cost of this site will be somewhat greater than the purchase price, as some land development work is required. This property is not encumbered with bond debt for an assessment district. When the selling price of this property is adjusted to reflect the $2.00 per net square foot bond debt on the subject site, the adjusted price is $16.44 per net square foot ($18.44 - $2.00). Market conditions have continued to improve since this transaction closed escrow. After adjusting for bond debt, this property was judged to be overall similar to the subject lots.

Land Sale No. 3 is located in Mission Valley Heights along the northern side of Mission Valley Road and abuts the western side of Mission Center Road. It was reported that there is remedial grading needed on this site and that the purchase price is based on a finished site cost of $16.00 per net square foot. It is the buyer's intent to improve this site with an speculative office building. It was reported by the seller that this transaction may not close escrow due to a contingency that they put in the purchase agreement. This contingency was put in the purchase agreement due to tax consequences that they would incur if they were unable to acquire a similar property as part of a tax-deferred exchange. Overall, the finished cost of this site was judged to be similar to the subject lots.

Land Sale No. 4 is located in Mission Valley Heights along the southerly side of Metropolitan Drive and the westerly side of Mission Valley Road. This site also fronts on Murray Canyon Road and is affected by the referenced power transmission line. It is the intent of the buyer of this site to improve it with a 280,000-square-foot office building for the State of California. This site is designated for commercial office use in the Mission Valley Heights Specific Plan. Overall, this property was judged to be similar to the value of the subject properties.

Land Sale No. 5 is located in Mission Valley Heights and has frontage along Mission Valley Road and Metropolitan Drive. This site is composed of two building pads. It was the intent of the prospective buyer to improve this site with office and high-end light industrial uses. This option expired because the buyers were not able to negotiate a lease with a tenant *specified* in the option agreement. Overall, this property was judged to be similar to the subject properties.

In addition to the preceding market data, some consideration was given listing information provided by Mr. Neal regarding Lots 12, 14, and 29 of Mission Valley Heights. Until recently, these lots designated for business park/light industrial uses were listed for $16.00 per net square foot. He indicated the these lots were taken off the market due to tax consequences they would incur if they sold them. He further indicated that due to strong market demand, the asking prices of these lots would be increased to $17.00 per net square foot if they were re-listed.

Based on the preceding market data and strong demand for all types of real estate throughout San Diego, we concluded that the market value of all of the subject lots identified for commercial/light industrial uses, as encumbered by the existing assessment district, is $16.00 per net square foot. This value conclusion reflects the scenario wherein the buyer assumes the obligation of bond debt.

Discussion and Analysis of Retail Sites

Land Sale No. 6 is a finished site that is located at the signalized intersection of Mission Center Road and Camino de la Reina. Both of these streets are fully-improved four-lane aterials. It was the buyer's intent to construct two commercial/retail buildings on this site; it is now improved with a building occupied by Strouds and a building occupied by Mimi's Cafe restaurant. At the time of sale, this site was encumbered with about $8.00 per net square foot of bond debt. When the selling price of this property is adjusted to reflect the $2.00 per net square foot bond debt on the subject site, the adjusted price is $18.87 per net square foot ($12.87 + $8.00 - $2.00). The locational desirability of this sale was judged to be superior to the subject. Market conditions have improved significantly since this transaction closed escrow. Overall, this property was judged to be somewhat superior to the subject lot.

Land Sale No. 7 is a finished commercial site that is located just south of the signalized intersection of Murphy Canyon Road and Aero Drive. It is also visible from Interstate 15, a primary eight-lane freeway. Murphy Canyon Road is a fully-improved four-lane arterial. It was the buyer's intent to construct a small retail center, which is now operational. The buyer reported that the purchase price included about $150,000 in site improvements, including a $25,000 seller contribution for additional site improvements. Hence, the indicated land price is $12.53 per net square foot. When the selling price of this property is adjusted to reflect the $2.00 per net square foot bond debt on the subject site, the adjusted price is $10.53 per net square foot ($12.53 - $2.00). The utility of this site is impacted by its shape and several joint-use easements, which were judged to be inferior to the subject. The locational desirability of this sale was judged to be slightly superior to the subject. Market conditions have improved significantly since this transaction closed escrow. Based on conversations with the buyer and lease rates in the new retail center, it appears that this sale is a low indicator. Overall, this property was judged to be inferior to the subject lot.

Land Sale No. 8 is a finished commercial pad that is part of a community shopping center. It is visible from Carmel Mountain Road and abuts one of the signalized accesses to this shopping center. Carmel Mountain Road is a fully-improved four-lane arterial. It was the buyer's intent to construct a Boston Market restaurant, which is now operational. When the selling price of this property is adjusted to reflect the $2.00 per net square foot bond debt on the subject site, the adjusted price is $23.54 per net square foot ($25.54 - $2.00). The locational desirability of this sale was judged to be superior to the subject. Market conditions have improved significantly since this transaction closed escrow. Overall, this property was judged to be superior to the subject lot.

Land Sale No. 9 is a commercial site that is located at a signalized intersection and fronts on both Bernardo Center Drive and Iberia Place. Bernardo Center Drive is a fully-improved four-lane arterial. Iberia Place is a fully-improved two-lane street. At the time of sale, this property was occupied by a nursery. In addition to the purchase price, the developer spent about $20,000 to raze the existing improvements and $50,000 to buy out the tenants lease. These costs were partially offset by $15,000 of rent that the tenant paid the buyer prior to vacating the property. Hence, the finished lot cost of this site was about $1,055,000, which equates to $32.29 per net square foot. It was the buyer's intent to redevelop this site with about an 11,000-square-foot retail center, which is now operational. When the finished site cost is adjusted to reflect the $2.00 per net square foot bond debt on the subject site, the adjusted price is $30.29 per net square foot ($32.29 - $2.00). The locational desirability of this sale was judged to be significantly superior to the subject. Market conditions have continued to improve since this transaction closed escrow. Overall, this property was judged to be significantly superior to the subject property.

The bond debt adjusted prices indicated by Land Sale Nos. 6, 7, and 9, which were judged to be somewhat-to-significantly superior to the subject, are $18.87, $23.54, and $30.29 per net square foot, respectively. The bond debt adjusted price for Land Sale No. 7, which was judged to be inferior to the subject, is $10.53 per net square foot. The data indicate that the subject value should fall in the $12.00 to $18.00 per square foot range. Based on the market data, giving particular consideration to the legal and physical characteristics of the subject lot, we concluded that the market land value of Lot 2 (as encumbered by the existing assessment district) is $15.00 per net square foot.

Market Lot Values and Aggregate Retail Value

Based on the preceding analyses, the market value of the subject lots and their aggregate retail value, as of September 30, 1998, are calculated as follows:

Market Lot Values and Aggregate Retail Value			
APN	Net Area (SF)	Value/SF	Lot Value
Commercial/Light Industrial Sites			
677-390-04	100,188	$16.00	$1,603,008
677-390-05	95,832	16.00	1,533,312
677-390-06	113,256	16.00	1,812,096
677-390-07	191,664	16.00	3,066,624
677-390-24	311,889	16.00	4,990,224
677-390-25	78,844	16.00	1,261,504
677-390-26	63,162	16.00	1,010,592
677-390-29	111,949	16.00	1,791,184
Retail Site			
677-390-03	82,764	15.00	1,241,460
Aggregate Retail Value			$18,310,004

Bulk (Discounted) Market Value of the Subject Lots

To estimate the bulk (discounted) market value of the subject lots, the first step was to estimate the time necessary to resell the parcels on the open market - the absorption period. We then selected an appropriate discounting process, parameters to be used in this process, and applied the selected parameters to the estimated aggregate retail value of the subject lots.

When estimating a reasonable absorption period for the subject lots, we considered a number of factors. These factors include: 1) four of the subject lots are in escrow, 2) two of the subject lots are being developed, 3) a purchase option had been executed on a seventh lot, 3) there is strong demand for similar lots throughout San Diego, and 4) the owner of the subject lots is not actively marketing subject lots due to an adverse tax situation, otherwise additional lots would be in escrow. Strong market demand has been expressed for the subject business park and other similar parks located in San Diego. Based on these factors, giving particular consideration to the fact that over one-half of the subject lots are in escrow or being developed, we concluded that the subject lots would be absorbed (sold) in less than one year.

Since the estimated absorption period of the subject lots is less than one year, we concluded that the most appropriate discounting process would be to apply a one-time discount factor to the estimated aggregate retail value of the subject lots. If the estimated absorption period were significantly longer, we would have chosen to use a discounted cash flow analysis.

We estimated the discount factor by using a built-up method that considers its component parts. These component parts include the costs that would be incurred during the absorption (sell-off) of the subject lots and a profit rate deemed adequate to attract equity capital. When researching the market place, it was found that desired profit rates for real estate endeavors typically range from about 10 to 15 percent, depending on risk. Since the estimated absorption period is less than one year and four of the subject lots are already in escrow at $16.00 per net square foot, we concluded that a profit rate at the lower end of the range, 10.0 percent, would be adequate to attract equity capital. Holding costs during the projected absorption period would include sales commissions, real estate taxes, annual assessment district charges, and miscellaneous expenses. Based on the significant aggregate retail value and desirability of the subject lots, we concluded that sales commissions would be based on either a specified dollar amount or small a percentage of the selling price. The effective tax rate of the subject lots, including the annual assessment district charges, is less than 1.2 percent. We feel that 5.0 percent is sufficient to cover holding costs, including sales commissions. Based on the preceding analysis, we concluded that a reasonable discount from aggregate retail is 15.0 percent.

When a 15.0 percent discount factor is applied to the estimated aggregate retail value of the subject lots, their estimated bulk (discounted) market value is calculated as follows. The effective date of this value estimate is September 30, 1998, and this estimate of value is subject to the assumptions and limiting conditions made a part of this report.

$$\$18,310,004 \times (1.0-0.15) = \$15,563,503$$

ASSESSMENT DISTRICT NO. 4029

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	Sorrento Valley Road - Sorrento Valley Boulevard to I-805 Improvement District
PROPERTY IDENTIFICATION:	The two subject lots are identified as Assessor Parcel Numbers (APN's) 343-131-11, which we identified as Lot 1 in this analysis, and 343-130-12, which we identified as Lot 2 in this analysis.
PROPERTY LOCATION:	The subject lots are located in the Sorrento Valley community of San Diego. The address of Lot 1 is 10355 Sorrento Valley Road. The address of Lot 2 is 10050 Sorrento Valley Road.
LAND DESCRIPTION:	The subject lots are irregular in shape. Lot 1 contains about 214,315 gross square feet (4.92 acres) and Lot 2 contains about 192,970 gross square feet (4.43 acres). We have estimated that Lots 1 and 2 are about 90 and 50 percent developable, respectively. Both are zoned M1-A by the City of San Diego and are similarly designated in the Torrey Pines Community Plan. A significant portion of Lot 2 is designated as floodway, 100-year flood plain, and biologically sensitive riparian area.
HIGHEST AND BEST USE:	Light industrial/office development.
ESTATE APPRAISED:	Fee simple estate (land only), as encumbered by the existing assessment district.
VALUE ESTIMATED:	Bulk market value (land only).
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$1,958,488
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4029.

The subject of this appraisal is two legal lots that are situated in the Sorrento Valley community of San Diego and are identified as Assessor Parcel Nos. (APN's) 343-131-11 and 343-130-12.

NEIGHBORHOOD DESCRIPTION

Sorrento Valley is a commercial/industrial district that is located about 12 miles north of downtown San Diego. The majority of this district is situated southwest of Interstate 5, between the Interstate 805/Mira Mesa Boulevard interchange on the southeast and Carmel Mountain Road on the northwest. The area southwest of this district is a steep hillside. A small portion of Sorrento Valley is situated along both sides of Sorrento Valley Boulevard, northeast of Interstate 805. The urban development of Sorrento Valley started in the late 1970's, when farmland and flood plain were converted to office, research and development (R&D), and industrial uses.

Location and Access

Access to Sorrento Valley is good, but becomes congested at peak traffic hours. It is served by a bi-directional freeway interchange from Interstate 805 at Mira Mesa Boulevard, a southbound on-ramp to Interstate 5, and a northbound off-ramp from Interstate 5. The Interstate 805/Mira Mesa Boulevard interchange is situated at the southeasterly end of Sorrento Valley. The access to and from Interstate 5 is located in about the center of Sorrento Valley, just south of where Interstate 805 merges with Interstate 5. Additionally, surface street access is provided via Sorrento Valley Road, which extends the length of Sorrento Valley, Mira Mesa Boulevard from the east, Sorrento Valley Boulevard from the northeast, and Carmel Mountain Road from the northeast. Sorrento Valley Road is fully-improved four-lane arterial. Mira Mesa Boulevard is a fully-improved six-lane arterial that is the easterly extension of Sorrento Valley Road. This arterial extends to Interstate 15, about six miles to the east. It serves the business/industrial district of Sorrento Mesa immediately east of Interstate 805 and the community of Mira Mesa further to the east. Sorrento Valley Boulevard is a fully-improved four-lane arterial that extends north and east from Sorrento Valley Road and primarily serves the northerly portions of Mira Mesa. Carmel Mountain Road is a recently-completed four-plus-lane arterial that extends northeast from Sorrento Valley Road. This road, which intersects with

El Camino Real less is than one mile northeast of Sorrento Valley, also accesses the commercial and residential areas developing northeast of Interstate 5.

Development Trends in Sorrento Valley

As stated, Sorrento Valley is a commercial district that is composed of office, R&D, and industrial space. According to TURI Commercial Services (TURI) first quarter 1998 Availability Report, there is a total of just under 554,000 square feet of office space in Sorrento Valley and the overall vacancy rate was 3.3 percent. This reflects a decrease of 0.6 percent in the vacancy rate since the first quarter 1997. According to the TURI report, there is a total of about 1,866,000 square feet of R&D space in Sorrento Valley and the overall vacancy rate was 3.4 percent. This reflects a decrease of 5.5 percent in the vacancy rate since the first quarter 1997. According to the TURI report, there is a total of about 1,414,000 square feet of industrial space in Sorrento Valley and the overall vacancy rate was 7.8 percent. This reflects an increase of 1.1 percent since the first quarter 1997, or just under 15,000 square feet.

While researching Sorrento Valley, it was found that three properties have sold in the recent past for development, or redevelopment, with office/industrial improvements. The largest of these properties is located at the intersection of Sorrento Valley Road and Carmel Mountain Road and abuts the right-of-way of Interstate 5. The gross area of this property is just under 12 acres, but its net (developable) is substantially less, and it is improved with two office buildings containing 54,000 square feet. It is the intent of the buyer to redevelop this site with 120,000 square feet of office space. The second property is located along Sorrento Valley Road, contains just over 80,000 square feet, and is improved with an older 17,000-square-foot office/warehouse building. It is the intent of the buyer to redevelop this site with a two-story 36,000-square-foot speculative R&D/office building. The third property is a vacant site that is located along Sorrento Valley Road and abuts the right-of-way of Interstate 5. This site is vacant and contains about 45,000 square feet. The proposed use of this site was not disclosed. Other recent development includes a self storage facility.

Given the central location of Sorrento Valley, its convenient freeway access, and the recent demand for properties in this community, it is our opinion that demand for office, R&D, and industrial space in Sorrento Valley will continue into the foreseeable future.

DESCRIPTION OF REAL PROPERTY

As stated, the subject of this appraisal is two legal lots. In this analysis, we identified the lot located at 10355 Sorrento Valley Road and identified by APN 343-131-11 as Lot 1. We identified the lot located at 10050 Sorrento Valley Road and identified by APN 343-130-12 as Lot 2.

Legal Descriptions

Legal descriptions were not provided for the subject lots. For purposes of this appraisal, we assumed that the legal descriptions of the subject lots are the same as the area identified by the referenced APN's. If this assumption is not correct, we reserve the right to amend this appraisal.

Ownership and History

According to the Assessors' records, Lot 1 has been owned by Hubert W. and Beverly S. Wong since at least 1985.

According to this same source, Lot 2 is owned by the City of San Diego. Based on a city property file, this lot is the majority of a property purchased by the City of San Diego in March 1996. This purchase was made under a settlement agreement with the previous owners for alleged pre-condemnation damages. The price paid by the City of San Diego under this agreement was $1,750,000. We did not use this sale in our valuation analysis, as it is not an arm's-length transaction. It was reported by Lane MacKenzie of City of San Diego Real Property Assets that Lot 2 was acquired because it is needed for the planned extension of Carroll Canyon Road. ***At the client's direction, we appraised Lot 2 to its highest and best use as if held in private ownership.***

Location and Access

Lot 1 is located along the northeasterly side of Sorrento Valley Road. This segment of Sorrento Valley Road, which becomes Mira Mesa Boulevard just to the east of this property, is a fully-improved four-lane arterial that is improved with a concrete median. This lot also abuts the southwesterly side of the right-of-way of Interstate 805, a primary eight-lane freeway, and is visible from this freeway. There is a bi-directional freeway interchange where Mira Mesa Boulevard meets Interstate 805, about one-quarter mile southeast of this Lot 1. Bi-directional ingress and egress to this lot is provided via a left-turn lane and break in the median. Location and access to were considered good.

Lot 2 is located along the south side of Sorrento Valley Road, about two blocks southeast of Lot 1. This segment of Sorrento Valley Road is a two-lane asphalt-paved street that is used for local access and ends at the subject lot. Bi-directional access to this segment Sorrento Valley Road is provided from Mira Mesa Boulevard. However, as a practical matter, west bound ingress and egress to and from this segment of Sorrento Valley Road and Mira Mesa Boulevard are problematic during peak traffic hours. Overall, the location and access of Lot 2 was judged to average. Although its general location was judged to be good, its specific location was judged to be below average. This is because it does not have frontage along Mira Mesa Boulevard, is not visible from this arterial, and immediate access is somewhat restricted during peak traffic hours.

Street Improvements

According to the Assessor's plat map, Sorrento Valley Road in the vicinity of Lot 1 is constructed within a 100 foot wide right-of-way, and in the vicinity of Lot 2 is constructed within about a 40 foot wide right-of-way. The paved portion of the street serving Lot 2 is only about 20 feet wide. As a result, the width of this street would have to increased if Lot 2 is improved.

Size and Shape

According to the Assessor's plat map, Lot 1 contains 4.92 gross acres, or 214,315 gross square feet, and is irregular in shape. It appears that about 90 percent of this lot is developable.

According to the same source, Lot 2 contains 4.43 gross acres, or 192,970 gross square feet, and is irregular in shape. It appears that about 50 percent of this lot is developable. A plat map of the subject lots is presented at the end of this report.

Topography and Drainage

Lot 1 generally slopes upward to the north from Sorrento Valley Road to Interstate 805, but several relatively level pads have been created and there are elevation undulations throughout the site. Surface water generally drains toward Sorrento Valley Road.

Lot 2 slopes gently downward to the south from Sorrento Valley Road toward a small creek the crosses the southern portion of this lot. Surface water drains toward this creek.

Surrounding Land Uses

Land uses surrounding the subject lots are varied. The area southwest of Sorrento Valley Road, adjacent to Lot 2 and across Sorrento Valley Road from Lot 1, is improved with a group of light industrial/office buildings. The area northwest of this grouping of buildings is vacant. The properties situated along the northeast side of Sorrento Valley Road, northwest and southeast of Lot 1, are vacant. The area immediately northeast of both of the subject lots is the right-of-way of Interstate 805, an eight-lane freeway. Most developable lots situated further to the northwest along both sides of Sorrento Valley Road are developed with light industrial, R&D, and office buildings. The area further to the southwest is a hillside that is not developable and is separated from the rest of Sorrento Valley by a rail line. The right-of-way of this rail line abuts southerly side of Lot 2. This is a commercial district that is predominantly composed of office, light industrial, R&D developments and is experiencing strong demand.

Flood Hazard

Both of the subject lots are situated on FEMA Flood Insurance Rate Map No. 06073 C139F, which was revised June 19, 1997. According to this map, Lot 1 is in Zone X, outside of the 500-year flood plain.

According to the referenced map, Lot 2 is affected by two zone designations. A majority of this lot is designated Zone AE. Within this zone, the southerly portion is identified as being within a floodway. The central and north-central portions of the subject lot are identified as being within a 100-year flood plain where the base flood elevation is know. The northwesterly and northeasterly portions of the subject lot are in Zone X, in a 500-year flood plain, a 100-year flood plain with average depths of less than one foot or with drainage areas less than one square mile, or areas protected by levees from a 100-year flood. The specific areas affected by Zone AE are not known, but the impact of these designations were considered in our valuation of Lot 2. This is because development of the area within the floodway portion of Zone AE is effectively precluded and development of the portion within the 100-year flood plain would require filling the site to a point above the base flood elevation. Overall, the flood hazard could preclude development of about one-half of Lot 2. Engineering is required for a more accurate estimate.

Biological Resources

In the MSCP/MHCP study area reports, Lot 1 is identified as disturbed habitat outside of the MHPA (hardline preserve area). Since this lot is outside of the MHPA and based on the current condition of the lot, we concluded that it is unlikely that this identification would affect development.

In the referenced reports, the southern portion of Lot 2 is identified as being Southern Sycamore-alder Riparian Woodland and the remainder of the site is identified as disturbed habitat. For the reasons discussed relative to Lot 1, we concluded that it is unlikely that the disturbed habitat identification would affect development of Lot 2. However, the riparian are is a protected resource. Since the portion of Lot 2 identified as being Southern Sycamore-alder Riparian Woodland is within the floodway discussed in the preceding section (and not developable), we concluded that this biological identification does not further reduce its utility.

Soils

Soils reports for the subject lots were not provided for this appraisal. Upon inspection of the subject lots, no apparent adverse soil conditions were noted. As a result, it was assumed that the subject lots offer soil capable of supporting development to their highest and best use.

Seismic Stability

According to the San Diego Seismic Safety Study map dated October 1995, neither of the subject lots are located on an active earthquake fault nor in Alquist-Priolo Special Studies Zones. Active known faults are the Rose Canyon fault, which lies about 3.5 miles southwest of the subject lots, and several recently discovered faults in downtown San Diego, which are about 12 miles south of the subject lots.

When reviewing the referenced map, it was found that a concealed fault runs along Sorrento Valley Road in the vicinity of Lot 1. According to Warner Landry, a geologist with the City of the San Diego, since a concealed fault is within 100 feet of Lot 1, a geological investigation would have to be prepared as part of a development application. He further stated that since this fault does not cross the subject lot, it is highly unlikely that it would impact development.

Should an active, or potentially active, earthquake fault be found on either of the subject lots, this could have an adverse impact on the value of the affected lot.

Utilities

Public utilities have been extended to Lot 1 and are available near to Lot 2 within Sorrento Valley Road. Gas and electricity are provided by San Diego Gas & Electric Company. Water and sewer service are provided by the City of San Diego. Telephone service is provided by Pacific Bell.

Hazardous Waste

Inspection of the subject lots did not reveal the existence of potential hazardous waste. The values estimated in this appraisal are based on the assumption that the utility of the subject lots is not adversely affected by hazardous waste.

Adverse Influences

As mentioned, the subject lots abut or are in immediate proximity to Interstate 805. However, given the highest and best of use of both of these lots, we formed the opinion that this characteristic is not an adverse influence. The fact that Lot 1 is within 100 feet of a concealed earthquake fault and is identified as disturbed habitat, were not judged to have a substantive adverse affect on this lot. It is our understanding that it is unlikely that either of these characteristics would affect development of this lot. The fact that portions of Lot 2 are in a floodway, riparian area, and a 100-year flood plain were judged to be adverse influences. The floodway and riparian areas are effectively undevelopable and the land development costs for the portion of the site in the 100-year flood plain fringe will be increased due to required fill. Although subjective in nature, we concluded that only about 50 percent of Lot 2 is developable. No other adverse influences were noted by the appraisers.

Easements and Encumbrances

Title reports for the subject lots were not provided. For purposes to this appraisal, we assumed that any easements and encumbrances affecting the subject lots are typical for this property type and do not adversely affected their utility. If it is determined that the utility of either of the subject lots is adversely affected by either easements or encumbrances, we reserve the right to amend this appraisal.

Community Plan

The subject district is designated for industrial/open space use in the Torrey Pines Community Plan, last amended in April 1996. This plan does not provide a detailed map pertaining to the subject lots.

Zone Designation

Both of the subject lots are zoned M1-A. The intent of this zone designation is to permit a variety of commercial/light industrial uses. These uses include building material storage and supply yards, automotive services, rental establishments, a broad range of light industrial uses, and business and professional offices. Development regulations under this zone designation include a minimum lot size of 15,000 square feet, a minimum 25-foot front yard setback, and a maximum side yard setback of 25 feet. There is not a maximum floor area ratio, but 50 percent of the gross site area is to be improved for parking, loading, and perimeter landscaping. Since only about 50 percent of the Lot 2 is developable, this situation would result in the need to obtain a zone variance as part of the approval process.

Coastal Zone Designation

Lot 1 is located in the portion of the coastal zone where development is regulated by the City of San Diego. As a result, development of this lot requires a Coastal Development Permit. It is our understanding that it is unlikely that this requirement would substantively affect development of this lot, but it is an additional application that must be submitted as part of the approval process.

Agricultural Preserve Contract

According to the County of San Diego, none of the subject lots are encumbered by an agricultural preserve contract.

Real Estate Taxes

Both of these lots are located in Tax Rate Area 08144, which carries a 1997/98 tax rate of $1.11473 per $100.00 of assessed valuation. A summary of the 1997/1998 assessed values and real taxes for the subject lots is presented in the following table. Since Lot 2 is owned by the City of San

Diego, no assessment information was applicable to this parcel. Under California law, the subject lots would be reassessed upon sale.

Assessed Values and 1997/98 Real Estate Taxes			
Lot No.	APN	Assessed Value	Real Estate Taxes
1	343-131-11	$122,792	$1,368.78
2	343-130-12	0	0
Total		$122,792	N/A

Fixed Charge Assessments

In addition to annual real estate taxes, the subject lots are encumbered with fixed annual assessments for County mosquito and rat control, Metropolitan Water District standby charge, and County Water District availability fee. These charges are typical of properties located in San Diego. Additionally, there is an annual assessment for Assessment District No. 4029 - Sorrento Road/Boulevard Improvement District. A summary of the remaining principal bond debt for this assessment district is presented in the following table. The annual assessment was not reported in this table, as it will be reduced when the remaining bond debt is refinanced.

Remaining Bond Debt	
APN	Bond Debt
343-131-11	$82,828
343-130-12	15,850

Description of Improvements

Lot 1 is improved with at least one older structure that appears to have originally been a detached residence and a billboard. This property is also improved with site improvements that include fencing. Since the valuation presented in this report reflects land only, this abbreviated description was presented solely for informational purposes. The older structure was considered to have no contributory value. There may be some ground rent attributable to the billboard, which could enhance the value of the property; a lease was not provided to the appraisers. We have assumed that any ground rent income is minimal in relation to the overall value of the parcel.

VALUATION METHODOLOGY

As stated earlier, the purpose of this appraisal is to estimate the bulk market value of the subject lots, as encumbered by the existing assessment districts. As a result, a multi-step analysis was used. First, we formed an opinion as to the highest and best use as if vacant of each of the properties being appraised. We then estimated the retail market land value of the individual lots, as encumbered by the existing assessment district, using the sales comparison approach. The income and cost approaches were not considered relevant. The final step in our analysis was to estimate the bulk market value of the individual lots. This was accomplished through the use of a discounting process.

HIGHEST AND BEST USE

Highest and best use is an important concept in real estate valuation as it represents the premise upon which value is based. As used in this report, highest and best use is defined on page 297 of the eleventh edition (1996) of *The Appraisal of Real Estate* as follows:

"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."

This definition applies to vacant land or improved property. The highest and best use of vacant land could be immediate development of the property or holding for future development. As applied to improved property, it considers the possibility that the highest and best use of an improved site could be continued operation of the improvements (as they exist or remodeled), conversion to some alternative use, or demolition of the existing structures and construction of new improvements.

The determination of the highest and best use of a site, either improved or vacant, must consider four criteria. These criteria are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. These criteria should be considered in that order because qualification under the latter tests does not matter if the property fails the earlier tests.

Legally Permissible

Both of the subject lots are zoned M1-A by the City of San Diego, which is consistent with their land use designation in the Torrey Pines Community Plan. Given these use designations, it is legally permissible to develop the subject lots with a broad variety of commercial/light industrial uses.

However, due to the fact that the southern portion of Lot 2 is identified as being within a floodway and 100-year flood plain, and as being biologically sensitive, the net (developable) area of Lot 2 is substantially less than its gross area. Based on review of available data, we formed the opinion that about 50 percent of Lot 2 would be developable.

Physically Possible

Given the size, shape, access, and availability of utilities, we concluded that it would be physically possible to develop Lot 1 with any improvement that is legally permissible. However, due to the topography of this lot, a significant amount of land development work would be required. Given the size, shape, access, topography, and availability of utilities, we concluded that it would also be physically possible to develop Lot 2 with any improvement that is legally permissible. However, as discussed in legally permissible uses, the portion of this site that can be developed is restricted by floodway, flood plain, and riparian designations. The northern one-half (approx.) of Lot 2 appears to be developable.

Financially Feasible

Any use which results in positive land value represents a financially feasible use. However, for a proposed use to be financially feasible, it must not only result in positive land value, but must be appropriate and supportable by market trends. Since several lots within Sorrento Valley have been recently developed and several other lots have been recently purchased for near-term development, or redevelopment, we concluded that at least some of the legally permissible uses of the subject lots would be perceived by market participants to be appropriate and financially feasible.

Maximally Productive

The question of maximum productivity addresses the issue of which of the uses resulting in positive land value would result in the highest value. Absent approved development proposals and construction costs, we concluded that it would be speculative to base appraisals of the subject lots on hypothetical development scenarios. Based on trends in Sorrento Valley, including development surrounding the subject lots, we concluded that the highest and best use of the subject lots is near-term development with light industrial/office improvements.

VALUATION ANALYSES

Market (Retail) Value of the Individual Subject Lots

The sales comparison approach was used to estimate the market value of the subject lots, as encumbered by the existing assessment district. This approach is based on the principle of substitution, which implies that a prudent buyer would pay no more to purchase a property than it would cost to purchase a comparable substitute property. In valuing the subject lots, a search was made for recent sales of similar sites in the subject market area. The primary source of data were COMPS, Inc., a service updated monthly that summarizes sale activity throughout San Diego County.

The market data judged most helpful in valuing the subject lots are summarized in the following table and briefly described in the following analyses. A map showing the locations of the market data and market data sheets are presented in the Addenda as part of Exhibits A and B, respectively. Of the units of comparison available for analysis, the price per gross square foot of site area was used. Because the gross and net areas of Lot 2 differ by so much, a comparison of net area was also developed in the analysis of this lot. The market data is arrayed chronologically in the following table.

Summary of Land Sales					
No.	Location	Sale Date	Price	Gross Size (SF)	Price/SF
10	10500 Block of Sorrento Valley Road San Diego (Sorrento Valley)	12/95	$627,896	98,881	$6.35
11	Palomar Oaks Way Carlsbad (Carlsbad Airport Center)	06/96	277,368	124,580	2.23
12	6733 Consolidated Way San Diego (Miramar)	09/96	858,000	155,945	5.50
13	Community Drive at Scripps Poway Parkway Poway (Poway Industrial Park)	10/96	665,553	232,610	2.86
14	10300 Block of Sorrento Valley Road San Diego (Sorrento Valley)	02/97	875,000	99,315	8.81
15	Black Mountain Road at Carroll Centre Road San Diego (Miramar)	09/97	336,000	47,916	7.01
16	11388 Sorrento Valley Road San Diego (Sorrento Valley)	05/98	1,202,000	80,150	15.00
17	Sorrento Valley Road at Begonia Street San Diego (Sorrento Valley)	08/98	745,000	45,000	16.56

The sales reported in the table reflect sites with and without outstanding bond assessments. In each case where the site was encumbered with bond debt, the purchaser assumed this obligation. When researching this aspect of the sales, it was found that there is no "standard" adjustment that buyers make when acquiring a bond indebted site. Buyers may consider the impact of bond debt on what they are willing to pay for a site that is so encumbered by 1) capitalizing the first-year assessment payment, 2) developing a present-worth (discounted cash flow) analysis, and 3) "deducting" the remaining principal from a price they would be willing to pay for the same site if it were not encumbered. However, in most cases, it seems that buyers base the "adjustment" for bond debt on the opinion of the broker.

Due to the imperfect nature of the market, we concluded that the most reasonable means of reflecting such debt in this analysis is to make an adjustment based on remaining principal per gross square foot. This methodology was selected for several reasons. First, the selection of an appropriate capitalization rate to capitalize the first-year assessment is speculative, directly affected by the remaining term and interest rate of the bond debt, and cannot be market supported. Second, the selection of appropriate parameters to use in a present-worth analysis is also significantly impacted by the remaining term and interest rate of the bond debt and cannot be market supported. The remaining bond debt encumbering Lot 1 is $82,828, which equates to about $0.39 per gross square foot. Given the imperfect nature of market relative to this characteristic, we used an amount of $0.40 per gross square foot in our comparison of the sales to Lot 1. The remaining bond debt encumbering Lot 2 is $15,850, which equates to about $0.08 per gross square foot. Given this minimal impact, we did reflect any bond debt in our comparison of the sales to Lot 2.

Discussion and Valuation Analysis - Lot 1

Only those sales deemed most helpful in the valuation of Lot 1 are presented in this section. With the exception of Land Sale No. 12, we did not directly address the net to gross area ratios in the following analysis. This is because, based on the physical characteristics of Lot 1 and other development in the subject area, we concluded that Lot 1 is virtually all developable, as was the case with the other four market sales presented.

Land Sale No. 10 is located in Sorrento Valley. It is situated along the northeasterly side of Sorrento Valley Road, abuts the right-of way of Intestate 805, and is visible from this freeway. At the time of sale, this site was in raw condition and required substantial land development work (excavation). The physical condition of this site was judged to be similar to the subject. It was the buyer's intent to improve this site with a self-storage facility that is now operational. The location and topography of this site are similar to the subject. At the time of sale, this property was encumbered with about $1.00 per gross square foot of bond debt. When the selling price of this property is adjusted to reflect its bond debt and the $0.40 per gross square foot of bond debt on the subject site, the adjusted price is $6.95 per square foot ($6.35 + $1.00 - $0.40). Market conditions have improved significantly since this transaction closed escrow. After adjusting for the difference in bond debt, this property was judged to be inferior to the subject lot.

Land Sale No. 12 is a partially finished site that is located in Miramar. Land uses surrounding this property range from retail to industrial. This property does not front on a primary arterial, but is visible from Miramar Road, a primary six-lane arterial. It was the buyer's intent to improve this site with a recycling facility, but construction has not yet been started. The location of this site was judged to be similar to the subject. Although this site will require some site development work, its topography and partially finished condition were judged to be superior to the subject. At the time of sale, this property was not encumbered with bond debt. When the selling price of this property is adjusted to reflect the $0.40 per gross square foot of bond debt on the subject, the adjusted price is $5.10 per square foot ($5.50 - $0.40). Market conditions have continued to improve significantly since this transaction closed escrow. Only about 65 percent of this site is developable, which was judged inferior to the subject lot. After adjusting for the difference in bond debt, this property was judged to be inferior to the subject lot.

Land Sale No. 14 is a substantially-finished site that is located in Sorrento Valley immediately southeast of Lot 2. It was the buyer's intent to improve this site with a self-storage facility, but construction has not yet been started on the improvements. The location of this site is similar to the subject. Its topography is superior, as it is a substantially-finished site. At the time of sale, this property was encumbered with about $0.25 per gross square foot of bond debt. When the selling price of this property is adjusted to reflect the $0.40 per gross square foot bond debt on the subject site, the adjusted price is $8.66 per square foot ($8.81 + $0.25 - $0.40). Market conditions have continued to improve since this transaction closed escrow. After adjusting for the difference in bond debt, although this is a substantially finished site, this property was judged to be relatively similar to the subject lot.

Land Sale No. 16 is an improved property that is located in Sorrento Valley, along the southwesterly side of Sorrento Valley Road. This property is located northwest of Interstate 5 in an area that is substantially built out. The location of this property was judged to be superior to the subject lot. It is the intent of the buyer to demolish the existing improvements, at a cost of about $75,000, and redevelop this site with a speculative 36,000-square-foot R&D/office building. After reflecting the cost of removing the existing improvements, the indicated land cost is $15.94 per gross square foot of site area ($15.00 + [$75,000 ÷ 80,150]). At the time of sale, this property was not encumbered by any bond debt. When the indicated land cost of this property is adjusted to reflect the $0.40 per gross square foot bond debt on the subject site, the adjusted price is $15.54 per square foot ($15.94 - $0.40). After adjusting for the difference in bond debt, this property was judged to be substantially superior to the subject lot.

Land Sale No. 17 is a vacant site that is located in Sorrento Valley, along the northeasterly side of Sorrento Valley Road, just southeast of Intestate 5. Additionally, this site abuts and is visible from Interstate 805. It is located in an area that is substantially built out, but some of the surrounding improvements may not represent the highest and best use of the sites. The location of this lot was judged to be superior to the subject lot. In addition to the purchase price, this site will require the importation of about $25,000 of fill before it can be improved with a structure. Hence, the indicated finished cost of this site is $17.12 per gross square foot ($16.56 + $25,000 ÷ 45,000). There is a billboard located on this site, but the buyer will not benefit from any income from this improvement. This is because the seller recorded a permanent use easement for the billboard prior to the sale. At the time of sale, this property was not encumbered by any bond debt. When the finished site cost of this property is adjusted to reflect the $0.40 per gross square foot of bond debt on the subject site, the adjusted price is $16.72 per square foot ($17.12 - $0.40). After adjusting for the difference in bond debt, this property was judged to be substantially superior to the subject lot.

The bond debt adjusted prices indicated by Land Sale Nos. 10 and 12, which were judged to be inferior to the subject, are $6.95 and $5.10 per gross square foot, respectively. The bond debt adjusted price indicated by Land Sale No. 14, which was judged to be relatively similar to the subject, is $8.66 per gross square foot. The bond debt adjusted prices for Land Sale Nos. 16 and 17, which were judged to be superior to the subject, are $15.54 and 16.72 per gross square foot. Based on this market data, the land uses surrounding the subject, and the physical condition of the subject, we concluded that the market land value of Lot 1 (as encumbered by the existing assessment district) is $8.50 per gross square foot. This value conclusion reflects the scenario wherein the buyer assumes the obligation of bond debt.

Discussion and Valuation Analysis - Lot 2

In the following analyses, although not reflected as specific adjustments, several factors were given significant consideration. First, some off-site land development costs would be incurred to develop Lot 2, whereas all of the sales abutted fully-improved streets. Second, only about 50 percent of Lot 2 was judged to be developable. This is due to floodway, flood plain, and biological designations that encumber the subject lot. As a result of this situation, the net to gross area ratios of most of the sales are significantly greater. Third, due to the referenced restrictions, the cost and risk associated with the development of Lot 2 is significantly greater than for any of the sales. Finally, access to all of the land sales was judged slightly superior to the subject.

Land Sale No. 11 is a substantially-finished lot that is located in Palomar Airport Center. It is not visible from a primary arterial and is located at the westerly end of the runway for Palomar Airport. As a result of its location within a flight path, its development potential was limited. It was the buyer's intent to improve this site with a self-storage facility that is now operational. The location of this lot was judged to be inferior to the subject. The topography of this site was judged to be superior, as it was a substantially finished site. The net to gross area ratio of this site was also judged to be superior to the subject. At the time of sale, this property was encumbered with about $0.65 per gross square foot of bond debt. When the selling price of this property is adjusted to reflect the existing bond debt, the adjusted price is $2.88 per gross square foot ($2.23 + $0.65). Market conditions have continued to improve since this transaction closed escrow. After adjusting for the difference in bond debt, this lot was judged to be slightly superior to the subject lot.

Land Sale No. 12 is described in detail in the preceding analysis of Lot 1. At the time of sale, this property was not encumbered with bond debt; no adjustment was required for bond debt. Market conditions have continued to improve since this transaction closed escrow. About 65 percent of this site is developable, which was judged superior to the subject lot. This sale indicates a price of $5.10 per gross square foot. The location of this lot was also judged to be superior to subject lot. Overall, this property was judged to be superior to the subject lot.

Land Sale No. 13 is a substantially-finished site that is located in the Poway Industrial Park and is situated at the intersection of a six- and a four-lane arterial. Although this property is located in an industrial park, it was the buyer's intent to improve it with a nursery that is now operational. This use required a conditional use permit. The location of this site was judged to be superior to the subject. Its topography was judged to be superior, as it was a substantially-finished site. The net to gross area ratio of this site is superior to the subject. At the time of sale, this property was encumbered with about $2.60 per gross square foot of bond debt. When the selling price of this property is adjusted for bond debt, the adjusted price is $5.46 per gross square foot ($2.86 + $2.60). Market conditions have continued to improve since this transaction closed escrow. After adjusting for the difference in bond debt, this property was judged to be superior to the subject lot.

Land Sale No. 15 is an irregularly-shaped site that is located in an industrial/commercial district of Miramar. It abuts Black Mountain Road, a fully-improved four-lane arterial. At the time of sale, this lot was substantially finished, but its use is limited by a number of restrictive underground easements. It was the buyer's intent to develop this property as a contractors yard that is now under construction. The net to gross area ratio of this site is superior to the subject, as the areas affected by the referenced easements can be used for storage. The location of this property was judged to be superior to the subject. At the time of sale, this property was not encumbered with any bond debt. This sale indicates a price of $7.01 per gross square foot. Market conditions have continued to improve since this transaction closed escrow. Overall, this property was judged to be superior to the subject.

The bond debt adjusted prices indicated by Land Sale Nos. 12, 13, and 14, which were judged to be superior to the subject, are $5.10, $5.46, and $7.01 per gross square foot, respectively. The bond debt adjusted price for Land Sale No. 1, which was judged to be slightly superior to the subject, is $2.88 per gross square foot. Based on the market data, giving particular consideration to the legal and physical characteristics of the subject lot and the risk associated with its development, we concluded that the market land value of Lot 2, as encumbered by the existing assessment district, is $2.50 per gross square foot.

Prior to forming a final opinion of value for Lot 2, a second analysis to test the reasonableness of the preceding value indication was developed. This analysis was developed because of the factors affecting the utility of Lot 2, which reduce its net area to about 50 percent of its gross area. Based on a net to gross area ratio of 50 percent and the $2.50 per gross square foot value indicated in the preceding analysis, the indicated value per net square foot is $5.00. The bond debt adjusted price paid for Land Sale No. 11 was $2.89 per net square foot. Although this transaction was deemed to be a reliable indicator of the value of the subject per gross square foot (due to its use restrictions) it was not judged to be a reliable indicator of value per net square foot. This is because the utility of this sale is affected by use limitations, not developable area limitations. As a result, this transaction was given very little weight in this analysis. Land Sale Nos. 12, 13, and 15, which were judged to be superior to the subject, indicate prices of $8.60, $5.70, and $7.01 per net square foot, respectively.

Of these three sales, Land Sale No. 13, at $5.70 per net square foot was judged to be the most similar to the subject (it is 65 percent usable), which supports the $5.00 per net square foot value.

Based on the preceding analysis, we concluded that the market land value of Lot 2, as encumbered by the existing assessment district, is $2.50 per gross square foot. This value conclusion reflects the scenario wherein the buyer assumes the obligation of bond debt.

Market Lot Values and Aggregate Retail Value

Based on the preceding analyses, the market value of the subject lots and their aggregate retail value, as of September 30, 1998, are calculated as follows:

Market Lot Values and Aggregate Retail Value			
APN	Gross Area (SF)	Value/SF	Lot Value
343-131-11	214,315	$8.50	$1,821,678
343-130-12	192,970	2.50	482,425
Aggregate Retail Value			$2,304,103

Bulk (Discounted) Market Value of the Subject Lots

To estimate the bulk (discounted) market value of the two subject lots, the first step was to estimate the time necessary to resell them on the open market - the absorption period. We then selected an appropriate discounting process, parameters to be used in this process, and applied the selected parameters to the estimated aggregate retail value of the subject lots.

When estimating a reasonable absorption period for the subject lots, we considered several factors. These factors include: 1) there are only two subject lots, 2) three lots within Sorrento Valley have recently sold for development or redevelopment, and 3) there is strong demand for similar lots throughout San Diego. Based on these factors, we concluded that the subject lots would be absorbed (sold) in less than one year.

Since the estimated absorption period of the subject lots is less than one year, we concluded that the most appropriate discounting process would be to apply a one-time discount factor to the estimated aggregate retail value of the subject lots. If the estimated absorption period were significantly longer, we would have chosen to use a discounted cash flow analysis.

We estimated the discount factor by using a built-up method that considers the costs that would be incurred during the absorption (sell-off) of the subject lots and a profit rate deemed adequate to attract equity capital. When researching the market place, it was found that desired profit rates for real estate endeavors typically range from about 10 to 15 percent, depending on risk. Since the estimated absorption period is less than one year, the risk associated with the subject lots has been substantially reflected in their estimated retail values, and the strong demand for similar properties throughout San Diego, we concluded that a profit rate at the lower end of the range, 10.0 percent, would be adequate to attract equity capital. Holding costs during the projected absorption period would include sales commissions, real estate taxes, annual assessment district charges, and miscellaneous expenses. Based on information provided by brokers active in this segment of the real estate market and the aggregate retail value of subject lots, we concluded that sales commissions would be in the range of 3.0 to 4.0 percent of their aggregate retail value. The effective tax rate of the subject lots, including the annual assessment district charges, is less than 1.2 percent. We feel that 5.0 percent is sufficient to cover holding costs, including sales commissions. Based on the preceding analysis, we concluded that a reasonable discount from aggregate retail is 15.0 percent.

When a 15.0 percent discount factor is applied to the estimated aggregate retail value of the subject lots, the estimated bulk (discounted) market value is calculated as follows. The effective date of this value estimate is September 30, 1998, and this estimate of value is subject to the assumptions and limiting conditions made a part of this report.

$2,304,103 x (1.0-0.15) = $1,958,488

ASSESSMENT DISTRICT NO. 4007

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ASSESSMENT DISTRICT IDENTIFICATION:	First San Diego River Improvement District (FSDRIP)
PROPERTY IDENTIFICATION:	Lot identified by Assessor Parcel Number (APN) 438-362-01.
PROPERTY LOCATION:	The subject lot is part of Rio Vista West, a mixed-use development that is located in the Mission Valley community of San Diego. It abuts Rio San Diego Drive on the north, Camino Del Este on the west, Qualcomm Way on the east, and the San Diego River channel on the south. Vehicular access is via Rio San Diego Drive and Camino Del Este.
LAND DESCRIPTION:	The subject lot is rectangular in shape and, according to Map No. 13148, contains 28.203 gross acres. In the Rio Vista West Specific Plan, it is reported that the subject lot contains 16.03 acres, or about 698,265 square feet, of net (developable) area. The developable portion of the subject lot is zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego and is similarly designated in the Mission Valley Community Plan.
HIGHEST AND BEST USE:	Residential and commercial development.
ESTATE APPRAISED:	Fee simple estate, as encumbered by the existing assessment district.
VALUE ESTIMATED:	Bulk market value.
DATE OF VALUE:	September 30, 1998
DATE OF REPORT:	October 1, 1998
VALUATION SUMMARY:	
Bulk Market Value	$11,870,505
SPECIFIC ASSUMPTION:	The reported bulk market value is net of the bond debt for Assessment District No. 4007.

APPRAISAL OF ASSESSMENT DISTRICT NO. 4007
(FIRST SAN DIEGO RIVER IMPROVEMENT DISTRICT)

The subject of this appraisal is a single legal lot that is part of the Rio Vista West Specific Plan. Rio Vista West is a mixed-use development that is located in the Mission Valley community of San Diego.

NEIGHBORHOOD DESCRIPTION

The community of Mission Valley is located about four miles northeast of downtown San Diego, comprises about 1,635 acres, and is bisected by the San Diego River. This river empties into the Pacific Ocean about three miles to the west. The urban development of Mission Valley started in approximately 1960, when farmland and flood plain were converted to shopping centers, hotels, and office space. The first major development in the area was Mission Valley Center, a regional shopping center that was constructed in 1960. At about this same time, the western portion of the community along Interstate 8 was developed with hotels and recreation facilities.

Location and Access

Vehicular access to Mission Valley is excellent, as it is the junction point of five major freeways. Interstate 8 is an east-west freeway that runs through the center of Mission Valley. Interstate 5 is a north-south freeway that defines the community's western boundary. Interstate 15 is a north-south freeway that is located near the eastern boundary of the community. The other two freeways are Interstate 805 and State Highway 163, which both cross through the approximate center of the community in a north-south direction. While freeway access to Mission Valley is excellent, many of the surface streets within the community are overburdened during peak hours. The rapid development experienced since the early 1970's occurred without proper attention to infrastructure needs. In some areas the system of surface streets is barely adequate for current traffic levels and inadequate for future increases. In 1985 a community plan was adopted that limits development in areas in which the streets are already overburdened.

Pedestrians can also access Mission Valley using the San Diego Trolley, which was extend through Mission Valley to just east of Qualcomm Stadium in late 1997. This trolley line also serves Old Town and extends to downtown San Diego. One of the stops in Mission Valley for this trolley line is located adjacent to the southeast corner of the subject's developable area. Other stops are at Qualcomm Stadium, Hazard Center, and the Fashion Valley shopping center.

Population

According to the San Diego Association of Governments (SANDAG), the population of Mission Valley as of January 1, 1997, the most recent figure available, was estimated at 9,621 persons, an increase of about 83 percent since the April 1980 census. This fairly rapid growth rate is primarily the result of the relatively low 1980 base, as Mission Valley historically has been primarily a commercial and office district, with relatively little residential development. However, in the Mission Valley Community Plan, it is projected that when the community is completely built out (sometime after 2000), it may have a population of just under over 25,000 people.

Commercial Development

Mission Valley is one of the largest retail/commercial districts in San Diego County. The two largest shopping centers in San Diego County, Mission Valley Center and Fashion Valley, are located within Mission Valley. According to TURI Commercial Services (TURI), as of the third quarter 1997, the Mission Valley submarket contained a total of 3,964,686 square feet of retail space and overall vacancy rate was about 2.2 percent. In the Mission Valley Community Plan, it is estimated that when the community is completely built out, there will be a total of 4,300,000 square feet of commercial/retail space. The office component of Mission Valley's development experienced rapid growth beginning in the late 1970's and continuing through the late 1980's. According to the referenced TURI survey, Mission Valley contains about 6,220,000 square feet of office space, which represents about 15.5 percent of the total office space in San Diego county. Of this total, about three-fourths has been built since 1977. In late 1997 the reported office vacancy rate was just under 12.0 percent, down from just over 15.0 percent in the first quarter 1997. For the first time in nearly 10 years, new speculative office buildings are in the planning stages in Mission Valley. At less than 5.0 percent of the total usable land area in Mission Valley, industrial uses represent a small component of this community's total development. According to the referenced TURI survey, Mission Valley contains about 1,050,300 square feet of industrial space, or about 1.0 percent of the total for San Diego County. In late 1997, the reported overall industrial vacancy rate was 4.3 percent, up slightly from 3.8 percent in the first quarter 1997; this increase only equates to about 5,000 square feet.

There are six major projects in Mission Valley that have recently completed, are being developed, or are approved by the City of San Diego. These developments are Rio Vista West, the proposed expansion of the Town and Country Hotel/Convention Center, Phase II of the Hazard Center development, Mission City, the expansion of Fashion Valley, and redevelopment of the Mission Valley West shopping center. Rio Vista West is a 94.5-acre mixed-use project that comprises 165,000 square feet of office/commercial space, 1,070 dwelling units, and 325,000 square feet of retail space. The retail component of this development has been completed and construction is underway on 480 apartment units. The expansion of the Town and Country Hotel/Convention Center by Atlas Hotels was approved in late 1988, but work on this project has not been started. Phase II of Hazard Center is a 6.1-acre project that has been completed and comprises a 65,000-square-foot retail center that is anchored by a grocery store. Mission City is a mixed-use development that is approved for development with 4,100 multi-family residences, 1,962,000 square feet of office space, 115,000 square feet of retail space, a 500-room hotel, and open space. At present, only 190,000 square feet of office space has been built and construction has been started on a 600-unit apartment complex. The expansion of the Fashion Valley shopping center includes a total of 500,000 square feet of rentable area and several new parking structures. Phase I of this expansion, which included the majority the improvements, was completed in early 1998. When the redevelopment of the Mission Valley West shopping center is completed in 1999, it will comprise about 191,000 square feet of space primarily oriented to retail uses.

Residential Development

As mentioned in the population discussion, residential uses compose a relatively small component of Mission Valley. However, the number of living units in this community has continued to increase over the years. It was reported by SANDAG that on January 1, 1997 there were 6,384 living units, an increase of 858 units, or about 15.5 percent, since January 1, 1990. The most recent additions to this component, which are not included in the preceding figure, are the 1,080 apartment units being constructed as part of the Rio Vista West and Mission City projects. In the Mission Valley Community Plan, it is projected that at build out, there may be as many as about 15,000 living units in Mission Valley.

First San Diego River Improvement Project

In 1986, the city of San Diego instituted what is known as the First San Diego River Improvement Project (FSDRIP), a privately financed river improvement project that is designed to increase the utility of the land surrounding the San Diego River as well as increase the beauty of the river itself. FSDRIP encompasses 254 acres and is bordered by State Route 163 on the west, Camino de la Reina and Camino del Rio North on the south, Friars Road on the north, and Stadium Way on the east. The subject is located within FSDRIP.

Summary

Given the central location of Mission Valley, it is one of the areas in San Diego County that experienced significant office, commercial/retail, and residential development over the last decade. Although demand for all types of real estate decreased in the early 1990's, commercial/retail centers located in Mission Valley continued to experience higher occupancy rates than any other submarket in San Diego County, and still exists. This was judged to be attributable to its central location and the increasing number of living units situated in Mission Valley. Additionally, with the resurgence of San Diego's economy, demand for office space in Mission Valley has also increased. For these same reasons, it is our opinion that demand for office and commercial/retail space, and residential development in Mission Valley will continue to increase at least at a modest rate in the foreseeable future. Evidence of this trend is the ongoing development that has occurred within subject project.

DESCRIPTION OF REAL PROPERTY

Legal Description

The subject of this appraisal is a single legal lot that is located in Rio Vista West, a mixed use development. According to public records, this lot is identified as Lot B of Rio Vista West Unit No. 1 and by Assessor's Parcel No. (APN) 438-362-01.

Ownership and History

According to the Assessor's records, the subject lot is vested in Conrock Co., reportedly a related business entity of CalMat Co., a Delaware corporation. It is our understanding that the subject lot has been held by the present ownership since at least the mid-1970's.

Location and Access

The subject lot is located in the northerly portion of Mission Valley. It fronts on Qualcomm Way; a six-lane arterial; Rio San Diego Drive, a four-lane street; and Camino Del Este, a four-lane street. The subject development, Rio Vista West, generally extends to Qualcomm Way on the east, Friars Road on the north, the western terminus of Station Village Lane on the west, and the San Diego River on the south. Primary vehicular access to this development is via Friars Road, a primary six-lane arterial that extends along the northerly edge of Mission Valley in an east-west direction. Secondary vehicular access is via Qualcomm Way and Camino Del Este. Both of these streets extend south from Friars Road and cross over the San Diego River. Freeway interchanges closest to the subject are Qualcomm Way/Interstate 8, Friars Road/State Route 163, and Friars Road/Interstate 15. Interstate 8 is an east-west eight-lane freeway that extends along the southerly side of Mission Valley. The bi-directional Qualcomm Way/Interstate 8 interchange is located about one-half mile south of the subject property. State Route 163 is a north-south eight-lane connector freeway that intersects with Friars Road about 1.0 mile west of the subject. This interchange is a bi-directional design. Interstate 15 is a north-south eight-lane freeway that is located about 1.5 miles east of the subject. This interchange is a bi-directional design. The location of the subject lot and immediate and freeway access were judged to be good compared to other developments located in Mission Valley. Persons can also access the subject site using the San Diego Trolley. There is a station for this trolley adjacent to the southeast corner of the subject's developable area.

Street Improvements

As stated, the subject lot fronts on Qualcomm Way, Rio San Diego Drive, and Camino Del Este. Qualcomm Way is a fully-improved six-lane arterial that is constructed within a 122 foot wide right-of-way. Rio San Diego Drive is a fully-improved four-lane street that is constructed within a 102 foot wide right-of-way and was constructed to serve the subject development. Camino Del Este is a fully-improved four-lane street that is constructed within a 74 foot wide right-of-way. It was constructed to serve the subject development and as a connector with the area south of the San Diego River. The intersections of Qualcomm Way and Camino Del Este at Rio San Diego Drive are signalized and improved with signalized left-turn lanes. Parking is not permitted along any of these streets.

Shape and Size

According to Map No. 13148 (Rio Vista West Unit No. 1), the subject lot contains 28.203 gross acres and is rectangular in shape. Within the Rio Vista West Specific Plan, the subject is shown to contain 17.40 acres of developable area (net of the river), of which 1.37 acres is designated as a public park. Hence, the portion of the subject that can be improved contains 16.03 acres, or about 698,265 net square feet. The developable portion of the subject lot is irregular in shape. A breakdown of the sizes of the areas identified for specific uses in the Rio Vista West Specific Plan are presented in a later discussion. The subject is a finished "super pad"; all offsite infrastructure has been constructed.

Topography and Drainage

The majority of the subject's net area is level and at grade with Rio San Diego Drive. It slopes downward to Qualcomm Way and Camino Del Este. It appears that on-site surface water drains toward the adjacent streets and the San Diego River.

Surrounding Land Uses

Land uses surrounding the subject lot are varied. The area immediately north of Rio San Diego Drive is part of the Rio Vista West development and is improved with a 325,000-square-foot neighborhood/community shopping center. This center was completed in 1996 and anchor tenants include Kmart, Sports Authority, Ross Dress for Less, and Office Depot. The area immediately west of the subject is a residential component of Rio Vista West. At present, a significant portion of this component is being improved with a 480-unit luxury apartment. The area east of the subject, across Qualcomm Way, is known as Rio Vista and is improved with a low- and a mid-rise office building and a Marriott Hotel. A second low-rise office building is under construction in this development. The area immediately south of the developable portion of the subject is that portion of the subject lot that cannot be developed; this area contains about 10.00 acres and is substantially within the San Diego River channel. The improved sites further to the east, south, and west are developed with retail, office, and residential projects. The area across Friars Road to the north is being operated as a mining operation by CalMat. The long-term plan for this area is redevelopment as a mixed-use project.

Flood Hazard

According to FEMA Flood Insurance Rate Map No. 06073C1619 F (revised June 19, 1997), the southern portion of the subject site, which is identified as not being developable in the Rio Vista West Specific Plan, is designated as Zone AE, a floodway, and Zone X, an area of 500-year flood, areas of 100-year flood with average depths of less than one foot or drainage areas less than one square mile, and areas protected by levees from 100-year. The portion of the subject lot that can be developed is within another portion of Zone X, areas determined to be outside of the 500-year flood plain.

Soils

A soils report was not provided for this appraisal. Upon inspection by the appraisers, no apparent adverse soil conditions were noted. As such, it was assumed that the subject lot offers soil capable of supporting development to its highest and best use.

Seismic Stability

According to the San Diego Seismic Safety Study map dated October 1995, the subject lot is not situated on an active earthquake fault and is not located in an Alquist-Priolo Special Studies Zone. The nearest known active faults are the Rose Canyon fault, which lies about 5.0 miles west of the subject, and several recently discovered faults in downtown San Diego, which lie about 5.0 miles southwest of the subject. Should an active, or potentially active, earthquake fault be found to cross the subject lot, this could have an adverse impact on its value.

Utilities

All public utilities are available within Rio San Diego Drive. Gas and electricity are provided by San Diego Gas & Electric Company. Water and sewer service are provided by the City of San Diego. Telephone service is provided by Pacific Bell.

Hazardous Waste

Inspection of the subject lot did not reveal the existence of potential hazardous waste. The values estimated in this appraisal are based on the assumption that the utility of the subject lot is not adversely affected by hazardous waste.

Adverse Influences

At the time of inspection, no adverse influences were noted that affect the utility of the developable portion of the subject lot.

Easements and Encumbrances

A title report for the subject lot was not provided. Upon review of Map No. 13148, which includes the subject lot, it was found that the subject is encumbered with an open space easement, a sewer easement, and a flood control easement. It is our understanding that the trolley line that crosses the undevelopable portion of the subject lot is constructed within a permanent easement for this use. However, since all of these easements primarily affect the portion of the subject lot that is identified as undevelopable in the Rio Vista West Specific Plan, we concluded that they do not adversely affect the utility of the subject lot. If it is determined other easements, or encumbrances, exist that affect the utility of the developable portion of the subject lot, we reserve the right to amend this appraisal.

Mission Valley Community Plan

The subject lot is designated multiple use in the Mission Valley Community Plan.

Zone Designation and Mission Valley Planned District Ordinance (PDO)

The net (developable) portion of the subject lot is zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay). Under the Mission Valley PDO, this zone designation is intended ". . .to provide for pedestrian-oriented projects containing at least three functionally and physically integrated land uses."

The portion of the subject lot that cannot be developed is zoned FW (Floodway) and is within an FPF Overlay zone. Under these designations, the area within the floodway is not developable and the area within in the FPF Overlay zone can be developed only under certain conditions. However, this issue is effectively moot, this area is identified as undevelopable in the Rio Vista West Specific.

Rio Vista West Specific Plan

A summary of the component name, land use and development intensity, and net area specified in the Rio Vista West Specific Plan for the net area of the subject is presented in the following table. This summary excludes the 1.37-acre Rio Vista Commons, a park that is to be to available to the public, and a two-lane public street that will cross a portion of the subject lot.

Rio Vista West Specific Plan Land Use Summary		
Component Name	Land Use and Development Intensity	Development Area (Acres)
Mixed Use Core	165,000 SF of office space, 50,000 SF of retail space, and 55 dwelling units	5.07
Urban Residential	53 to 162 attached or stacked dwelling units	2.94
Townhouse Residential	144 to 265 attached single-family units	8.02
Total		16.03

Since the southern portion of the subject lot, which contains about 10 acres, is not developable and is encumbered with several restrictive easements, it was judged to have no contributory value. All future references to the "subject" lot refer to that part of the subject lot that can be developed.

Agricultural Preserve Contract

According to the County of San Diego, the subject lot is not encumbered by an agricultural preserve contract.

Real Estate Taxes

The subject lot is identified by APN 438-362-01 and is located in Tax Rate Area 08001, which carries a 1997/98 tax rate of $1.1473 per $100.00 of assessed valuation. Its 1997/998 assessed value is $1,340,726, and its 1997/1998 real taxes are $14,945.46. Under California law, the subject lot would be reassessed upon sale.

Fixed Charge Assessments

In addition to annual real estate taxes, the subject lot is encumbered with fixed annual assessments for County mosquito and rat control, Metropolitan Water District standby charge, and

County Water District availability fee. These charges are typical of properties located in San Diego. Additionally, there is an annual assessment for Assessment District No. 4007 (FSDRIP). The remaining principal bond debt for this assessment district is $509,617. The annual assessment was not reported, as it will be reduced when the remaining bond debt is refinanced.

Development Fees

In addition to fees common to all properties within the city of San Diego, which include water and sewer capacity charges, school fees, and a housing impact fee, development of the subject lot would require payment of transportation and fire fees on the commercial component and development impact fees on the residential component. The commercial transportation fee is $143 per average daily trip (ADT), the fire fee is $65 per 1,000 square feet of gross building area, and the residential development fee is $2,307 per multifamily living unit.

VALUATION METHODOLOGY

As stated earlier, the purpose of this appraisal is to estimate the bulk market value of the subject lot, as encumbered by the existing assessment districts. Since the subject of this appraisal is a single lot, a two-step analysis was used to estimate this value. First, we formed an opinion as to the highest and best use of subject lot. We then estimated the market (retail) land value of the subject lot, as encumbered by the existing assessment district, using the sales comparison approach. The income and cost approaches were not considered relevant. Since the subject of this appraisal is single lot, its bulk market value is the same as its market (retail) value. As such, it was not necessary to develop a discounting analysis to arrive at the bulk value estimate.

HIGHEST AND BEST USE

Highest and best use is an important concept in real estate valuation as it represents the premise upon which value is based. As used in this report, highest and best use is defined on page 297 of the eleventh edition (1996) of *The Appraisal of Real Estate* as follows:

"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."

This definition applies to vacant land or improved property. The highest and best use of vacant land could be immediate development of the property or holding for future development. As applied to improved property, it considers the possibility that the highest and best use of an improved site could be continued operation of the improvements (as they exist or remodeled), conversion to some alternative use, or demolition of the existing structures and construction of new improvements.

The determination of the highest and best use of a site, either improved or vacant, must consider four criteria. These criteria are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. These criteria should be considered in that order because qualification under the latter tests does not matter if the property fails the earlier tests.

Legally Permissible

The subject lot is zoned MV-M/SP (Mission Valley Multiple Use/Specific Plan overlay) by the City of San Diego, but development of the subject lot is effectively regulated by the Rio Vista West Specific Plan. The following is a reiteration of the uses designated in this documents.

Rio Vista West Specific Plan Land Use Summary		
Component Name	Land Use and Development Intensity	Development Area (Acres)
Mixed Use Core	165,000 SF of office space, 50,000 SF of retail space, and 55 dwelling units	5.07
Urban Residential	53 to 162 attached or stacked dwelling units	2.94
Townhouse Residential	144 to 265 attached single-family units	8.02

Physically Possible

Given the size, shape, topography, access and availability of utilities, we concluded that it would be physically possible to develop the subject lot with any improvements that are legally permissible. When forming this opinion, consideration was given the fact that, to the best of our knowledge, the subject lot has no adverse soils, geological, or environmental conditions that would preclude it from being developed.

Financially Feasible

Any use which results in positive land value represents a financially feasible use. However, for a proposed use to be financially feasible, it must not only result in positive land value, but must be appropriate and supportable by market trends. Since lots within Mission Valley have recently sold for near-term development with the uses identified for the subject lot in the Rio Vista West Specific Plan, we concluded that the legally permissible uses of the subject lot would be perceived to be financial feasible by market participants. These uses include residential, retail, and office.

Maximally Productive

The question of maximum productivity addresses the issue of which of the uses resulting in positive land value would result in the highest value. Absent approved development proposals and construction costs, we concluded that it would be speculative to base an appraisal of the subject lot on hypothetical development scenarios. Based on development trends in the Mission Valley community and through out San Diego, we concluded that the highest and best use of the subject lot is near-term development with improvements that are consistent with the legally permissible uses defined in the referenced specific plan.

In the application of the preceding conclusion in the valuation of the subject lot, several factors were given consideration. First, since the major use component identified in the specific plan is residential, there is a strong probability that the subject lot would be purchased by a residential development firm. As such, there is a reasonable probability that the purchaser would then joint venture develop the mixed-use core component or resell this component to a developer that specializes in commercial projects. Second, when researching the market, it was found that virtually all multifamily residential sites recently purchased in San Diego have been acquired for development with either luxury apartments or detached condominiums. Third, the development densities of detached condominium complexes typical range from about 8.0 to 15.0 units per acre, which is below the minimum densities defined for the subject lot in the Rio Vista West Specific Plan. Within this specific plan, the identified minimum number of units equates to about 18 units per acre. Finally, the development densities of apartment and "traditional" condominium sites recently sold range from about 20 to 30 units per acre, which is more consistent with the development densities identified for the residential components of the subject site. Based on the preceding market trends, we concluded that the most probable buyer of the subject lot would be an apartment developer that will either joint venture, or resell, the subject's mixed-use core component. It is further our opinion that the residential components of the subject lot would be developed at densities of 20 to 30 units per acres, which are consistent with the densities permitted under the Rio Vista West Specific Plan. The product type would most likely be luxury apartments.

VALUATION ANALYSES

Since the subject is a single lot, its retail and bulk market values are the same. As a result, a single analysis was used to arrive at the value estimate requested. The subject is a finished super pad and all offsite infrastructure has been constructed.

The sales comparison approach was used to estimate the market value of the subject lot, as encumbered by the existing assessment district. This approach is based on the principle of substitution, which implies that a prudent buyer would pay no more to purchase a property than it would cost to purchase a comparable substitute property. To value the subject lot, a search was made for recent sales of similar sites in the subject, or relatively similar, market areas. The primary source of data was COMPS, Inc., a service updated monthly that summarizes sale activity throughout San Diego County.

The market data judged most helpful in valuing the subject lot are summarized in the following table and briefly described following this table. A map showing the locations of the market data and market data sheets are presented in the Addenda as part of Exhibits A and B, respectively. Of the units of comparison available for analysis, the price per net square foot of site area was used. This unit was selected because of the mixed-use nature of the subject lot, the lack of an approved development proposal, and the uses of the subject lot identified in the specific plan are general in nature. The market data is arrayed by use and chronologically in the following table.

Summary of Land Sales					
No.	Location	Sale Date	Price	Net Size (SF)	Price/SF
	Residential Sites				
18	Camino De La Reina west of Mission Center Rd. San Diego (Mission Valley)	02/95	$2,262,000	182,952	$12.36
19	Hazard Center Drive at Frazee Road San Diego (Mission Valley)	07/95	3,000,000	265,716	11.29
20	Friars Road at Gill Drive San Diego (Mission Valley - Rio Vista West)	01/97 & 12/97	11,500,000	685,635	16.77
21	World Trade Drive at Stoney Peak Drive San Diego (part of subject)	06/97	6,100,000	441,786	13.81
22	El Camino Real at Vista Sorrento Parkway San Diego (Sorrento Hills)	12/97 and later	11,900,000	718,740	16.56
	Office/Retail Sites				
23	Camino Del Rio North at Camino Del Este San Diego (Mission Valley)	09/94	1,025,000	39,200	26.15
6	Mission Center Road at Camino De La Reina San Diego (Mission Valley)	04/95	1,334,000	103,650	12.87
2	West Bernardo Drive at South Bernardo Court San Diego (Ranch Bernardo)	02/98	6,425,000	348,480	18.44
3*	Mission Valley Road at Mission Center Road San Diego (Mission Valley)	Escrow	4,966,000	326,700	15.20
4*	Mission Valley Road at Metropolitan Drive San Diego (Mission Valley)	Escrow	8,015,000	500,940	16.00
	Mixed-Use Sites				
24	Executive Drive at Regents Road San Diego (La Jolla)	10/96	8,000,000	368,114	21.73
25	La Jolla Village Drive at Genesee Avenue San Diego (La Jolla)	08/97	27,000,000	1,277,615	21.13

* The selling price is based on the reported price per square foot of net area and reported net area.

The sales reported in the table reflect sites with and without outstanding bond assessments, requiring adjustment in comparison to the subject. In each case, where the site was encumbered with bond debt, the purchaser assumed this obligation. When researching this aspect of the sales, it was found that there is no "standard" adjustment that buyers make when acquiring a bond indebted site. Buyers may consider the impact of bond debt on what they are willing to pay for a site that is so encumbered by 1) capitalizing the first-year assessment payment, 2) developing a present-worth (discounted cash flow) analysis, and 3) "deducting" the remaining principal from a price they would be willing to pay for the same site if it were not encumbered. However, in most cases, it seems that buyers base the "adjustment" for bond debt on the opinion of the broker.

Due to the imperfect nature of the market, we concluded that the most reasonable means of reflecting such debt in this analysis is to make an adjustment based on remaining principal per net square foot. This methodology was selected for several reasons. First, the selection of an appropriate capitalization rate to capitalize the first-year assessment is speculative, directly affected by the remaining term and interest rate of the bond debt, and cannot be market supported. Second, the selection of appropriate parameters to use in a present-worth analysis is also significantly impacted by the remaining term and interest rate of the bond debt and cannot be market supported. The remaining bond debt encumbering the subject is $509,617, which equates to about $0.73 per net square foot. Given the imperfect nature of market relative to this characteristic, we used an amount of $0.70 per gross square foot in our comparison of the sales to the subject.

Discussion and Analysis Land Sties

Land Sale No. 18 was a substantially-finished site that is located at the intersection of Camino Del La Reina and Mission Center Road. About one-half of this site's gross area is located within the San Diego River channel and could not be developed. The intent of the buyer was to develop this site with 98 for-sale townhomes, which have been completed and sold out. The development density of this site is about 23.5 units per acre. At the time of sale, this site was encumbered with about $6.00 per net square foot of bond debt. When the selling price of this property is adjusted to reflect this bond debt and the $0.70 per square foot of bond debt on the subject, the adjusted price is $17.66 per net square foot ($12.36 + $6.00 - $0.70). The location of this site was judged to be similar to the subject. Market conditions have improved significantly since this transaction closed escrow. After adjusting for bond debt, this property was judged to be inferior to the residential portion of the subject.

Land Sale No. 19 was a substantially-finished site that is located at the intersection of Hazard Center Drive and Frazee Road. The San Diego Trolley crosses a portion of this site. The intent of the buyer was to develop this site with 120 for-sale townhomes, which have been completed and sold out. The development density of this site is about 19.5 units per acre. At the time of sale, this site was encumbered with about $1.50 per net square foot of bond debt. When the selling price of this property is adjusted to reflect this bond debt and the $0.70 per square foot of bond debt on the subject, the adjusted price is $12.09 per net square foot ($11.29 + $1.50 - $0.70). The location of this site was judged to be similar to the subject. Market conditions have improved significantly since this transaction closed escrow. After adjusting for bond debt, this property was judged to be inferior to the residential portion of the subject.

Land Sale No. 20 was a substantially-finished site that is part of the subject development, Rio Vista West. This was a two-phase transaction; the first phase closed escrow in January 1997 and the second phase closed escrow in December 1997. The intent of the buyer was to develop this site with a 480-unit luxury apartment complex, which are now under construction. The development density of this site is about 30.5 units per acre. At the time of sale, this site was encumbered with about $0.75 per net square foot of bond debt. When the selling price of this property is adjusted to reflect this bond debt and the $0.70 per square foot of bond debt on the subject, the adjusted price is $16.82 per net square foot ($16.77 + $0.75 - $0.70). The location of this site was judged to be similar to the subject. Market conditions have continued to improve since this transaction closed escrow. After adjusting for bond debt, this property was judged to be slightly inferior to the residential portion of the subject.

Land Sale No. 21 was a partially-finished site that is located in Carmel Mountain Ranch. The intent of the buyer was to develop this site with a 277-unit luxury apartment complex that is now under construction. The development density of this site is about 27.5 units per acre. At the time of sale, this site was not encumbered with bond debt. When the selling price of this property is adjusted to reflect the $0.70 per square foot of bond debt on the subject, the adjusted price is $13.11 per net square foot ($13.81 - $0.70). The development fees affecting this site are lower than those affecting the subject. The location and partially-finished condition of this site were judged to be inferior to the subject. Market conditions have continued to improve since this transaction closed escrow. After adjusting for bond debt, this property was judged to be inferior to the residential portion of the subject.

Land Sale No. 22 was a substantially-finished site that is located in Sorrento Hills. It was reported that this was a two-phase transaction, with the first phase closing in December 1997. The intent of the buyer was to develop this site with a 340-unit luxury apartment complex, which is now under construction. At the time of sale, this site was not encumbered with bond debt. When the selling price of this property is adjusted to reflect the $0.70 per square foot of bond debt on the subject, the adjusted price is $15.86 per net square foot ($16.56 - $0.70). Development fees affecting this site are slower than those affecting the subject. The location and finished condition of this site were judged to be similar to the subject. Market conditions have continued to improve since this transaction closed escrow. After adjusting for bond debt, this property was judged to be similar to the residential portion of the subject.

Land Sale No. 23 is a property that was improved with an old bank branch at the time of sale and is located the signalized intersection of Camino Del Rio North and Camino Del Este. This site offers good visibility from Interstate 8, a superior characteristic. The intent of the buyer was to redevelop this site with a fast-food restaurant, as part of larger redevelopment involving adjacent land they owned. This site is now improved with a In-and-Out Burger. It was reported that the existing improvements did not affect the price paid for this site. At the time of sale, this site was not encumbered with any bond debt. When the selling price of this property is adjusted to reflect the $0.70 per square foot of bond debt on the subject, the adjusted price is $25.45 per net square foot ($26.15 - $0.70). The location and size of this site were judged to be superior to the subject. Market conditions have improved significantly since this transaction closed escrow. After adjusting for bond debt, this property was judged to be superior to the mixed-use core portion of the subject.

Land Sale No. 6 is a finished site that is located in Mission Valley at the signalized intersection of Mission Center Road and Camino de la Reina. It was the buyer's intent to construct two commercial/retail buildings on this site; it is now improved with a building occupied by Strouds and a building occupied by Mimi's Cafe restaurant. At the time of sale, this site was encumbered with about $8.00 per net square foot of bond debt. When the selling price of this property is adjusted to reflect this bond debt and the $0.70 per square foot of bond debt on the subject, the adjusted price is $20.17 per net square foot ($12.87 + $8.00 - $0.70). The location of this site was judged to be somewhat superior to the subject. Market conditions have improved significantly since this transaction closed escrow. After adjusting for bond debt, this property was judged to be relatively similar to the mixed-use core portion of the subject.

Land Sale No. 2 is located along the easterly side of West Bernardo Drive and abuts the westerly side of the right-of-way of Interstate 15. The general location of this site was judged to be similar to the subject, but its specific location was judged to be slightly superior, as it offers good freeway visibility. Although a specific amount was not disclosed, the finished cost of this site will be somewhat greater than the purchase price, as some land development work is required. This property is not encumbered with bond debt for an assessment district. When the selling price of this property is adjusted to reflect the $0.70 per net square foot of bond debt on the subject, the adjusted price is $17.74 per net square foot ($18.44 - $0.70). Market conditions have continued to improve since this transaction closed escrow. After adjusting for bond debt, this property was judged to be overall similar to the mixed-use core portion of the subject.

Land Sale No. 3 is located in Mission Valley in Mission Valley Heights, a business park. It was reported that there is remedial grading needed on this site and that the purchase price is based on a finished site cost of $16.00 per net square foot. It is the buyer's intent to improve this site with an speculative office building. It was reported by the seller that this transaction may not close escrow due to a contingency that they put in the purchase agreement. This contingency is due to tax consequences that they would incur if they were unable to acquire a similar property as part of a tax-deferred exchange. At the time of sale, this site was encumbered with about $2.00 per square foot of bond debt. When the finished cost of this property is adjusted to reflect the $0.70 per square foot of bond debt on the subject, the adjusted price is $17.30 per net square foot ($16.00 + 2.00 - $0.70). The location of this property was judged to be relatively similar to subject. After adjusting for bond debt, this property was judged to be overall similar to the mixed-use core portion of the subject.

Land Sale No. 4 is also located in Mission Valley Heights. It is the intent of the buyer to improve this site with a 280,000-square-foot office building for the State of California. This site is encumbered with about $2.00 per square foot of bond debt. When the selling price of this property is adjusted to reflect this bond debt and the $0.70 per square foot of bond debt on the subject, the adjusted price is $17.30 per net square foot ($16.00 + 2.00 - $0.70). The location of this property was judged to be relatively similar to the subject. After adjusting for bond debt, this property was judged to be overall similar to the mixed-use core portion of the subject.

Land Sale No. 24 is a finished super pad that is located at the intersection of Executive Drive and Regents Road in University Town Center (UTC). At the time of sale, the approved uses of this site were 273,000 square feet of office space, 21,300 square feet of retail space, a 20,000-square-foot community/public conference center, and 250 multifamily living units. It was the intent of the buyer to seek community and specific plan amendments that would permit development of this site with 574 multifamily units, which would equate to a development density of about 65 units per acre. The purchase price was not contingent on obtaining these amendments and the processing of the amendment applications was not initiated until after the sale closed escrow. At the time of sale, this site was not encumbered with any bond debt. When the selling price of this property is adjusted to reflect the $0.70 per net square foot of bond debt on the subject, the adjusted price is $21.03 per net square foot ($21.73 - $0.70). Development fees affecting this site are greater than those affecting the subject. Market conditions have continued to improve since this transaction closed escrow. The location of this property was judged to be superior to the subject. After adjusting for bond debt, this property was judged to be overall superior to the subject.

Land Sale No. 25 is a grouping of substantially-finished super pads that is located at the intersection of La Jolla Village Drive and Genesee Avenue in UTC. In the University City Community Plan, this site was identified for development with up to 2,600 multifamily living units, a 400-room hotel, and some office space. At the time of sale, it was the intent of the buyer to resell the hotel/office component and develop the remainder of the site with about 2,000 multifamily living units; about 400 of these units are now under construction. For the residential component, this equates to about 80 units per acre. The buyer has subsequently decided to retain the hotel/office component. At the time of sale, this site was not encumbered with any bond debt. When the selling price of this property is adjusted to reflect the $0.70 per net square foot of bond debt on the subject, the adjusted price is $20.43 per net square foot ($21.13 - $0.70). Development fees affecting this site are greater than those affecting the subject. Market conditions have continued to improve since this transaction closed escrow. The location of this property was judged to be superior to the subject. After adjusting for bond debt, this property was judged to be overall superior to the subject.

The bond debt adjusted prices indicated by the residential sales range from $12.09 to $17.66 per net square foot. Land Sale Nos. 20 and 22, which reflect bond debt adjusted prices of $16.82 and $15.86 per net square foot, were judged to be the most similar to the subject. Since residential development is the primary use of the subject site, the sale within the subject development was given significant consideration in our final reconciliation of value. The office/retail sales indicate bond debt adjusted prices of $17.30 to $25.45 per net square foot. Of these indicators, three range from $17.30 to $17.74 per net square foot. The sales located in Mission Valley, which indicate bond adjusted prices of $20.17 and $25.45 per net square foot, were judged to be superior to the mixed-use core component of the subject due to its location. Based on the market data, we concluded that the value of the mixed use component is somewhat greater than for the residential component. The mixed-use sales located in UTC indicate bond debt adjusted prices of $21.03 and $20.43 per net square foot. Although the development fees associated with these sites are higher than those affecting the subject, both of these sales were judged to be superior to the subject. This is due to their highly desirable location and the development density of the proposed use.

Based on the preceding market data, strong demand for all types of real estate throughout San Diego, and the use composition of the subject, we concluded that the market (retail) value of the subject (as encumbered by the existing assessment district) is $17.00 per net square foot. Hence, the estimated market (retail) of the subject, as of September 30, 1998, is calculated as follows. This figure also represents the bulk value.

698,265 SF x \$17.00/SF = \$11,870,505

LIPMAN STEVENS MARSHALL & THENE, INC.

Real Estate Appraisers & Consultants

BRIAN L. FLANNERY
DANI L. GREINER
LORIE J. HARMON
RICHARD J. HUTZLER
ED LeROY
PATRICK J. MARSH
GARY L. RASMUSON, MAI
RICHARD T. RUSSELL

H.L. "BILL" LIPMAN, MAI, CRE
WALTER J. STEVENS, MAI
THOMAS O. MARSHALL, MAI
KEVIN M. THENE, MAI

October 1, 1998

Ms. Lucy Galvin
City of San Diego
1200 Third Avenue, Suite 1700
San Diego, CA 92101

RE: AP 2645
Reassessment District 1998-1
Thirteen Parcels of Land Located within Assessment Districts 4010 and 4019
Otay International Center, San Diego, CA

Dear Ms. Galvin:

At your request, I have completed an appraisal setting forth the bulk sale value of the referenced property as of September 30, 1998. The appraisal report has been prepared to comply with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics and Supplemental Standards of the Appraisal Institute and the Appraisal Standards for Land-Secured Financings. This appraisal has been prepared as a complete, summary appraisal report prepared under Standards Rule 2-2(b) of USPAP.

My investigation for this assignment included a visual inspection of the subject and analysis of sales of comparable vacant land. By virtue of my experience and based upon my investigation, it is my opinion that the market value of the subject's fee simple estate, as of September 30, 1998, was:

Bulk Sale Value – All Parcels (net of bond debt) $8,366,000

The opinions of market value and bulk sale value are based on the specific assumption that the values reported are net of special taxes and special bond assessment debt. Please refer to the Limiting Conditions section of this report for the specific assumptions made in this analysis.

Submitted herewith is my report containing the facts and reasoning upon which the above value is based. It has been a pleasure to be of service to the City of San Diego in this assignment.

Sincerely,

LIPMAN STEVENS MARSHALL & THENE, INC.

Gary L. Rasmuson, MAI
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG AG002571
Expiration Date: February 4, 2000

401 B Street, Suite 2101, San Diego, California 92101-4244 Phone (619) 232-2801 Fax (619) 232-7219

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EXECUTIVE SUMMARY

Assessment District Identification	Otay 4010 and 4019
Property	Thirteen vacant lots located within the Otay International Center subdivision in the City of San Diego, State of California. Thomas Brothers Map Page 1352-A3
Purpose	To estimate the subject's bulk sale value subject to special taxes and special bond assessment debt.
Estate Valued	The fee simple estate, subject to the bonded debt of Assessment Districts 4010 and 4019.
Zoning	The subject parcels are located in the Otay International Center Precise Plan. All of the subject parcels are located within the Basic or Business zones. Specific zoning regulations for each parcel are discussed in the Site Analysis.

Assessor Parcel Nos. & Size

Parcel Number	Gross Size	Net Size
646-141-15	1.35 acres	1.35 acres
646-141-16	1.28	1.28
646-141-17	4.34	4.34
646-141-18	1.98	1.98
646-141-19	2.54	2.54
646-142-17	7.29	7.29
646-142-18	7.44	7.44
646-142-19	7.66	7.66
646-142-20	7.74	7.74
646-142-35	2.19	2.19
646-144-06	1.57	1.57
646-230-06	2.61	2.61
646-230-07	3.19	2.19

Date of Value	September 30, 1998	
Value Conclusion	Bulk Sale Value – All Parcels (net of bond debt)	$8,366,000
	Total Bonded Debt Balance	$2,338,540
Date of Report	October 1, 1998	
Specific Assumptions	The bulk sale value estimate is reported net of existing bonded debt for Assessment Districts 4010 and 4019 per the California Debt Advisory Commission guidelines for land secured financing.	
Appraiser	Gary L. Rasmuson, MAI	

ALLOCATED VALUES

At the request of the client, the values have been distributed among the Assessor's parcels as shown on the next table. As described in this Summary Appraisal Report, the "retail" value of each Assessor's parcel was estimated as part of the discounted cash flow analysis that was used to value the district in "bulk." The logical method of allocating the "bulk" value among the Assessor's parcels was to calculate percentage of "retail" market value that each parcel represented, and to multiply those percentages by the "bulk" value. *The individual values are reasonable allocations only, and are not necessarily equal to the individual market values.*

Appraisal Site Number	Owner Name	Assessor Parcel No.	Lien Outstanding	Gross Acres	Allocated Values	Method of Allocation "Retail" Values	Method of Allocation % of Total
46	Otay International Center	646-141-15	$70,180.96	1.35	$271,321	$338,000	3.2%
47	Otay International Center	646-141-16	$66,698.75	1.28	$246,437	$307,000	2.9%
48	Otay International Center	646-141-17	$225,255.70	4.34	$834,834	$1,040,000	10.0%
49	Otay International Center	646-141-18	$102,775.28	1.98	$398,152	$496,000	4.8%
50	Otay International Center	646-141-19	$132,161.76	2.54	$510,533	$636,000	6.1%
40	Otay International Center	646-142-17	$290,645.25	7.29	$1,147,094	$1,429,000	13.7%
41	Otay International Center	646-142-18	$296,847.61	7.44	$1,170,373	$1,458,000	14.0%
42	Otay International Center	646-142-19	$305,457.32	7.66	$1,205,693	$1,502,000	14.4%
43	Otay International Center	646-142-20	$308,565.66	7.74	$1,217,734	$1,517,000	14.6%
51	Otay International Center	646-142-35	$203,751.77	2.19	$402,165	$501,000	4.8%
39	Kascommercial Properties	646-144-06	$81,609.23	1.57	$38,531	$48,000	0.5%
44	Otay International Center	646-230-06	$138,318.02	2.61	$501,703	$625,000	6.0%
45	Otay International Center	646-230-07	$116,272.53	3.19	$421,431	$525,000	5.0%
Total Value				51.18	$8,366,000	$10,422,000	100.0%

LIMITING CONDITIONS AND MAJOR ASSUMPTIONS

This appraisal is made expressly subject to the following conditions and stipulations:

1. No responsibility is assumed for matters which are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumes good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded, and the property has been appraised as though free of indebtedness.

2. The factual data utilized in this analysis has been obtained from sources deemed to be reliable; however, no responsibility is assumed for its accuracy.

3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The 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.

4. 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.

5. This appraisal is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.

6. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

7. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or this appraisal firm, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent of the signatory of this appraisal report. Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety.

8. This appraisal has been prepared as a complete summary appraisal report prepared under Standards Rule 2-2(b) of USPAP.

9. The individual market value and bulk sale value estimates are reported net of existing bonded debt for Assessment Districts 4010 and 4019.

10. This report was made in conformance with the California Debt Advisory Commission guidelines for land secured financing.

CERTIFICATION

I certify, to the best of my knowledge and belief, ...

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Gary L. Rasmuson, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- this appraisal was not based on a requested minimum valuation, a specific valuation or approval of a loan.
- no one provided significant professional assistance to the person signing this report other than Patrick Marsh, an associate appraiser with Lipman Stevens Marshall & Thene Inc. Mr. Marsh assisted in the valuation of this property including gathering and confirming subject and market data.

Gary L. Rasmuson, MAI
Date: October 1, 1998
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG002571
Expiration Date: February 4, 2000

INTRODUCTION

Purpose of the Appraisal The purpose of the appraisal is to estimate the fee simple bulk sale value of the subject property, subject to existing bonded debt and special taxes.

Intended Use of Appraisal The intended use of this appraisal is for Assessment District bonded debt refinancing. It was prepared for the exclusive use of the City of San Diego and may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

Bulk Sale Value 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.

Source: Appraisal Standards for Land-Secured Financings, California Debt Advisory Commission May 1994

Identification of the Property The property appraised consists of thirteen vacant commercial and industrial parcels located in the Otay International Center in Otay Mesa.

Legal Description The legal description for the subject parcels is summarized below. This is a brief legal description provided by the appraiser and is for informational purposes only. All of the lots are within the City of San Diego, County of San Diego and State of California.

Parcel Number	Legal Description
646-141-15	Lot 1 of Map 12421 Otay International Center Lot No. 1
646-141-16	Lot 2 of Map 12421 Otay International Center Lot No. 1
646-141-17	Lot 3 of Map 12421 Otay International Center Lot No. 1
646-141-18	Lot 4 of Map 12421 Otay International Center Lot No. 1
646-141-19	Lot 5 of Map 12421 Otay International Center Lot No. 1
646-142-17	Lot 9 of Map 12438 Otay International Center Lot No. 7
646-142-18	Lot 10 of Map 12438 Otay International Center Lot No. 7
646-142-19	Lot 11 of Map 12438 Otay International Center Lot No. 7
646-142-20	Lot 12 of Map 12438 Otay International Center Lot No. 7
646-142-35	Portion of Parcel 1 of Parcel Map 16523
646-144-06	Parcel 6 of Parcel Map 16376
646-230-06	Lot 6 of Map 12439 Otay International Center Lot No. 4
646-230-07	Lot 7 of Map 12439 Otay International Center Lot No. 4

Ownership/3-Year Property History

The current record owner of the subject property is summarized below. Otay International Center lots have not transferred title in the past three years, but are all listed for sale and several are currently in escrow for sale. The listing and escrow prices are reported as they apply. The Kascommercial Properties parcel last transferred ownership in May 1994 for an undisclosed price. The Suroeste Properties parcel has not transferred title in the past three years although Caltrans purchased the western portion of the original larger parcel in a June 1997 transaction.

Parcel Number	Record Owner	Listing/Escrow
646-141-15	Otay International Center	$455,747 - listing
646-141-16	Otay International Center	$405,500 - listing
646-141-17	Otay International Center	$1,268,748 - listing
646-141-18	Otay International Center	$624,044 - listing
646-141-19	Otay International Center	$803,133 - listing
646-142-17	Otay International Center	$4.00/SF escrow
646-142-18	Otay International Center	$4.00/SF escrow
646-142-19	Otay International Center	$4.00/SF escrow
646-142-20	Otay International Center	$4.00/SF escrow
646-142-35	Suroeste Properties	None known
646-144-06	Kascommercial Properties	None known
646-230-06	Otay International Center	$5.00/SF escrow
646-230-07	Otay International Center	$5.00/SF escrow

Date of Value

September 30, 1998

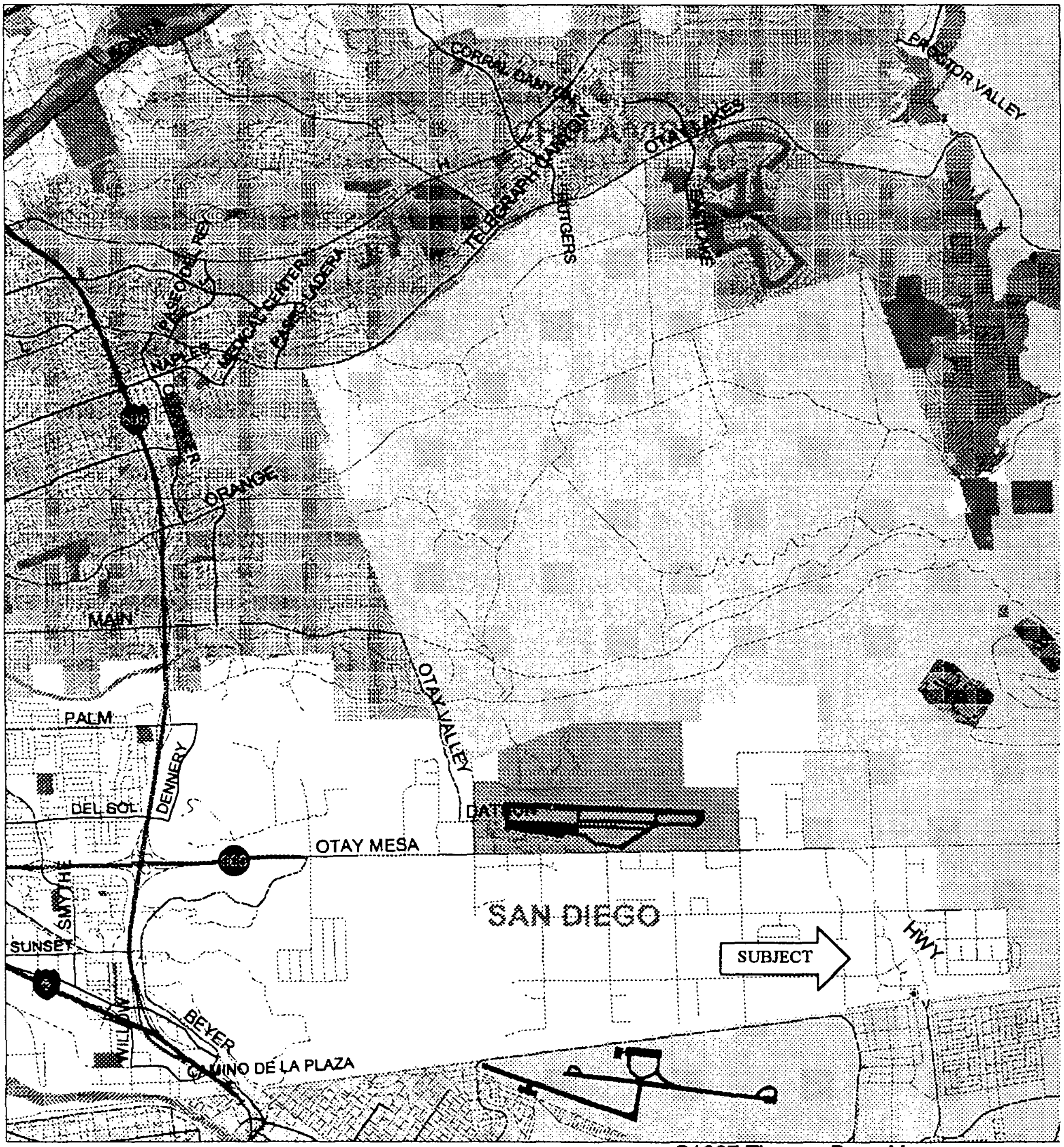
Exposure Time

The estimated marketing and exposure period for this property is approximately 30 to 60 days according to my analysis of the market data upon which this valuation is based.

Scope of the Appraisal

This appraisal has been prepared as a complete summary appraisal report under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). In preparing this appraisal, I personally inspected the subject property, the comparable market data and interviewed brokers and investors active in this market.

COMMUNITY MAP



©1997 Thomas Bros. Maps

AREA DATA

Community Description

The subject parcels are located within the Otay Mesa Community Plan. Otay Mesa is primarily an industrial market which began to be developed in the mid 1980's. Until the mid 1980's, the area was primarily undeveloped agricultural land lacking the necessary public infrastructure for urbanization. With the opening of the Otay Mesa border crossing in late 1985, the establishment of the adjacent Otay International Center and the opening of the State Prison in 1987, came the extension of water and sewer services necessary to begin development.

The development of Otay Mesa into an industrial market is directly linked to its proximity to Mexico and the passing of NAFTA. Many companies which have located to Otay Mesa have maquiladoras in Tijuana. Tijuana became the television manufacturing capital of the world in 1996. A sample of these companies include Sony, Sanyo, Maxell, Samsung, Matsushita and JVC.

Otay Mesa is also home to Brown Field, a City-owned general aviation airport occupying 900 acres north of Otay Mesa Road. The airport currently handles about 20,000 flight operations per month and has an existing main runway of 8,000 feet in length.

Neighborhood Description

The subject property is located within Otay International Center at the southeast end of Otay Mesa. Otay International Center is an industrial/commercial project on approximately 449 acres situated adjacent to the Mexican border. The Otay International Center Specific Plan allows a variety of land uses including commercial border services, warehousing, truck and freight facilities, retail commercial, general industrial, business park, and motel/restaurant facilities.

The location next to the border crossing has created a need for a broad array of retail shopping, business offices and transportation related services. There is a higher concentration of commercial uses in this area than any other area in Otay Mesa. A few of the special needs in this area include shopping for last opportunity purchases by people traveling into Mexico, shopping by people who cross the border from Mexico to purchase goods and services in the United States and custom brokerage facilities where import and export materials can be processed.

Market Analysis

Historically, the companies locating in Otay Mesa have been maquiladora related. However, non-maquiladora operators are now considering locating to Otay Mesa due to the shrinking supply and increasing prices of land in central San Diego. Speculative development has also become a factor in the past year with Mitsui Real Estate's December 1996 completion of two multi-tenant buildings totaling 120,000 square feet, and Koll's 195,000 square foot San Diego Distribution Center, which is the largest new project in Otay Mesa.

Vacancy for industrial property in Otay Mesa has fallen below seven percent for the first time ever. Land values appear to be on the increase as demand for user space and truck parking space has increased over the past couple years. The movement of the truck inspection facility to Otay Mesa from San Ysidro has generated a large amount of truck traffic through the Otay International Center and has been a large component of the increased industrial and truck related use demand.

[Pages 10-13, Plat Maps Intentionally Omitted]

SITE ANALYSIS

Introduction

The following is a summary of the site characteristics based upon a visual inspection of the property on August 14, 1998. There are thirteen vacant parcels located throughout the Otay International Center that are the subject of this appraisal. The parcels are zoned for either business or industrial use and all are undeveloped or used for truck parking.

Assessor's Information

APN	Assessed Value	R.E. Taxes	Special Assessments	Total Taxes
646-141-15	$155,207	$1,792.64	$8,866.72	$10,659.36
646-141-16	$142,825	$1,649.62	$8,426.00	$10,075.62
646-141-17	$509,794	$5,888.12	$28,387.40	$34,275.52
646-141-18	$222,124	$2,565.52	$12,970.94	$15,536.46
646-141-19	$286,626	$3,310.52	$16,664.64	$19,975.16
646-142-17	$508,617	$5,874.52	$38,121.58	$43,996.10
646-142-18	$520,002	$6,006.02	$38,929.72	$44,935.74
646-142-19	$534,842	$6,177.42	$40,061.30	$46,238.72
646-142-20	$539,405	$6,230.12	$40,470.30	$46,700.42
646-144-06	$20,871	$241.06	$9,088.24	$9,329.30
646-230-06	$252,920	$2,921.22	$17,433.74	$20,354.96
646-230-07	$212,748	$2,457.22	$14,708.90	$17,166.12
646-142-35	$562,000	N/A	N/A	N/A
Total	$4,467,981	$45,114	$274,129	$319,243

Bonded Debt

The parcels are within the Assessment District 4010 and 4019. The total bonded debt remaining is summarized in the following table.

APN	AD 4010	AD 4019	Total	Debt/SF
646-141-15	$14,505	$55,676	$70,181	$1.19
646-141-16	$13,785	$52,913	$66,699	$1.20
646-141-17	$46,557	$178,699	$225,256	$1.19
646-141-18	$21,242	$81,533	$102,775	$1.19
646-141-19	$27,316	$104,846	$132,162	$1.19
646-142-17	$74,398	$216,248	$290,645	$0.92
646-142-18	$75,985	$220,862	$296,848	$0.92
646-142-19	$78,189	$227,268	$305,457	$0.92
646-142-20	$78,985	$229,581	$308,566	$0.92
646-142-35	$82,311	$121,441	$203,752	$2.14
646-144-06	$16,867	$64,742	$81,609	$1.19
646-230-06	$33,205	$105,113	$138,318	$1.22
646-230-07	$27,913	$88,360	$116,273	$1.22
Totals	$591,257	$1,747,283	$2,338,540	

Site Area

Parcel Number	Gross Size	Net Size
646-141-15	1.35 acres	1.35 acres
646-141-16	1.28	1.28
646-141-17	4.34	4.34
646-141-18	1.98	1.98
646-141-19	2.54	2.54
646-142-17	7.29	7.29
646-142-18	7.44	7.44
646-142-19	7.66	7.66
646-142-20	7.74	7.74
646-142-35	2.19	2.19
646-144-06	1.57	1.57
646-230-06	2.61	2.61
646-230-07	3.19	2.19

Parcel 646-230-07 is net of a future street reservation for the State 905 freeway as shown on the Assessor Plat Map.

Topography

All of the lots are padded and are in a finished lot condition.

Utilities

All public utilities are available to each of the lots.

Access

Access to the Otay International Center is by Otay Mesa Road which becomes Highway 905 as it turns south approximately one mile before the border crossing. Each of the subject parcels has adequate street access from fully improved public street frontage.

Community Plan

The subject parcels are located within the Otay Mesa Community Plan and more specifically, within the Otay International Center Precise Plan.

Current Zoning

The specific zoning of each subject parcel is listed below. There are three zoning designations within the Otay International Precise Plan.

1. Basic Zone - This zone creates and preserves areas where manufacturing and industrial uses with no or very low nuisance characteristics may locate. Supportive uses which are not industrial, such as administrative, sales and services, are also allowed. The Basic Use Zone applies to all parcels within the Otay International Center.

2. Commercial Component – This zone is intended to permit the border related commercial services, retail sales, and administrative services. Land uses permitted under the commercial component are in addition to the land uses permitted in the Basic Use Zone.

3. Business Component – This zone is intended to permit border related industrial business services, limited commercial services, and lodging. The land uses permitted under the business component are in addition to the Basic Use Zone.

Parcel Number	Zoning	Land Use
646-141-15	Business	Motel/Restaurant & Bus. Park
646-141-16	Business	Motel/Restaurant & Bus. Park
646-141-17	Business	Motel/Restaurant & Bus. Park
646-141-18	Business	Motel/Restaurant & Bus. Park
646-141-19	Business	Motel/Restaurant & Bus. Park
646-142-17	Basic	General Industrial
646-142-18	Basic	General Industrial
646-142-19	Basic	General Industrial
646-142-20	Basic	General Industrial
646-144-06	Business	Motel/Restaurant & Bus. Park
646-230-06	Business	Business Park
646-230-07	Business	Business Park
646-142-35	Basic	General Industrial

Flood Zone

The properties are located in Flood Zone C per FEMA Map 060295-0235B. This is an area of minimal flooding.

Earthquake Hazard

The subject parcels are not within an identified Alquist-Priolo Earthquake Special Studies Zone.

Hazardous Materials

An environmental assessment was not made available. For purposes of this report, the site is assumed to be free of hazardous wastes.

Soils

A soils survey was not provided for this assignment. This valuation assumes that the soils are suitable for development of the property.

Surrounding Land Uses

Parcels 646-141-15 through 19 and 646-144-06 are within a commercial area of the subdivision and are near an existing retail center. A new motel is under construction nearby. The remaining parcels are generally surrounded by industrial related development.

Easements/Encroachments/Restrictions

A preliminary title report was not provided to me for review. This valuation assumes that the lots do not have any significant easements or restrictions which would impact the development potential or market value of the parcels. Parcel 646-144-06 is encumbered with a future street reservation restriction by the original subdivision map and a landscape easement granted to the City of San Diego. This parcel is in the pathway of the future State 905 freeway. Parcel Map 16376 indicates that this lot may be subject to acquisition for freeway purposes by purchase, exercise of eminent domain, or other acquisition alternatives deemed necessary by Caltrans. Caltrans indicates that the current time line for right-of-way acquisition for the 905 freeway is in the range of 2000 to 2004.

Improvements

The lots are unimproved parcels in a graded and padded condition except for parcels 646-141-15 through 19 which are improved with a surface parking lot and surrounding fencing. These lots are ground leased for use as a truck storage area. This is considered an interim use until redevelopment of the property to its highest and best use consistent with the underlying zone. No structural improvements are valued as part of this analysis.

Highest and Best Use

The highest and best use of the property, as if vacant is holding for future development with light industrial or commercial uses as designated in the Otay International Center Precise Plan.

VALUATION ANALYSIS

Introduction

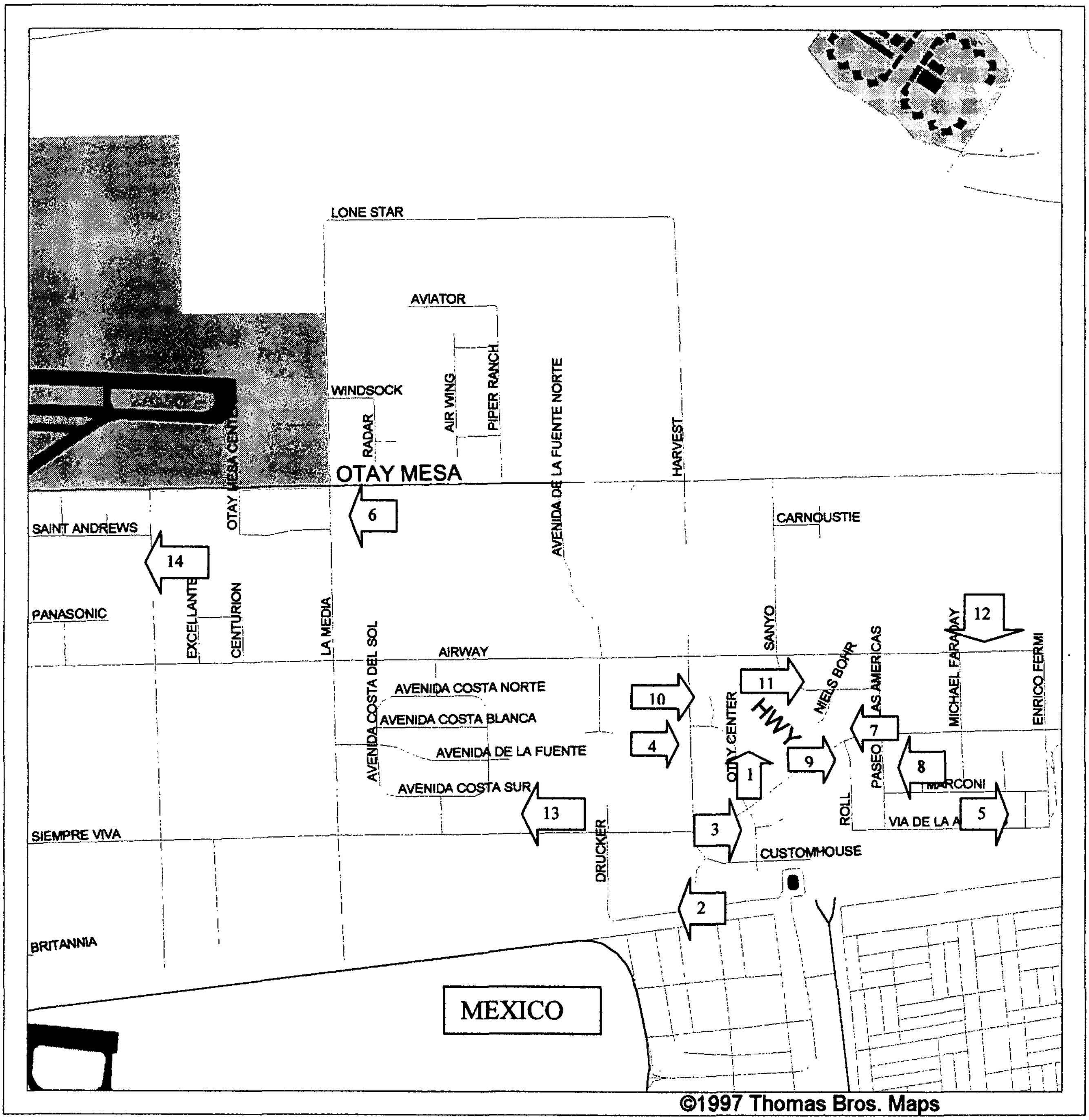
The purpose of this report is to estimate the bulk sale value for the thirteen subject lots. The bulk value estimate is based on a special assumption that all of the lots are sold to a single purchaser or sales to multiple buyers over a reasonable absorption period. The individual value for each lot is commonly referred to as the retail value. This value is based on the assumption that it is sold and marketed as a separate parcel. The individual market value for each lot is first estimated and is used as the basis for the bulk sale value analysis.

All of the subject parcels are vacant land which are zoned for either business or industrial use. Therefore, only the Sales Comparison Approach was used to estimate the market value on an individual basis. The bulk sale value estimate is prepared using a discounted cash flow analysis.

In the Sales Comparison Approach, I have researched sales of industrial and commercial land in the Otay Mesa market area. This analysis allowed us to contact buyers and sellers as well as brokers who participated in the transaction. The comparable sale data is analyzed on a price-per-square-foot basis. The price paid for the lots are net of existing bond debt, where applicable.

A summary of the comparable market data items follows, with analysis and conclusions following the data summaries.

LAND SALE LOCATION MAP



COMPARABLE SALE SUMMARY TABLE

No.	Location/Buyer/Seller	Date	Price	Size (SF)	Zoning	$/SF Land	Comments
1	Otay Center Drive APN: 646-141-22 Buyer: Summit Land Partnership Seller: Rosendo De Padilla	21-Mar-97	$415,000	106,722 Net	Business	$3.89	Site for a 71-room motel
2	Drucker Lane and Customhouse Ct APN: 646-143-15 Buyer: Mitsui Real Estate Seller: Otay International Center	26-Jan-95	$2,434,519	564,538	Basic Industrial	$4.31	Construct a truck parking and customhouse facility
3	Nicola Tesla Court APN: 646-180-20,21,22 Buyer: Sidekicks LLC Seller: Otay International Center	14-Nov-97	$550,000	124,582	Commercial	$4.41	Hold for investment
4	South side Otay Center Drive APN: 646-141-25 Buyer: Ernesto Lozano Jr. Seller: Otay International Center	1-Apr-97	$260,000	58,370	Business Park	$4.45	Use for truck parking
5	Marconi Drive/Via De La Amistad APN: 646-161-18; 29 Buyer: Regalos De Alcuria Seller: Via De La Amistad Ltd.	7-Nov-96	$230,000	47,000	Basic Industrial	$4.89	Hold for future development
6	SWC Otay Mesa Rd/La Media APN: 646-111-05 Buyer: The Southland Corp. Seller: Peninsula Properties	6-Mar-98	$750,000	144,619	Commercial	$5.19	Construct a 7-11 food store and service station
7	Neils Bohr Court APN: 646-230-09 Buyer: Western Devcon Seller: Otay International Center	29-Mar-96	$440,000	81,631	Business Park	$5.39	Build an office building for DEA

COMPARABLE SALE SUMMARY TABLE

No.	Location/Buyer/Seller	Date	Price	Size (SF)	Zoning	$/SF Land	Comments
8	Paseo De Las Americas APN: 646-160-02 Buyer: San Diego Forest & Lumber Seller: Manuel Rodriguez	1-May-97	$260,000	43,996	Basic Industrial	$5.91	Buyer owns adjacent parcel Bought for expansion
9	2320 Roll Drive APN: 646-180-01 Buyer: Nick Nicholas Seller: McDonalds	25-Apr-97	$425,000	57,499	Commercial	$7.39	Construct a Shell gas station
10	Lots 1 through 5; Otay Center Court APN: 646-141-15 through 19 Buyer: N/A Seller: Otay International Center	Listing	N/A	N/A	Business	$6.71 $7.75	Current listing price range Lots are leased for parking at $2,000/Ac./Mo.
11	Lots 4, 5, 6, 7 & 8; Niels Bohr Court APN: 646-230-04,05,06,07,08 Buyer: N/A Seller: Otay International Center	Escrow	N/A	13.3 acres	Business Park	$5.00	Bulk sale of five adjacent lots at $5/SF Buyer plans to build a business park
12	Lots 9-12; Simpre Viva Road APN: 646-142-17 through 20 Buyer: N/A Seller: Otay International Center	Escrow	N/A	30.13 acres	Basic Industrial	$4.00	Bulk purchase of four adjacent lots Buyer plans to build a distribution center
13	De La Fuente Business Park APN: 646-150, 210 and 260	1997 to 1998	N/A	1 to 3 acres	Basic Industrial	$2.30 to $3.50	Sale prices net of bonded debt of around $1.83/SF
14	Brown Field Business Park APN: 646-220 and 221	1997 to 1998	N/A	2 to 3 acres	Basic Industrial	$4.18 to $4,70	No bond debt in this subdivision

Sale Comparable Analysis

Sale 1 is the purchase of a 3.34-acre site that has a net usable area of 2.45 acres. The rear portion of the lot has a reservation for a future street as well as a landscape easement. This area has not been included in the calculation of price per square foot of land area since it is not buildable and is subject to a future acquisition for the I-905 right-of-way. The lot is in the same block as the five subject parcels zoned for motel/restaurant/business park use. The buyer plans to construct a 71-room Comfort Suites Inn motel.

Sale 2 is the purchase of a large lot located in the southwest corner of the Otay International Center subdivision, adjacent to the border. The parcel was purchased by Mitsui Real Estate who also owns the adjacent multi-tenant industrial development to the north. The parcel was in a rough graded condition and needed grading and soil export to create a level pad. This parcel is zoned for general industrial use.

Sale 3 was a sale from the Otay International Center of three adjacent lots located at Otay Center Drive and Nicola Tesla Court. The lots are zoned for commercial border services land use. The buyer has reportedly turned down a recent offer at $7.00 per square foot.

Sale 4 is the sale of a single lot located on the south side of Otay Center Drive. This lot was purchased in April 1997 for use as a truck parking lot. The lot is zoned for business park use and is a padded, finished lot.

Sale 5 was the purchase in November 1996 of two adjacent lots located near the east end of the Otay International Center subdivision on Via de la Amistad. The lots are zoned for basic industrial land use and were purchased for future investment.

Sale 6 is the sale of a commercially zoned lot located at the corner of Otay Mesa Road and La Media Road. This parcel is not within the Otay International Center subdivision. The lot was purchased by The Southland Corporation for construction of a 7-11 food store and service station. The site will require finish grading and adjacent street improvement. No Assessment District bonds apply to this sale and therefore it is superior to the subject parcels.

Sale 7 was the purchase of a single lot located on Niels Bohr Court. The lot was purchased in early 1996 by a developer who planned to construct an office building to be leased to the DEA under a government contract.

Sale 8 was the purchase of a single lot located on the east side of Paseo De Las Americas. The buyer of this property also owned an adjacent building. He will use the parcel for truck parking in the short term and eventually will develop the site in conjunction with the adjacent building. It appears that this price was affected upward by plottage.

Sale 9 is the purchase of a lot located at the corner of Siempre Viva Road and Roll Drive. The buyer constructed a Shell service station on the site. The seller was McDonalds who owns the lot to the south and shares some parking and access with this lot. This lot is commercially zoned.

Transactions 10, 11 and 12 are current listings or escrows of subject property lots as previously discussed in this report. Sale 10 is the current listing of Lots 1 through 5 located on Otay Center Court. These lots are zoned for business use and have listing prices ranging from $6.71 up to $7.75 per square foot. The listing broker indicates that the seller is not motivated to sell the lots since they are currently leased for truck parking at a rate of $2,000 per acre per month. The broker also indicates that he feels the value of these lots to be in the range of $5.75 to $6.00 per square foot.

Sale 11 is a current escrow of five adjacent lots of which two are subject parcels being appraised in this report. The buyer is paying $5.00 per square foot for this bulk purchase and plans to construct a business park on the site.

Sale 12 is the current escrow of Subject Lots 9 through 12 located between Airway Road and Siempre Viva Road. These are basic industrial zoned lots which average just over seven acres each. The buyer plans to build a distribution center on the property. The average price for this bulk purchase is $4.00 per square foot, net of bonded debt.

In addition to this data, I have considered sales of industrial lots located in competing industrial parks in Otay Mesa. Sale 13 is a representative sampling of sales in the De La Fuente Business Park is located adjacent to the west of the subject subdivision. This 97-lot subdivision was developed in 1987 and only partially sold-out. A lender foreclosed on a number of the remaining unsold lots in 1997 and has marketed them for sale. This park has Assessment District bonded debt averaging around $1.83 per square foot. There have been several recent finished lot sales for basic industrial use in the range of $2.30 to $3.50 per square foot. These prices are net of the bonded debt.

Sale 14 is the Brown Field Business Park is located to the northeast of the Otay International Center and contains 40 finished lots. This park was developed in 1989 and eventually the remaining unsold lots were foreclosed upon by the lender. The lots have been then marketed for sale and several sales have been recorded subsequent to the foreclosure. The park does not have any bonded debt. Recent sales in this subdivision have recorded prices in the range of \$4.18 to \$4.70 per square foot for general industrial land use lots in the range of 2 acres in size. This price range will require a downward adjustment for the lack of bonded debt compared to the subject lots. Using an average bond debt of around \$1.00 per square foot, these sales indicate a value range for basic industrial use of \$3.18 to \$3.70 per square foot. The subject subdivision has a superior location closer to the international border crossing.

Land sale data for basic industrial and business park land use provides a range of prices from \$2.30 per square foot up to \$5.91 per square foot. A summary of the grouping of sale comparables which have a similar land use potential as the subject lots with the basic industrial use designation follows.

Sale 13	De La Fuente Business Park	\$2.30 to \$3.50/SF
Sale 14	Brown Field Business Park	\$3.18 to \$3.70/SF (net)
Sale 12	Bulk purchase of four lots	\$4.00/SF
Sale 2	Drucker Lane	\$4.31/SF
Sale 4	Otay Center Drive	\$4.45/SF
Sale 5	Marconi Drive	\$4.89/SF
Sale 11	Subject escrow of 4 lots	\$5.00/SF
Sale 7	Niels Bohr Court	\$5.39/SF
Sale 8	Paseo De Las Americas	\$5.91/SF

The two comparables not within the Otay International Center subdivision are at the low end of the indicated value range and are inferior in location. The balance of the data indicates a range from \$4.00 up to \$5.91 per square foot. The upper end of the range is bracketed by Sale 8 which appears to have been influenced upward by plottage with an adjacent property. Sale 12 is at the low end of the range due to a bulk purchase of four lots totaling just over 30 acres. The large size of this purchase skewed downward the average price. In general, the larger the parcel size and number of lots purchased, the lower the price paid per square foot. The pairing of sale data supports this premise. Based on this market data, I have concluded at the following retail lot values for the subject lots which are zoned for either basic industrial or business park land use. The individual lot values vary due to differences in location within the industrial park as well as size. A summary follows. The values are rounded to the nearest \$1,000 and are net of bonded debt.

Parcel Number	Zoning	Value/SF	Size	Total Value
646-142-17	Basic	$4.50	7.29 Ac	$1,429,000
646-142-18	Basic	$4.50	7.44 Ac	$1,458,000
646-142-19	Basic	$4.50	7.66 Ac	$1,502,000
646-142-20	Basic	$4.50	7.74 Ac	$1,517,000
646-230-06	Business	$5.50	2.61 Ac	$625,000
646-230-07	Business	$5.50	2.19 Ac	$525,000
646-142-35	Basic	$5.25	2.19 Ac	$501,000

The remaining subject lots are within the business designation which allows motels, restaurants and business park uses. These parcels have more commercial use potential than the basic industrial or business park land use designated lots. The market data considered for these lots are summarized below.

Sale 1	Otay Center Drive	$3.89/SF
Sale 3	Nicola Tesla Court	$4.41/SF
Sale 6	Otay Mesa Road	$5.19/SF
Sale 9	Roll Drive	$7.39/SF

The sales data indicates a rather wide range of prices. Sale 1 is most similar to the subject lots since it is within the same block and subject to identical influences. This is an older sale and due to improving market conditions should set the lower end of the indicated value range. Sale 3 closed within the last six months, however the buyer indicates that he has received an offer in the range of $7.00 per square foot. Since this is a bulk sale of three lots, the price would be expected to be lower than for the sale of a single lot. Upward consideration has been given for these factors. Sale 6 is not a finished lot and will require grading and possible fill along with adjacent street improvements. The sale would need a downward adjustment for the fact that it does not have bonded debt. These are considered to be offsetting factors with the lot finish costs. Sale 9 is a superior corner lot and sets the upper end of the value range for the subject lots.

Based on my analysis of the comparable sale data, I have concluded at a market value range from $5.50 to $5.75 per square foot, depending on size and location of the lots. Parcel 646-144-06 is a unique lot due to the legal restrictions of use and development. The lot is subject to a future street reservation and a landscape easement. The landscape easement effectively limits the development of the property. Caltrans indicates that they will acquire the property within the next five years. The street reservation does not apply to a freeway right-of-way. I have valued this lot by applying a market value estimate of $7.00 per square foot and then discounting the value by the impact of the development restrictions. My estimate of the remaining fee value is 10 percent of the total, with 90 percent of the rights encumbered with the street reservation and landscape easement. The lot has good corner location and frontage and is most comparable to Sale 9. A summary of the indicated retail lot value, rounded to the nearest $1,000 for each of the business zoned parcels follows.

Parcel Number	Zoning	Value/SF	Size	Total Value
646-141-15	Business	$5.75	1.35 Ac	$338,000
646-141-16	Business	$5.50	1.28 Ac	$307,000
646-141-17	Business	$5.50	4.34 Ac	$1,040,000
646-141-18	Business	$5.75	1.98 Ac	$496,000
646-141-19	Business	$5.75	2.54 Ac	$636,000
646-144-06	Business	$0.70	1.57 Ac	$48,000

Bulk Sale Value

The Bulk Sale Value is based on the assumption that all thirteen lots are sold either to a single buyer or to multiple buyers by the same seller. A discounted cash flow (DCF) analysis is performed to estimate the present value of the future cash flows which could be generated from a sales program of the thirteen lots. The DCF requires an estimate of the retail or market value of the individual lots, the sales rate of the lots during sell-out, selling and holding costs and a rate of return or profit requirement to the investor. The retail or market values of the individual lots has been previously estimated.

The sales rate for the thirteen lots is based on an absorption period required to sell the lots to individual buyers. The absorption period is estimated by researching the market supply, demand and historical marketing periods for industrial lots in this subdivision as well as in competing subdivisions. A brief discussion of this analysis follows.

Sales Rate Analysis

There are approximately 168 lots in the Otay International Center subdivision. The subdivision was developed during the late 1980's and has been selling lots since that time. There are sixteen lots which remain unsold by the original developer, Otay International Center. A total of eight lots were sold by the developer in 1997. The developer has nine of the unsold lots currently in escrow for sale to two bulk purchase buyers. I have also researched lot sales in the two competing industrial parks, De La Fuente Business Park and Brown Field Business Park and the Otay Mesa market area as a whole. A summary follows.

De La Fuente:	6 lots sold in 1997
	6 lots sold in 1998
Brown Field Business Park:	11 lots sold in 1997
	1 lot sold in 1998

Otay Mesa Market Area:	33 lots sold in 1997 in 16 transactions 9 lots sold in 1998 in 6 transactions

The sales data for 1997 and 1998 indicates that there has been strong market activity in industrial lots within the Otay Mesa market area. Brown Field Business Park was foreclosed in the mid-1990's and the lender, USX Corporation had marked down the lot prices and has been selling them steadily over the past several years. The De La Fuente Business Park also encountered a foreclosure sale of remaining lots from the original developer to Banque Nationale De Paris in 1997. The bank has been selling the REO lots at a strong pace with discounted lot prices. Based on this data, I forecast a sales rate of approximately eight lots per year or an average of two lots per quarter. Based on this sales rate, it will take seven quarters to sell out the thirteen subject lots.

Sales Costs

Sales costs are estimated at five percent of gross sales proceeds. This cost accounts for marketing and sales commissions.

Holding Costs

Holding costs during the sell-out period include real estate tax payments and Special Assessment District bond payments. Tax payments are assumed to be made during the tax payment periods in the fourth quarter and first quarter of each year. The payments are based on taxes and special assessments due on the remaining lot inventory as a percentage of the total. End of quarter accounting is used in this analysis.

Discount Rate

A 15 percent yield rate has been selected for use in discounting the net cash flows to a present value estimate. This rate is selected to provide an adequate return to an investor in these thirteen lots as a bulk purchase, with a plan to sell-out the lots as presented in this analysis. The yield was selected based on a comparison of typical real estate yield requirements for income property investors and for investors in residential and industrial subdivision property. The risk for this investment is considered to be above that of typical investment grade improved property and below that of an investment in a proposed subdivision. The broad range of these rates is bracketed from 11 percent up to 20 percent. The subject investment is felt to fall near the middle of this risk range.

Value Summary

A summary of the discounted cash flow analysis follows. The indicated bulk sale value for this property is $8,366,000. This represents a 20 percent discount from the sum of the retail market values and is considered a reasonable discount for this investment.

BULK SALE VALUE
DISCOUNTED CASH FLOW ANALYSIS

	Totals	10/1/1998 Quarter 1	1/1/1999 Quarter 2	4/1/1999 Quarter 3	7/1/1999 Quarter 4	10/1/1999 Quarter 5	1/1/2000 Quarter 6	4/1/2000 Quarter 7
Lot Sale Revenue:								
Lot Inventory	13	11	9	7	5	3	1	0
Lot Sales	13	2	2	2	2	2	2	1
Lot Sale Revenue	$10,422,000	$1,603,385	$1,603,385	$1,603,385	$1,603,385	$1,603,385	$1,603,385	$801,692
Expenses:								
Sales and Marketing	$521,100	$80,169	$80,169	$80,169	$80,169	$80,169	$80,169	$40,085
Real Estate Taxes	$41,644	$19,087	$15,616	$0	$0	$5,205	$1,735	$0
Special Assessments	$253,043	$115,978	$94,891	$0	$0	$31,630	$10,543	$0
Subtotal Expenses	$815,786	$215,234	$190,677	$80,169	$80,169	$117,005	$92,448	$40,085
Net Cash Flow	$9,606,214	$1,388,151	$1,412,708	$1,523,215	$1,523,215	$1,486,380	$1,510,937	$761,608
Discount Factor @ 15%		0.9639	0.9290	0.8954	0.8631	0.8319	0.8018	0.7728
Present Value of Cash Flow	$8,365,561	$1,337,977	$1,312,430	$1,363,945	$1,314,646	$1,236,486	$1,211,484	$588,592
Total Present Value	$8,365,561							
Indicated Bulk Value	**$8,366,000**							

Subject Parcel Summary:

Parcel	Market Value	Taxes	Bond Pmts
646-141-15	$338,000	1,793	8,867
646-141-16	$307,000	1,650	8,426
646-141-17	$1,040,000	5,888	28,387
646-141-18	$496,000	2,566	12,971
646-141-19	$636,000	3,311	16,665
646-142-17	$1,429,000	5,875	38,122
646-142-18	$1,458,000	6,006	38,930
646-142-19	$1,502,000	6,177	40,061
646-142-20	$1,517,000	6,230	40,470
646-142-35	$501,000	N/A	N/A
646-144-06	$48,000	241	9,088
646-230-06	$625,000	2,921	17,434
646-230-07	$525,000	2,457	14,709
Totals	$10,422,000	45,114	274,129

Average Value Per Lot $801,692

LIPMAN STEVENS MARSHALL & THENE, INC.
Real Estate Appraisers & Consultants

BRIAN L. FLANNERY
DANI L. GREINER
LORIE J. HARMON
RICHARD J. HUTZLER
ED LeROY
PATRICK J. MARSH
GARY L. RASMUSON, MAI
RICHARD T. RUSSELL
DAVID L. TUROSAK

H.L. "BILL" LIPMAN, MAI, CRE
WALTER J. STEVENS, MAI
THOMAS O. MARSHALL, MAI
KEVIN M. THENE, MAI

October 1, 1998

Ms. Lucille Galvin, SR/WA
Property Agent, Valuation Division
City of San Diego
1200 Third Avenue, Suite 1700, MS 51-A
San Diego, CA 92101-4199

RE: AP 2645 – Calle Cristobal/Camino Santa Fe Assessment District No. 4013, Mira Mesa Community, San Diego, California 92121

Dear Ms. Galvin:

At your request, I have completed an appraisal of the referenced property as of October 1, 1998. The purpose of the appraisal was to estimate the market value of the undeveloped privately owned property within the Calle Cristobal/Camino Santa Fe Assessment District. The appraisal is intended for use by the client in refinancing the existing assessment district bonds. The appraisal report has been prepared to comply with the *Appraisal Standards for Land-Secured Financings* published by the California Debt Advisory Commission, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Ethics and Supplemental Standards of the Appraisal Institute. This appraisal has been prepared as a complete, summary appraisal report prepared under Standards Rule 2-2(b) of USPAP.

The properties are in four ownerships, and all are raw land with significant areas of environmentally-sensitive open space in addition to areas with residential development potential. They have been appraised by comparison with sales of raw land in the San Diego region.

By virtue of my experience and based upon my investigation, it is my opinion that the market values of the subject properties, as of September 30, 1998, were:

Pipefitters Welfare Education & Pension Fund	118.48 acres	$4,465,000
Lusk-Smith Mira Mesa North	36.65 acres	$717,000
Florence E. Mansfield	13.67 acres	$368,000
Kaiser Foundation Hospital		nominal value
	Total	$5,550,000

Market values are net of the outstanding special assessments, in compliance with the *Appraisal Standards for Debt-Secured Financings*.

401 B Street, Suite 2101, San Diego, California 92101-4244 Phone (619) 232-2801 Fax (619) 232-7219

Submitted herewith is my report containing the facts and reasoning upon which the above value is based. The assumptions and limiting conditions of the appraisal are stated in the report. It has been a pleasure to be of service to the City of San Diego in this assignment.

Sincerely,

LIPMAN STEVENS MARSHALL & THENE, INC.

Thomas O. Marshall

Thomas O. Marshall, MAI
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG002840
Expiration Date: March 10, 2001

TM:ema

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EXECUTIVE SUMMARY

Property	Calle Cristobal/Camino Santa Fe Assessment District No. 4013 Mira Mesa Community of San Diego, California Thomas Brothers Map Pages 1208 and 1209.
Project Description/Location	Raw land around the intersection of Calle Cristobal and Camino Santa Fe, and next to Prairie Wood Drive, containing a total of 173.80 acres in four ownerships, zoned residential (0-4 units per acre) and open space.

Property Identification

Owner	APN	Acres
Pipefitters Welfare Education & Pension Fund		
	308-040-15	8.54
	311-020-45	36.60
	311-020-43	55.18
	311-021-08	9.97
	311-021-10	8.19
		118.48
Lusk-Smith Mira Mesa North		
	311-020-25	36.65
Florence E. Mansfield		
	308-040-03	13.67
Kaiser Foundation Hospital		
	309-030-20	5.00

Property Condition	Raw land.
Highest and Best Use	Residential development on portions, with the major part of the land in open space.
Purpose of the Appraisal	To estimate the market value of the undeveloped property in the Calle Cristobal/Camino Santa Fe Assessment District.
Intended Use	For refinancing the existing assessment district bonds.
Estate Valued	The fee-simple estate as encumbered by the assessment district.
Date of Value	September 30, 1998
Value Summary	Pipefitters ..... $4,465,000 Lusk-Smith ..... $717,000 Mansfield ..... $368,000 Kaiser ..... nominal value
Major Assumption	The property is appraised net of the existing special assessments, in compliance with CDAC appraisal standards.
Date of Report	October 1, 1998
Appraiser	Thomas O. Marshall, MAI

LIMITING CONDITIONS AND MAJOR ASSUMPTIONS

This appraisal is made expressly subject to the following conditions and stipulations:

1. No responsibility is assumed for matters that are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumes good title, responsible ownership and competent management. Except for the existing assessment district, any liens or encumbrances which may now exist have been disregarded, and the property has been appraised as though free of indebtedness.

2. The factual data utilized in this analysis has been obtained from sources deemed to be reliable; however, no responsibility is assumed for its accuracy.

3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The 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.

4. 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.

5. This appraisal is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.

6. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

7. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or this appraisal firm, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent of the signatory of this appraisal report. Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety. Use of the report in the refinancing of the assessment district is authorized.

8. This appraisal has been prepared as a complete appraisal and a summary report prepared under Standards Rule 2-2(b) of USPAP.

9. The appraisal has been prepared in compliance with the *Appraisal Standards for Land Secured Financings* published by the California Debt Advisory Commission.

CERTIFICATION

I certify, to the best of my knowledge and belief, ...

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Thomas O. Marshall, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- this appraisal was not based on a requested minimum valuation, a specific valuation or approval of a loan.
- no one provided significant professional assistance to the person signing this report.

Thomas O. Marshall
Thomas O. Marshall, MAI
Date: September 16, 1998
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG002840
Expiration Date: March 10, 2001

INTRODUCTION

Purpose of the Appraisal The purpose of the appraisal was to estimate the market value of the undeveloped property within the Calle Cristobal/Camino Santa Fe Assessment District.

Intended Use of Appraisal This appraisal is intended for use by the City of San Diego in refinancing the existing assessment district bonds. No other use is authorized.

Value Definition **Market Value** – The most probable price in 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, knowledgeably, and for self-interest, and assuming that neither is under undue duress.[1]

Identification of the Property The subjects are the remaining undeveloped parcels within the Calle Cristobal/Camino Santa Fe Assessment District, in the westerly area of the Mira Mesa Community. The four ownerships (eight assessor's parcels) are raw land parcels that are largely in open space, with relatively small areas of residential development potential (estimated at a maximum of 38 percent).

Legal Description Legal descriptions were not available. The assessment maps and other exhibits in this report adequately describe the subject properties for the purposes of this appraisal.

Ownership/3-Year Property History With respect to the properties owned by the Pipefitters Welfare Education & Pension Fund, Lusk-Smith Mira Mesa, and Florence E. Mansfield, there have been no transactions within the past three years that would require disclosure under USPAP standards.

The five acres owned by Kaiser Foundation Hospital were acquired from Fieldstone Communities on May 12, 1998. A representative of Kaiser reported that the price was $1,400,000 ($6.43 per square foot). Kaiser needed the land for off-site

1 California Debt Advisory Commission, *Appraisal Standards for Land Secured Financings,* May 1994, p. 30

mitigation for another project in Mira Mesa next to Interstate 15. The site contains vernal pools. The Kaiser representative did not know how the price was determined. Based on maps reviewed in the City planning office, one-half to two-thirds of the site may have residential development potential. However, the agreement with the City of San Diego reportedly dedicates the entire property as permanent open space. Based on my analysis of comparable open space market data, the price is substantially above market. According to Keith Greer representing the City of San Diego, Kaiser will grant a permanent open space easement to the city covering the entire five acres.

A representative of Pardee Construction Company, the dominant homebuilder in the area, verified that his company is negotiating to purchase the Pipefitters property. Pardee plans to build detached single family homes that are similar to its other projects nearby. The sale would include other property in the same area owned by Pipefitters that is not in the assessment district. Pardee reportedly will pay $45,000 per allowable lot once the potential lot yield is determined through the planning process. Because of unknowns regarding lot yield and environmental issues, a sale today would be sharply discounted from the price Pardee will pay after those issues are resolved.

Date of Value

September 30, 1998

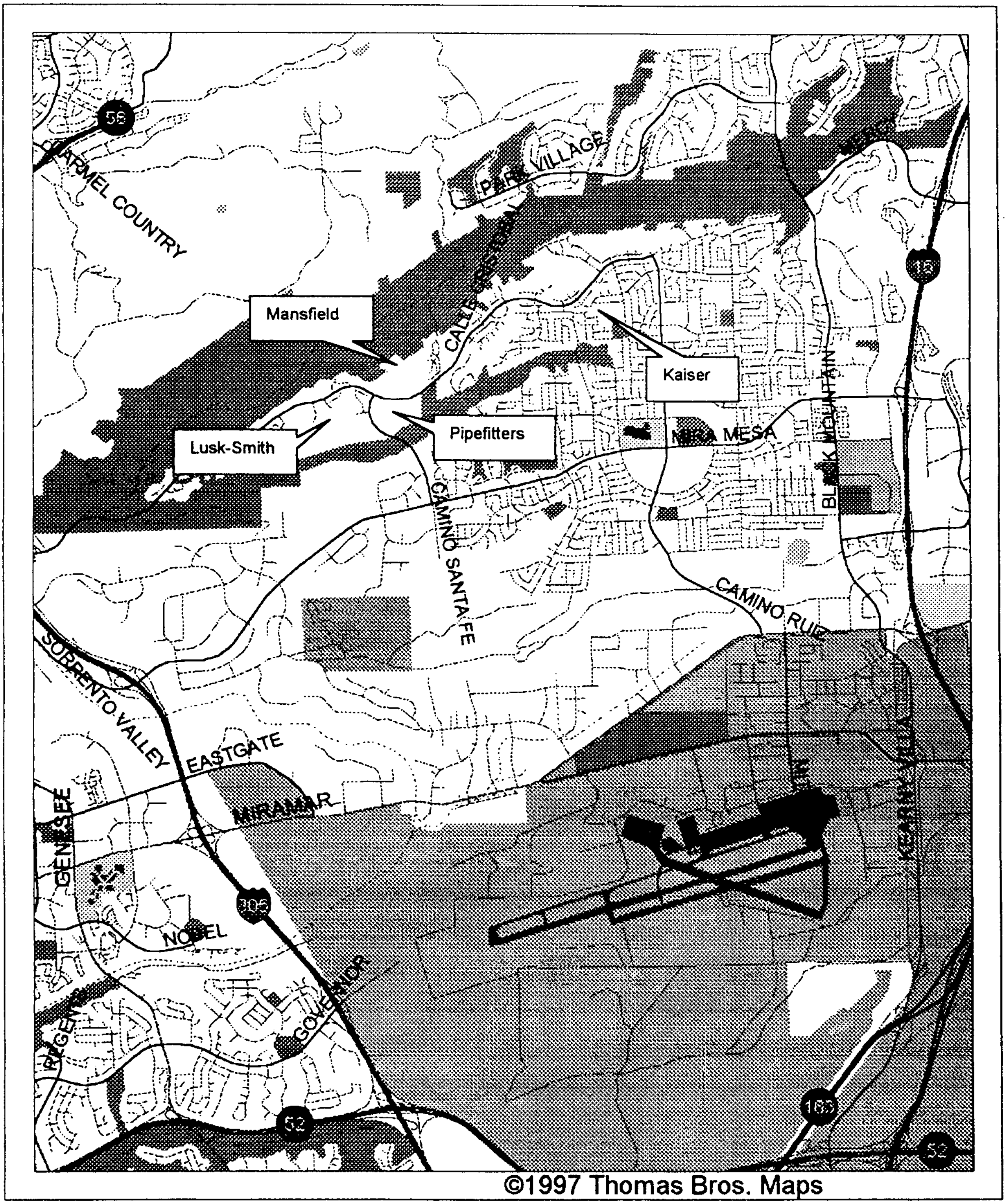
Exposure Time

Six months is a reasonable estimate.

Scope of the Appraisal

In preparing this appraisal, I personally inspected the subject properties and the comparable market data. Sources of data for the appraisal included representatives of the property owners; Comps, Inc.; our database; and local market participants.

This appraisal has been prepared as a summary report under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The specific information that USPAP requires in a summary report is included, along with any other information that is necessary to understand the appraisal. Since there were no departures from USPAP, this is a complete appraisal.


CARMEL COUNTRY
PARK VILLAGE
CALLE CRISTOBAL
Mansfield
Kaiser
Pipefitters
Lusk-Smith
MIRA MESA
BLACK MOUNTAIN
CAMINO SANTA FE
CAMINO RUIZ
SORRENTO VALLEY
EASTGATE
MIRAMAR
GENESEE
NOBEL
GOVERNOR
REGENTS
KEARNY VILLA
56
15
805
52
163
©1997 Thomas Bros. Maps

SUMMARY AREA DESCRIPTION

Community Description

Mira Mesa is located 15 miles north of downtown San Diego, between the Interstate 805 and 15 corridors. It is bounded on the north by the Los Peñasquitos Canyon Preserve and the community of Rancho Peñasquitos, Carmel Valley and Sorrento Valley to the west, Scripps Miramar Ranch to the east, and the Marine Corps Air Station, Miramar to the south.

The Mira Mesa Community Plan was originally adopted in January, 1966 and subsequently revised and approved by the San Diego City Council in October, 1992. The community developed rapidly beginning in mid-1969 as the demand for moderate priced housing increased. The initial development was in the easterly part of the community. Pardee Construction Company has been the major builder in the community. Current development is in the northwesterly area, and on Pardee's remaining property (the subject) near Interstate 15.

The community is composed of a variety of land uses, the majority being residential and industrial. About 38% of Mira Mesa is zoned for residential development, which is concentrated on the eastern side. Industrial development is planned for approximately 26% of the land area, which is mainly concentrated on the central and west sides of the community. Retail uses are concentrated on and around Mira Mesa Boulevard. About 18 percent of the land is to be preserved as open space.

Access to the community is provided by Interstate 15 is on the eastern boundary of the planning area and Interstate 805 at its western boundary. Mira Mesa Boulevard is the main east-west arterial for the community. Access to the area needs improvement due to increased traffic levels during peak hours, mainly on Interstate 15 and Mira Mesa Boulevard. The revised community plan addresses this issue. Proposals include reclassification and expansion of several streets, including Black Mountain, Kearny Villa, Carroll Canyon, and Scranton Roads. However, it is doubtful that the improvements will relieve the community's traffic woes as the I-15 Corridor continues to be impacted by population growth further north.

Mira Mesa is included in the Del Mar-Mira Mesa Subregional Area for statistical reporting. The population as of January 1, 1997 was 120,610, an increase of 23,453 or 24.1 percent over 1990. The median household income was $61,893 as of January 1, 1997.

Mira Mesa has evolved into one of the major employment centers in the San Diego region. The majority of the employment is located in office and industrial parks in Sorrento Mesa at the western portion of the community. About 70,303 people were employed in Del Mar-Mira Mesa in 1995. The majority of employment is in services, followed by retail trade.

Mira Mesa Boulevard is the main corridor for retail activity. The larger community and neighborhood centers, which include major department stores, off-price retailers, supermarkets, and restaurants, are concentrated around Camino Ruiz. The Mira Mesa Shopping Center, located at the northwest corner, is a 420,000 square-foot regional center anchored by Mervyn's, Marshalls, Vons, and Sav-On. Mira Mesa West is a neighborhood center anchored by Target Stores. Another center, Mira Mesa Square, is located at the northeast corner of Mira Mesa Boulevard and Westview Parkway. This center is anchored by Ralph's Supermarket.

The restaurant and fast food market is highly competitive on Mira Mesa Boulevard, as virtually all of the major chains are found in this corridor. Because of the high activity, restaurants enjoy high volumes levels during peak hours.

The Marine Corps Air Station, Miramar (formerly the Naval Air Station, Miramar) at the southern boundary has had a significant influence on planning and development. Consisting of 24,000 acres, MCAS Miramar, with 11,000 military and 2,500 civilian employees is one of the region's major employers. Operations and employment at the base contribute over $250 million annually into the regional economy.

MCAS Miramar accommodates approximately 225,000 flight operations per year. The San Diego Association of Governments (SANDAG) has adopted a Comprehensive Land Use Plan (CLUP) for NAS Miramar to protect the airport from incompatible land uses and provide the City with development criteria that will allow for the orderly growth of the area surrounding the airport. The CLUP identifies the areas that are affected by noise resulting from air operations and the types of land uses that are compatible within these areas. The subject is identified as being located outside the NAS Miramar sphere of influence.

NEIGHBORHOOD

The Pipefitters, Lusk-Smith and Mansfield properties are in the northwesterly section of Mira Mesa. This is a developing area. Calle Cristobal and Camino Santa Fe were built through the area about ten years ago, and several housing tracts were built beginning in the mid-1990s as the economy recovered from recession. Pardee Construction Company has been the primary builder. The predominant housing type is single-family detached. Most lots have 5,000 to 7,000 square feet, and the current prices begin in the mid $300,000 range. The homes have sold well. A duplex housing community of about 150 units has been built on the north side of Calle Cristobal, east of Camino Santa Fe.

New detached housing is under construction by Pardee on land it owns southwest of Calle Cristobal and Camino Santa Fe, and Pardee also owns additional land in the same area for future development.

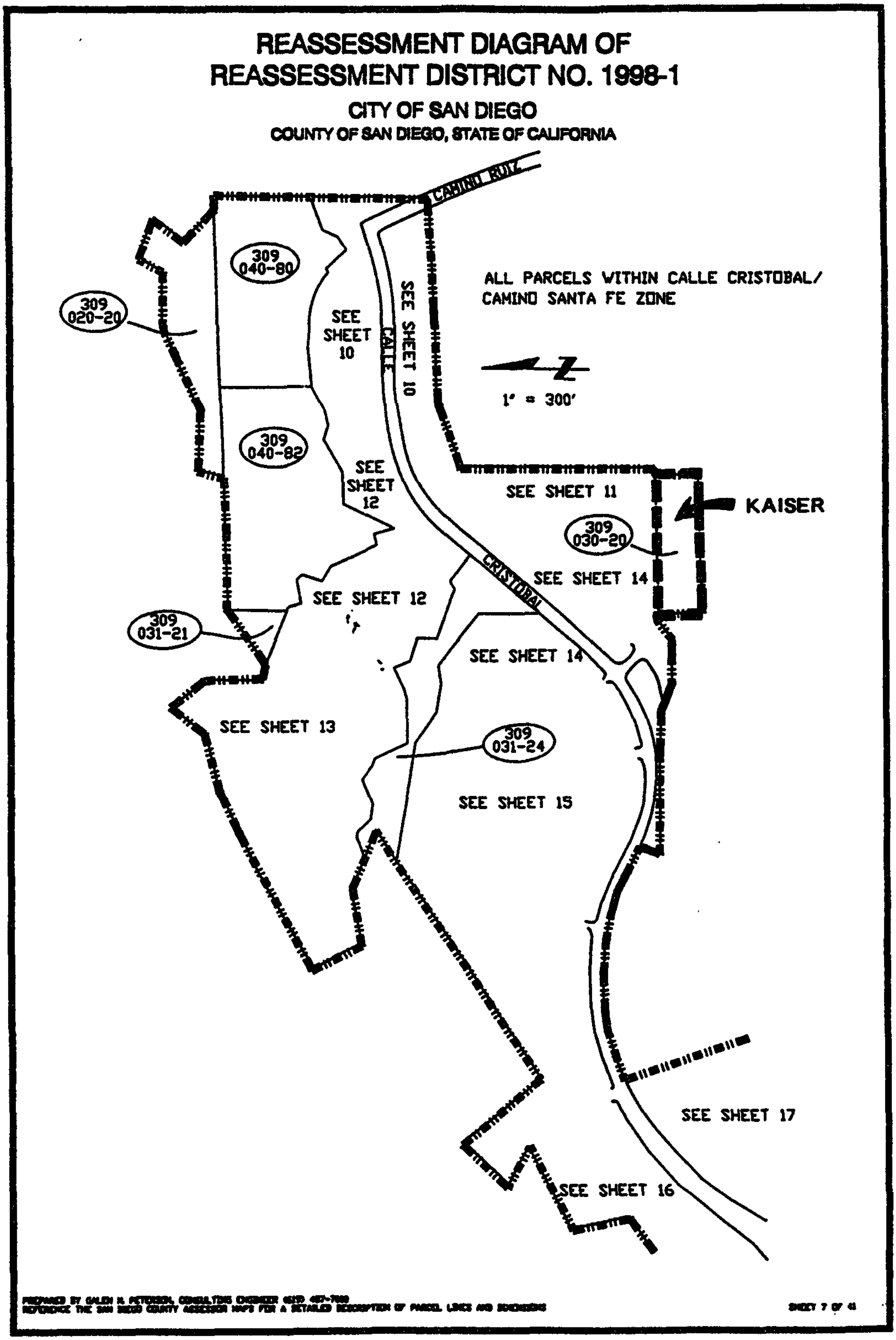
The land is along a ridgeline overlooking the Peñasquitos Canyon Preserve to the north and Lopez Canyon to the south. The views and proximity to employment centers have contributed to the success of residential projects in the area. Schools and shopping are relatively inconvenient, however.

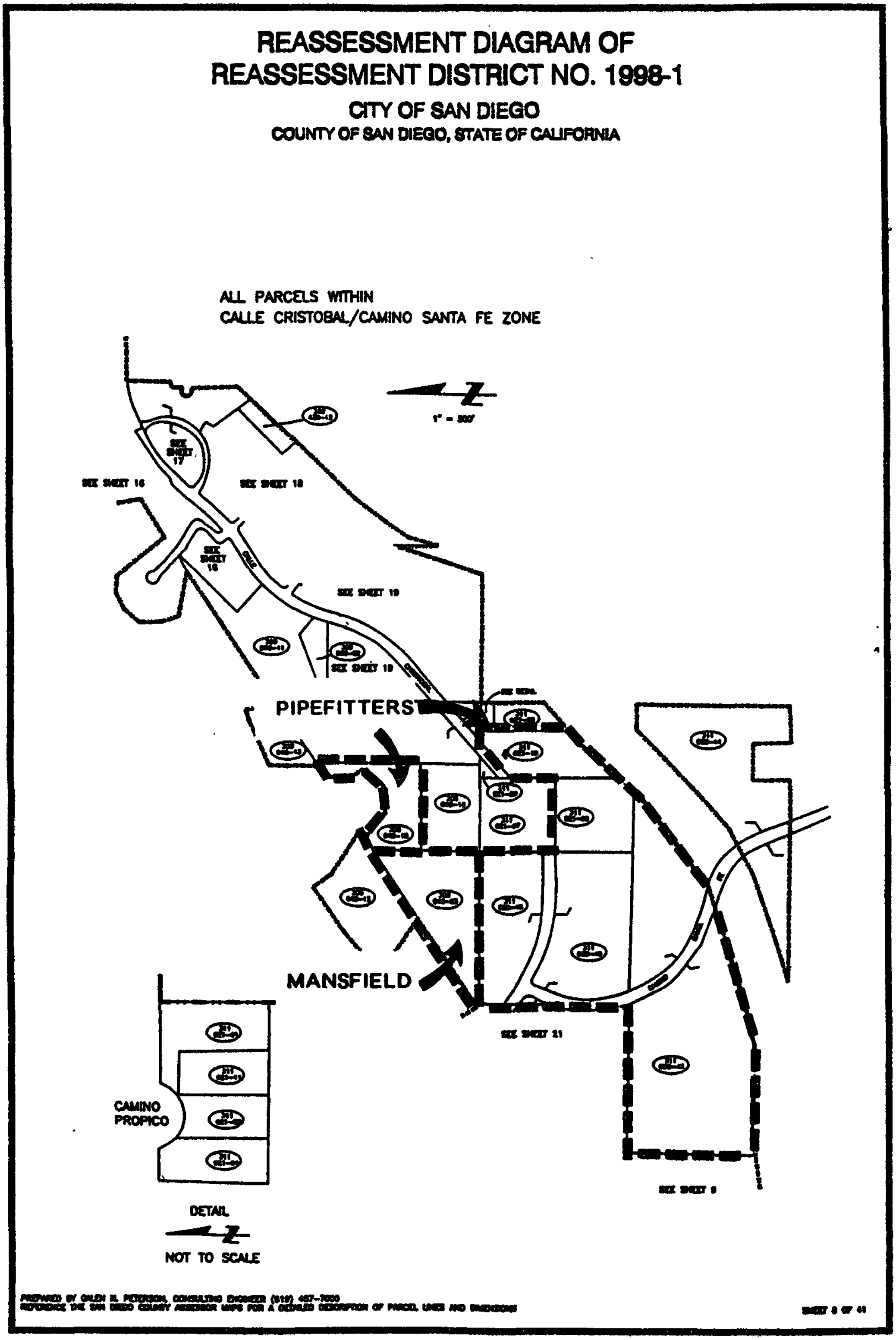
The Mira Mesa Community Plan specifies Very Low Density, 0-4 units/gross acre, along the ridge. The surrounding canyons are designated as open space. The city's Multiple Species Conservation Plan impacts parts of the subject properties. The City allows a maximum 25 percent encroachment per parcel on land within the MSCP boundaries. If a parcel includes non-MSCP land, development that partially encroaches cannot exceed 25 percent of the total parcel size. If sufficient habitat exists on-site, mitigation can by accomplished by dedicating the land for open space. Otherwise, the City may require off-site mitigation with the developer purchasing approved habitat land or credits in a conservation bank. Mitigation ratios vary depending on the type of habitat and whether it occurs inside or outside the boundaries of the MSCP.

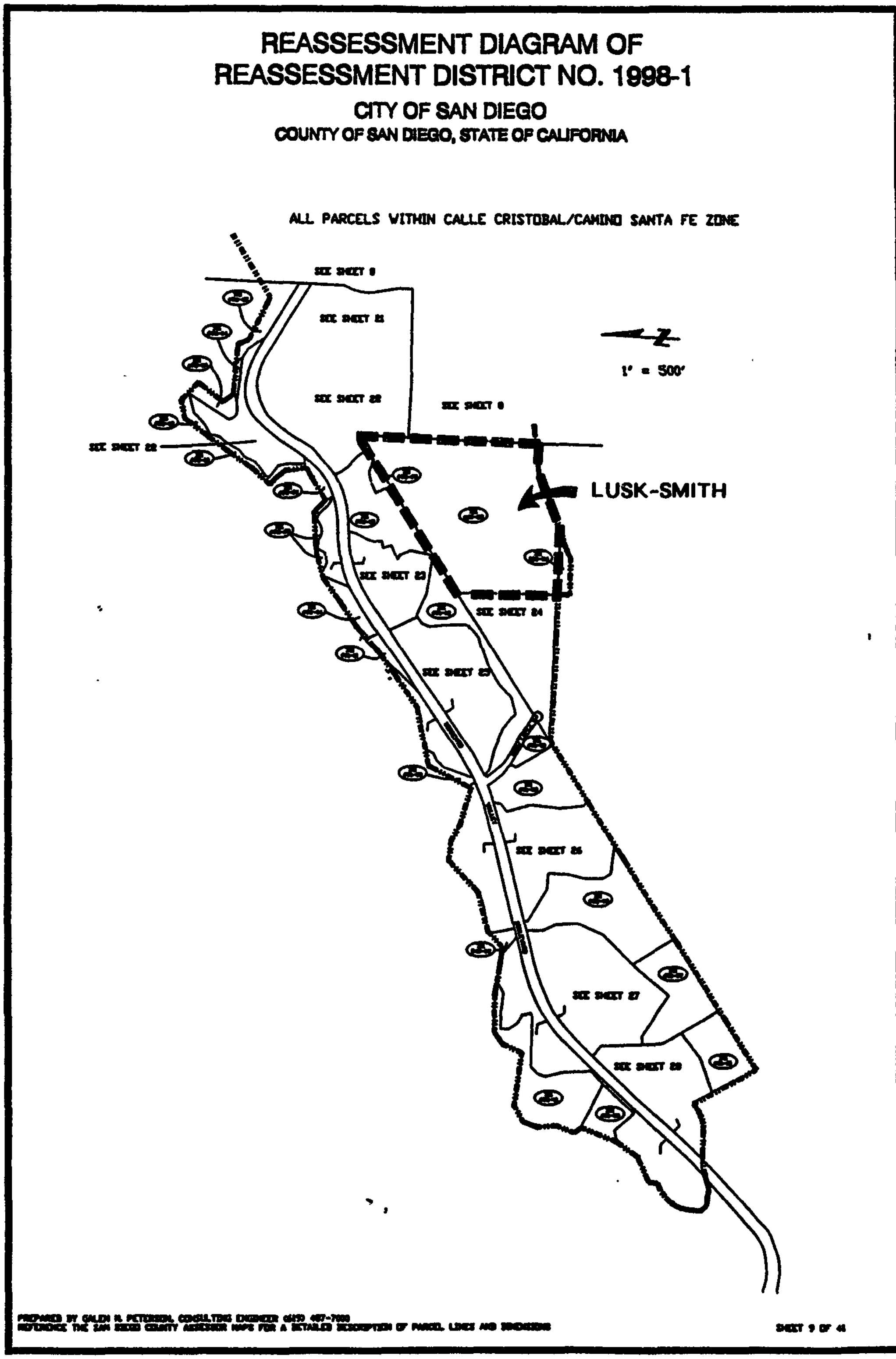
The property owned by Kaiser Foundation Hospital is within a mature single-family neighborhood that is more centrally located in Mira Mesa. It adjoins Sandburg Elementary School. The community plan designation is very low density residential, with reference to vernal pools on the site that should be protected. According to Keith Greer representing the City of San Diego, the entire five acres will be placed in permanent open space under a proposed easement from Kaiser.

Market Conditions

Economic conditions are favorable. The local economy has experienced a re-structuring following the recession of the early 1990s, and is less affected by variations in military expenditures. Technology industries, manufacturing and tourism are all growing. Unemployment and inflation rates are low, and the population is growing (by 70,000 in 1997). The median housing price increased by more than 14 percent in the past year. Rental vacancies have dropped so low that options for renters are limited, and rental rates are increasing. The addition of new supply is lagging behind the growth in population and new household formations. Demand is strong for land with residential development potential.


REASSESSMENT DIAGRAM OF
REASSESSMENT DISTRICT NO. 1998-1
CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA
CAMINO RUIZ
ALL PARCELS WITHIN CALLE CRISTOBAL/
CAMINO SANTA FE ZONE
1" = 300'
309
040-80
309
020-20
SEE
SHEET
10
SEE SHEET 10
CALLE
309
040-82
SEE
SHEET
12
SEE SHEET 11
KAISER
309
030-20
CRISTOBAL
SEE SHEET 14
SEE SHEET 12
309
031-21
SEE SHEET 14
SEE SHEET 13
309
031-24
SEE SHEET 15
SEE SHEET 17
SEE SHEET 16


REASSESSMENT DIAGRAM OF
REASSESSMENT DISTRICT NO. 1998-1
CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA
ALL PARCELS WITHIN
CALLE CRISTOBAL/CAMINO SANTA FE ZONE
PIPEFITTERS
MANSFIELD
CAMINO PROPICO
DETAIL
NOT TO SCALE



REASSESSMENT DIAGRAM OF
REASSESSMENT DISTRICT NO. 1998-1
CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA
ALL PARCELS WITHIN CALLE CRISTOBAL/CAMINO SANTA FE ZONE
1" = 500'
LUSK-SMITH

Pipefitters looking east across Camino Santa Fe (Pardee property in foreground)

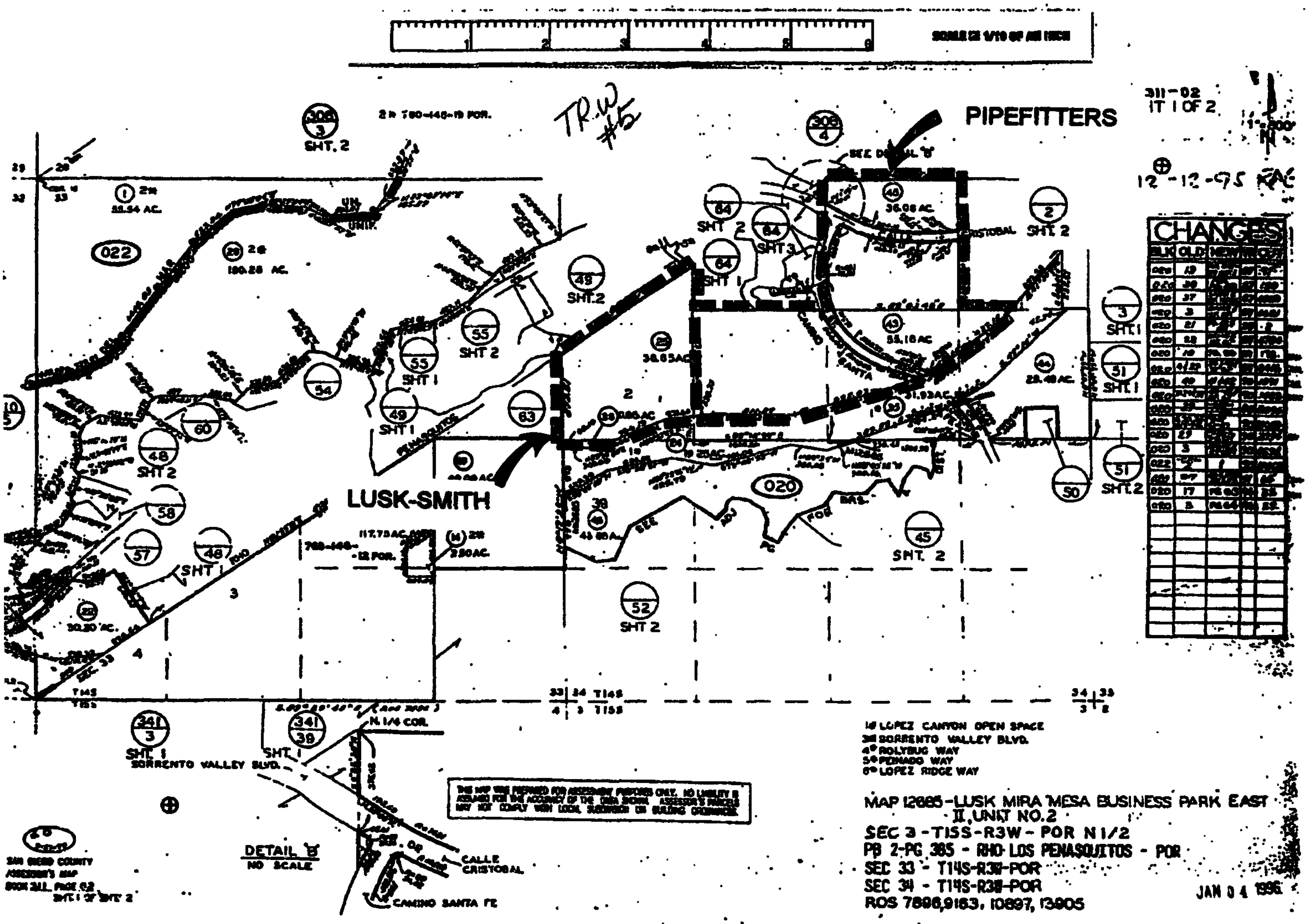
Pipefitters north of Calle Cristobal looking west.

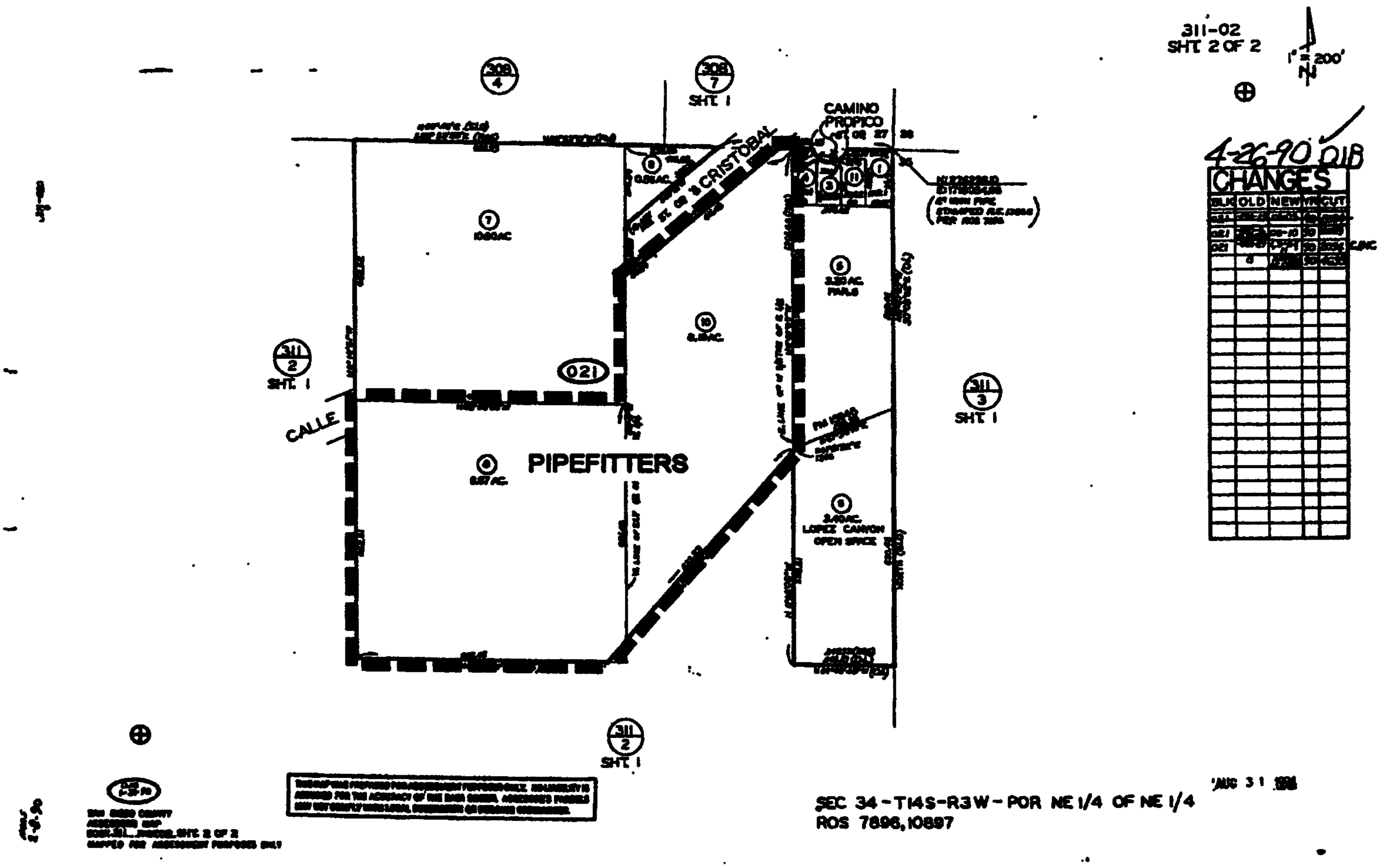
Pipefitters APN 308-040-15 looking west.

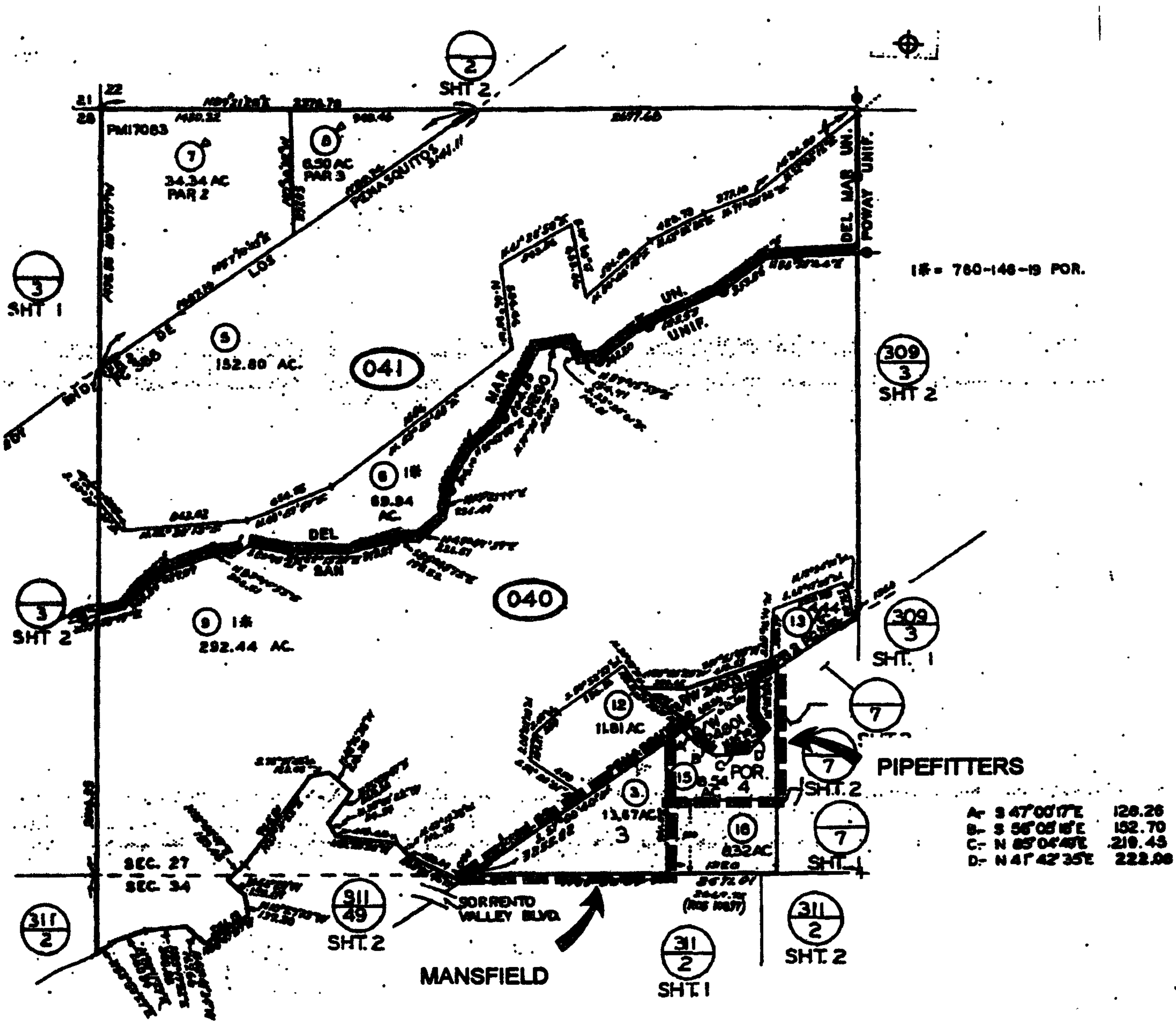
Lusk-Smith looking west.

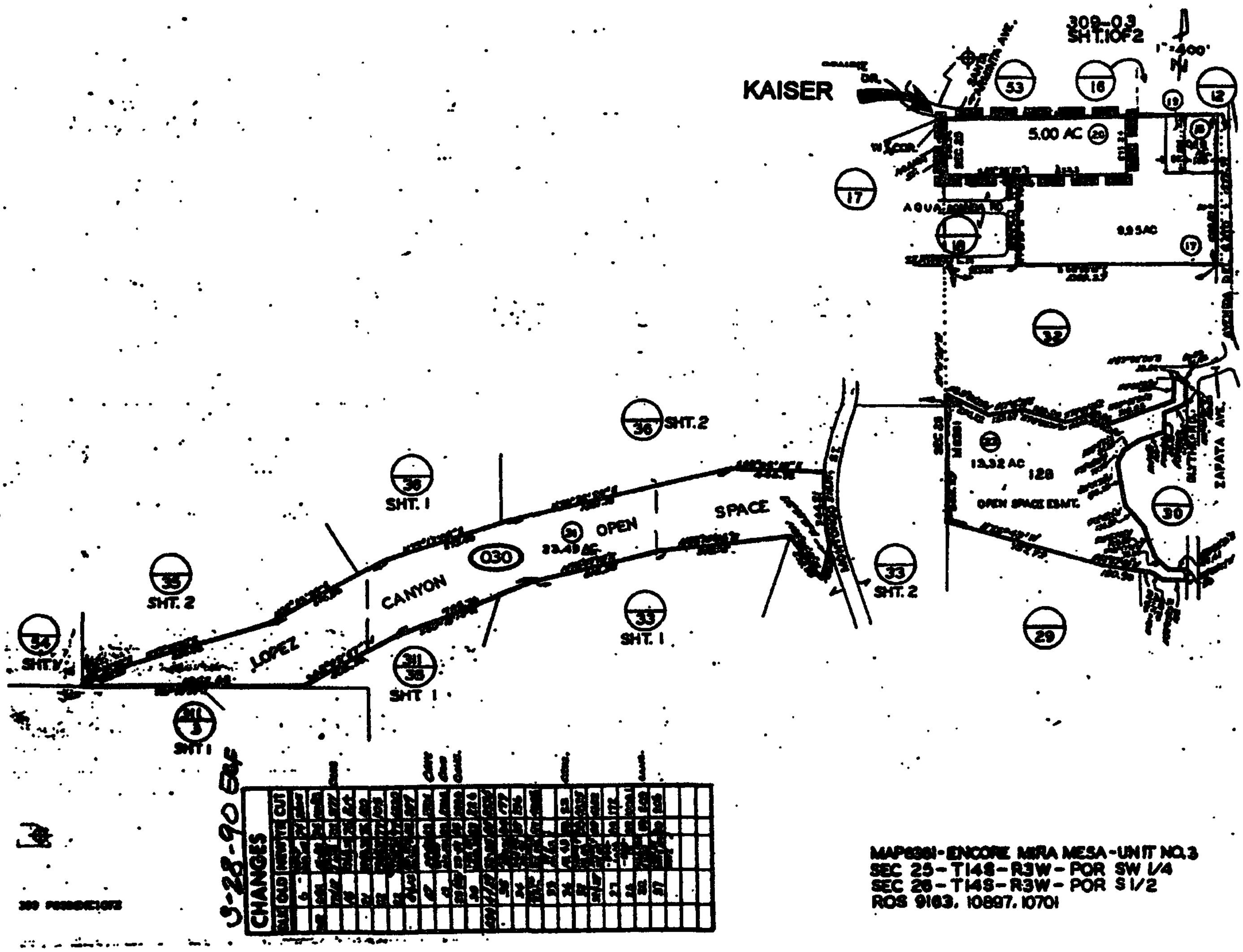
Mansfield looking northwesterly.

Kaiser looking east.


TR.W #5
PIPEFITTERS
LUSK-SMITH
CHANGES
SOUTH SORRENTO VALLEY BLVD.
DETAIL "B"
NO SCALE
CALLE CRISTOBAL
CAMINO SANTA FE
1st LOPEZ CANYON OPEN SPACE
3rd SORRENTO VALLEY BLVD.
4th ROLYBUG WAY
5th PENACO WAY
6th LOPEZ RIDGE WAY
MAP 12885-LUSK MIRA MESA BUSINESS PARK EAST
II, UNIT NO. 2
SEC 3 - T15S-R3W - POR N1/2
PB 2-PG 385 - RHO LOS PENASQUITOS - POR
SEC 33 - T14S-R3W-POR
SEC 34 - T14S-R3W-POR
ROS 7898, 9163, 10897, 13905
JAN 04 1996


311-02
SHT 2 OF 2
1" = 200'
4-26-90 DIB
CHANGES
308
4
308
7
SHT. 1
CAMINO
PROPICO
S CRISTOBAL
311
2
SHT. 1
CALLE
021
PIPEFITTERS
LOPEZ CANYON
OPEN SPACE
311
3
SHT. 1
311
2
SHT. 1
SEC 34-T14S-R3W-POR NE 1/4 OF NE 1/4
ROS 7896,10897


SHT 2
SHT 1
SHT 2
PM17083
34.34 AC
PAR 2
6.50 AC
PAR 3
PENASQUITOS
LOS
152.80 AC.
041
DEL MAR UN.
POWAY UNIF.
UN.
UNIF.
1# = 760-146-19 POR.
309
3
SHT 2
89.84 AC.
DEL
SAN
040
292.44 AC.
309
3
SHT. 1
11.81 AC
13.67 AC
POR.
4
8.32 AC
PIPEFITTERS
SHT. 2
A- S 47°00'17"E 128.26
B- S 56°05'18"E 152.70
C- N 85°04'49"E 219.45
D- N 41°42'35"E 222.06
SEC. 27
SEC. 34
311
49
SHT. 2
SORRENTO
VALLEY BLVD.
MANSFIELD
311
2
SHT 1
311
2
SHT. 2


309-03
SHT.1OF2
1"=400'
KAISER
53
16
12
5.00 AC
17
18
9.95AC
32
13.32 AC
128
OPEN SPACE ESMT.
30
ZAPATA AVE.
29
36 SHT.2
36 SHT. I
35 SHT. 2
34 SHT.1
LOPEZ
CANYON
030
23.49 AC.
OPEN
SPACE
33 SHT. 2
33 SHT. I
311 35 SHT I
CHANGES
3-28-90
MAP8361-ENCORE MIRA MESA-UNIT NO.3
SEC 25-T14S-R3W-POR SW 1/4
SEC 26-T14S-R3W-POR S 1/2
ROS 9163. 10897. 10701

SUMMARY SITE ANALYSIS

Introduction

I inspected the property on several occasions in August and September 1998. I made observations regarding site characteristics and the surrounding neighborhood. Land use information was obtained from the City of San Diego.

Location

Three of the properties are around the intersection of Calle Cristobal and Camino Santa Fe, and the fourth is on the south side of Los Sabalos Street west of Avenida Del Gato in Mira Mesa.

Assessment Information

The 1998 assessed values (land only) and special assessments for A.D. No. 4013 are:

APN	AV	A.D. Balance
Pipefitters		
308-040-15	$66,778	$299,536
311-020-45	$288,052	$853,010
311-020-43	$299,574	$355,700
311-021-08	$59,816	$35,201
311-021-10	$54,549	$28,916
	$768,769	$1,572,363
Lusk-Smith		
311-020-25	$892,942	$566,892
Mansfield		
308-040-03	$45,100	$37,442
Kaiser		
309-030-20	$56,479	$121,435

The tax rate is 1.11473 percent (tax rate area 08-012), plus special taxes.

Site Area/Shape

The shapes are depicted on exhibits in this report. The areas are as follows:

Owner	APN	Acres
Pipefitters Welfare Education & Pension Fund	308-040-15	8.54
	311-020-45	36.60
	311-020-43	55.18
	311-021-08	9.97
	311-021-10	8.19
		118.48
Lusk-Smith Mira Mesa North	311-020-25	36.65
Florence E. Mansfield	308-040-03	13.67
Kaiser Foundation Hospital	309-030-20	5.00

Topography

The properties are raw land, which means that before development they will need clearing, grading, import or export of soil in some cases, and extension of utilities onto the sites. They have basic entitlements under the Mira Mesa Community Plan, but mapping and specific approvals must be obtained, a process that can take 18 months. The four properties around the intersection of Calle Cristobal and Camino Santa Fe are in natural condition and include steep slopes, relatively level areas, and hilly areas. They are covered with Diegan coastal sage scrub and chaparral. The Lusk-Smith parcel also includes valley and foothill grasslands. Disturbance of such habitats generally requires mitigation by dedicating similar habitats as permanent open space. The City's Multiple Species Conservation Plan identified areas representing 62 percent of the subject properties as a whole that should be preserved.

Estimates of potentially usable areas are necessary to analyze the properties. Lacking surveys, I relied upon the MSCP mapping of the subject properties, based on March 1997 data. The maps are accurate within 75 feet. I used a planimeter to estimate the areas outside the MSCP and therefore potentially usable. Potentially usable areas also include 25 percent encroachment into the MSCP area, as long at the total does not exceed 25 percent of the parcel size (each parcel). The potentially usable areas of each ownership follow. The areas are rough estimates.

APN	Area	25%	Non-MSCP	Potentially Usable
Pipefitters				
308-040-15	8.54	2.1	0.0	2.1
311-020-45	36.60	9.2	30.3	30.3
311-020-43	55.18	13.8	6.7	13.8
311-021-08	9.97	2.5	0.0	2.5
311-021-10	8.19	2.0	0.5	2.0
	118.48		37.5	50.7
Lusk-Smith				
311-020-25	36.65	9.2	7.4	9.2
Mansfield				
308-040-03	13.67	3.4	4.3	4.3
Kaiser				
309-030-20	5.00	1.25	0.0	0.0
	173.80		49.2	64.2

Excluding the Kaiser property, the potentially usable area is 38 percent, and the area within the MSCP is 62 percent. It is likely that environmental mitigation can be accomplished on-site, avoiding the need to acquire land off-site to set aside as open space.

If biological surveys reveal vernal pools on the sites, the city would probably not allow them to be disturbed (along with the adjoining watersheds that feed them).

The Kaiser parcel has vernal pools on the easterly portion. The whole property was purchased for offsite mitigation and for dedication as open space in perpetuity. The appraisal assumes that there is no development potential or additional mitigation value.

Utilities

All utility services are available within adjacent or nearby public rights of way.

Access and Street Improvements

The Pipefitters property is directly accessible from the north and south sides of Calle Cristobal and the east side of Camino Santa

Fe. The potentially usable part of the Pipefitters land on the west side of Camino Santa Fe is separated from that street by open space. The topography would allow access to the potentially usable area from the north, but that property has been mapped by Pardee (the owner) in a way that blocks access to the Pipefitters property. One of the Pipefitters parcels, APN 308-040-15, is detached from the rest of the holding and does not front on a public street, but it potentially has access from Caminito Propico in the Tierra Mesa housing development east of that parcel. That road is a private street, however. A new public street, Lopez Ridge Way, dead-ends at the northerly corner of the Lusk-Smith parcel, adjacent to the potentially usable area of that property. The Mansfield parcel does not have direct street access. It should be developed in combination with the Pipefitters land. The Kaiser parcel adjoins public streets within the residential neighborhood.

Community Plan

The Pipefitters, Lusk-Smith and Mansfield properties include areas that are designated Very Low Density residential, 0-4 units per acre, and areas that are designated as open space. The Kaiser parcel is designated Very Low Density Residential. The community plan also refers to the presence of vernal pools on the Kaiser site that should be protected, possibly by clustering development on the site.

The city's Multiple Species Conservation Plan also impacts the properties. The Kaiser property is not within the MSCP boundary, but the vernal pools are shown on the MSCP map. They appear to impact between one-third and one-half of that site.

The Pipefitters, Lusk-Smith and Mansfield properties are within the "60 to 65 CNEL" (Community Noise Equivalent Level) contours under the NAS Miramar land use plan. Residential development is "conditionally compatible" if buildings are constructed with sound attenuation to the 45-decibel level. The Kaiser property is outside the noise zone.

Zoning

The City has not updated its zoning maps to conform with the community plan. R-1-5000 was proposed for the Kaiser property at one time (minimum lot size 5,000 square feet). The land uses in the community plan will govern future development. By dedicating the open space as a condition of development, the properties will probably be allowed to develop the usable areas with single-family detached product that is similar to the existing development nearby (5,000 to 7,000 square-foot lots).

Flood Zone

According to Federal Emergency Management Agency maps, the subjects are in Zone C, an area of minimal flooding (Community-Panel No. 060295 0076 B and 0077 B).

Earthquake Hazard

The subject properties are not within an identified Alquist-Priolo Earthquake Special Studies Zone.

Hazardous Materials

An environmental assessment was not available. For purposes of this appraisal, the site is assumed to be free of hazardous wastes.

Soils

A soils survey was not provided for this assignment. This valuation assumes that the soils are suitable for development of the property.

Surrounding Land Uses

Existing and planned residential developments and open space surround the properties.

Easements/Encroachments/Restrictions

I have not reviewed a title report. The Calle Cristobal/Camino Santa Fe Assessment District should be a condition on the title on all the subject properties. I am not aware of any easements, encroachments or restrictions that would impact value.

Improvements

None.

Highest and Best Use

Portions of the properties are outside the MSCP boundary and are physically are capable of development, requiring a significant amount of site work. They also need to be planned and approved by the city. Residential development is financially feasible under current market conditions. The community plan allows low density housing, 0-4 units per acre. The highest and best use of the Pipefitters, Lusk-Smith and Mansfield properties is single-family development on the usable areas, and permanent open space on the balance of the properties. The city will probably allow 5,000 to 7,000 square-foot lots on the usable areas.

On the date of value, the properties lacked development approvals and there were unresolved issues including potential lot yield, site development costs, and biological impacts. The properties are covered with sensitive habitats that most likely can be mitigated on-site, although vernal pools if found could pose problems. If the properties were sold in the current condition, their prices would be sharply discounted from their potential values after those issues are resolved.

The Kaiser parcel has vernal pools that will be required to be protected. Under normal circumstances, part of the property would be legally usable for housing construction, but an agreement with the city has dedicated the whole property as permanent open space. The highest and best use of the Kaiser property is open space.

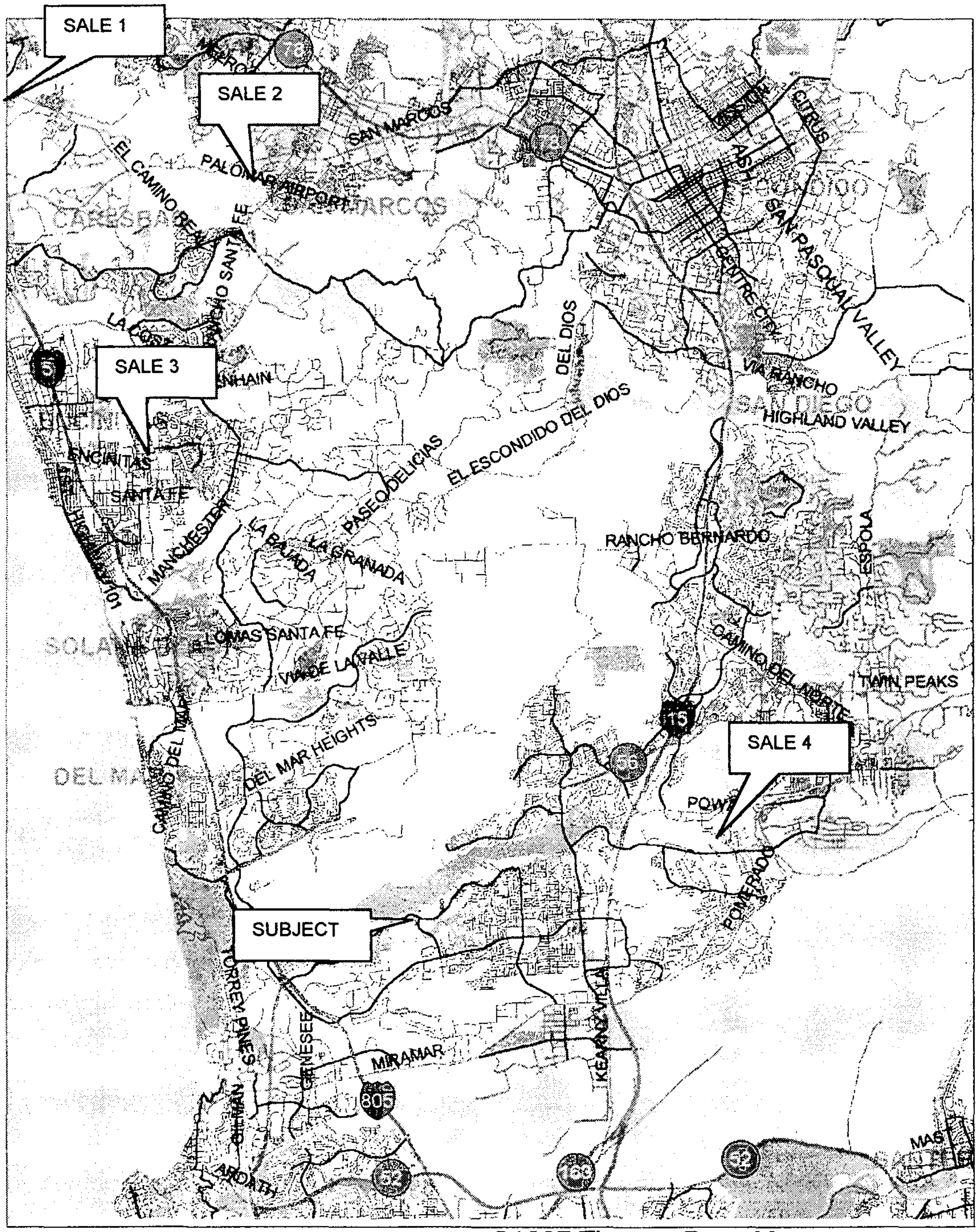
VALUATION

INTRODUCTION

Each of the four ownerships has been appraised individually using the Sales Comparison Approach. The other traditional approaches to value, cost and income, are not applicable.

A discounted cash flow analysis is not appropriate based on the lack of information regarding the cost of site development and potential dwelling unit counts. That would require an extensive engineering study and land planning. The market data that were used for comparison with the subject properties were selected based on their residential potential and their proportions of usable area and permanent open space. The data are summarized as follows. Additional details of the sales and plat maps are in the Addenda.

LAND COMPARABLES MAP



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COMPARABLE LAND SALES TABLES

Residential Land

No.	Location	Date	Price	Area (Gross acres)	Price/Acre (gross)	Comments
1	South Side of El Camino Real Carlsbad	9/98	$2,900,000	17.54	$165,336	Raw land with an approved tentative map for 35 units. 8.77 net acres, 4 lots per net acre.
2	Ocean Breeze Street San Marcos	6/97	$1,080,000	8.00	$135,000	Raw land with an approved final map. 27-lot SFR subdivision, 4.72 net acres, 5.7 lots per net acre.
3	West of Via Cantebria Encinitas	5/97	$7,000,000	40	$175,000	Raw land with an approved map. 86-lot ocean-view subdivision, priced from the high-$400,000s. 26 net acres, 3.3 lots per net acre.
4	North of Scripps Poway Parkway San Diego	4/96	$2,750,000	97	$28,351	Raw land with an approved final map. 93-lot subdivision, 33 net acres, 2.8 lots per net acre.

Comparable Sales Analysis

The land sales were properties that were purchased for single-family residential development. Descriptions of the properties follow.

Sale 1 is a land purchase by Pinnacle Communities. The site, in the coastal city of Carlsbad, had rolling topography, all offsite infrastructure, and an approved tentative map for a 35-lot development.

Sale 2 is the land purchase for the Village of Hampton Hill in western San Marcos. Based on the proposed home prices ($254,000 to $258,000), the subject is in a superior location. Pardee's homes at the subject location start in the mid-$300,000s. The site had an approved final map and needed on-site development

Sale 3 is in Encinitas, overlooking the Pacific Ocean in the distance. Shea Homes acquired the property to build homes priced from the high-$400,000s. The location is superior compared with the subjects. The property had an approved map and needed on-site development.

Sale 4 is a property adjacent to Scripps Ranch Villages in San Diego. Genstar purchased the property intending to develop finished lots for sale to builders. The subject's location is superior. The property had an approved final map.

To allow better comparisons, I have made a number of adjustments to the market data. Unit prices have been adjusted positively for market conditions, to allow for the rising trend since 1996. The sales were investigated for conditions of sale that may have caused the prices to vary from market. No unusual conditions were found.

Physical differences that required adjustments included location and property condition. The comparables all needed grading and on-site infrastructure. The subjects appear to require more grading, and possible import/export of fill. The potentially usable areas are covered with Diegan coastal sage, chaparral and grasslands. The mitigation that would be required most likely can be accomplished on-site. I have applied downward adjustments to all the sales for property condition.

All of the comparables had advanced approvals, either final maps or approved tentative maps. My research did not uncover any comparable sales that had entitlements similar to the subject properties. The approval status is a significant advantage in terms of planning costs, time delays and risks. Based on conversations with knowledgeable market participants, an adjustment of 33 percent is reasonable.

All the sales had direct public access. One of the subjects, owned by Mansfield, would need access through a part of the Pipefitters property when that property is developed. A downward adjustment has been made.

None of the sales had assessment district encumbrances that were similar to the subjects'. The adjustments are not 100 percent, according to several market participants, because the typical finished homebuyer does not fully discount the assessment amount. A reasonable discount is 60 percent, as follows:

	Gross Acres	Assessment	Adjustment @ 60%
Pipefitters	118.48	$1,572,363	$943,418
Lusk-Smith	36.65	$566,892	$340,135
Mansfield	13.67	$37,442	$22,465

The adjusted encumbrances shown above will be deducted from the preliminary value conclusions to arrive at the net values for the subjects in compliance with CDAC standards.

The comparable sales all required substantial adjustments for property condition and entitlements. The open space portions of the comparables should not be discounted, however. To avoid that, I have allocated the sale prices between usable areas and open space, and only the usable parts have been adjusted. The open space portions of the subjects then are added back as shown on the tables that follow.

ADJUSTMENT ANALYSIS - PIPEFITTERS

	Subject	1	2	3	4
Location	Mira Mesa	Carlsbad	San Marcos	Encinitas	Scripps Ranch
Gross Acres	118.48	17.54	8.00	40.00	97.00
Est. Usable Acres	50.70	8.77	4.72	26.00	33.00
Usable Ratio	0.43	0.50	0.59	0.65	0.34
Date of Sale		September-98	June-97	May-97	April-96
Price		$2,900,000	$1,080,000	$7,000,000	$2,750,000
Price/Acre		$165,336	$135,000	$175,000	$28,351
Allocated:					
Open Space @	$5,000	$43,850	$16,400	$70,000	$320,000
Usable Area		$2,856,150	$1,063,600	$6,930,000	$2,430,000
Adjustments					
Conditions of Sale		0.0%	0.0%	0.0%	0.0%
Market Conditions		0.0%	15.0%	16.0%	29.0%
Financing		0.0%	0.0%	0.0%	0.0%
Subtotal		0.0%	15.0%	16.0%	29.0%
Adjusted Price		$2,856,150	$1,223,140	$8,038,800	$3,134,700
Location		-10.0%	10.0%	-20.0%	10.0%
Access		0.0%	0.0%	0.0%	0.0%
Condition		-20.0%	-20.0%	-20.0%	-20.0%
Entitlements		-33.0%	-33.0%	-33.0%	-33.0%
Subtotal		-63.0%	-43.0%	-73.0%	-43.0%
Adjusted Price Usable		$1,056,776	$697,190	$2,170,476	$1,786,779
Per Usable Acre		$120,499	$147,710	$83,480	$54,145
Subject Conclusion					
Usable Per Acre	$100,000	$5,070,000			
Open Space/Acre	$5,000	$338,900			
		$5,408,900			
Discounted Assessment		-$943,418			
Net Value		$4,465,482			
Rounded		$4,465,000			

ADJUSTMENT ANALYSIS - LUSK-SMITH

	Subject	1	2	3	4
Location	Mira Mesa	Carlsbad	San Marcos	Encinitas	Scripps Ranch
Gross Acres	36.65	17.54	8.00	40.00	97.00
Est. Usable Acres	9.20	8.77	4.72	26.00	33.00
Usable Ratio	0.25	0.50	0.59	0.65	0.34
Date of Sale		September-98	June-97	May-97	April-96
Price		$2,900,000	$1,080,000	$7,000,000	$2,750,000
Price/Acre		$165,336	$135,000	$175,000	$28,351
Allocated:					
Open Space @	$5,000	$43,850	$16,400	$70,000	$320,000
Usable Area		$2,856,150	$1,063,600	$6,930,000	$2,430,000
Adjustments					
Conditions of Sale		0.0%	0.0%	0.0%	0.0%
Market Conditions		0.0%	15.0%	16.0%	29.0%
Financing		0.0%	0.0%	0.0%	0.0%
Subtotal		0.0%	15.0%	16.0%	29.0%
Adjusted Price		$2,856,150	$1,223,140	$8,038,800	$3,134,700
Location		-10.0%	10.0%	-20.0%	10.0%
Access		0.0%	0.0%	0.0%	0.0%
Condition		-20.0%	-20.0%	-20.0%	-20.0%
Entitlements		-33.0%	-33.0%	-33.0%	-33.0%
Subtotal		-63.0%	-43.0%	-73.0%	-43.0%
Adjusted Price Usable		$1,056,776	$697,190	$2,170,476	$1,786,779
Per Usable Acre		$120,499	$147,710	$83,480	$54,145
Subject Conclusion					
Usable Per Acre	$100,000	$920,000			
Open Space/Acre	$5,000	$137,250			
		$1,057,250			
Discounted Assessment		-$340,135			
Net Value		$717,115			
Rounded		$717,000			

ADJUSTMENT ANALYSIS - MANSFIELD

	Subject	1	2	3	4
Location	Mira Mesa	Carlsbad	San Marcos	Encinitas	Scripps Ranch
Gross Acres	13.67	17.54	8.00	40.00	97.00
Est. Usable Acres	4.30	8.77	4.72	26.00	33.00
Usable Ratio	0.31	0.50	0.59	0.65	0.34
Date of Sale		September-98	June-97	May-97	April-96
Price		$2,900,000	$1,080,000	$7,000,000	$2,750,000
Price/Acre		$165,336	$135,000	$175,000	$28,351
Allocated:					
Open Space @	$5,000	$43,850	$16,400	$70,000	$320,000
Usable Area		$2,856,150	$1,063,600	$6,930,000	$2,430,000
Adjustments					
Conditions of Sale		0.0%	0.0%	0.0%	0.0%
Market Conditions		0.0%	15.0%	16.0%	29.0%
Financing		0.0%	0.0%	0.0%	0.0%
Subtotal		0.0%	15.0%	16.0%	29.0%
Adjusted Price		$2,856,150	$1,223,140	$8,038,800	$3,134,700
Location		-10.0%	10.0%	-20.0%	10.0%
Access		-10.0%	-10.0%	-10.0%	-10.0%
Condition		-20.0%	-20.0%	-20.0%	-20.0%
Entitlements		-33.0%	-33.0%	-33.0%	-33.0%
Subtotal		-73.0%	-53.0%	-83.0%	-53.0%
Adjusted Price Usable		$771,161	$574,876	$1,366,596	$1,473,309
Per Usable Acre		$87,932	$121,796	$52,561	$44,646
Subject Conclusion					
Usable Per Acre	$80,000	$344,000			
Open Space/Acre	$5,000	$46,850			
		$390,850			
Discounted Assessment		-$22,465			
Net Value		$368,385			
Rounded		$368,000			

CONCLUSIONS

The conclusions are as shown on the preceding tables, and below.

The Kaiser property has vernal pools that have the highest environmental value. It is planned for dedication as permanent open space under a proposed easement with the City of San Diego. Since the environmental credits have been "used," and there is no development potential, the value is nominal.

Pipefitters	118.48 acres	$4,465,000
Lusk-Smith	36.65 acres	$717,000
Mansfield	13.67 acres	$368,000
Kaiser		nominal value
	Total	$5,550,000

ALLOCATION BY PARCEL

At the request of the client, the values have been distributed among the Assessor's parcels as shown on the next table. Since individual parcels were not appraised in the "bulk" appraisal of the Pipefitters property, I used a formula that spreads the value by the estimated percentage of usable area contained in each parcel. *The individual values are reasonable allocations only, and are not necessarily equal to the individual market values.*

The Kaiser, Mansfield and Lusk-Mira Mesa properties are single parcels, and it was not necessary to estimate any allocations for those properties. The allocated values shown below for those properties are identical to the market values listed earlier in this report.

Appraisal Site Number	Owner Name	Assessor Parcel No.	Lien Outstanding	Gross Acres	Allocated Values	Method of Allocation: Potentially Usable Acres	Method of Allocation: Percent of Total
	Assessment District No. 4013 (Calle Cristobal/Camino Santa Fe)						
19	Pipefitters Welfare Ed Fund	308-040-15	299,536.47	8.54	$184,941	2.1	4.1%
20	Pipefitters Welfare Ed Fund	311-020-43	355,699.59	55.18	$1,215,325	13.8	27.2%
21	Pipefitters Welfare Ed Fund	311-020-45	853,009.88	36.06	$2,668,432	30.3	59.8%
23	Pipefitters Welfare Ed Fund	311-021-08	35,201.03	9.97	$220,168	2.5	4.9%
24	Pipefitters Welfare Ed Fund	311-021-10	28,916.40	8.19	$176,134	2.0	3.9%
	Subtotals		1,572,363.37	117.94	$4,465,000	50.7	100.0%
22	Kaiser	309-030-20	121,435.41	5.00	$0		
25	Mansfield, Florence E.	308-040-03	37,442.04	13.67	$368,000		
26	Lusk-Smith/Mira Mesa North	311-020-25	566,892.44	36.65	$717,000		
	Subtotals		725,769.89	55.32	$1,085,000		
	Totals		2,298,133.26	173.26	$5,550,000		

LIPMAN STEVENS MARSHALL & THENE, INC.

Real Estate Appraisers & Consultants

BRIAN L. FLANNERY
DANI L. GREINER
LORIE J. HARMON
RICHARD J. HUTZLER
ED LeROY
PATRICK J. MARSH
GARY L. RASMUSON, MAI
RICHARD T. RUSSELL
DAVID L. TUROSAK

H.L. "BILL" LIPMAN, MAI, CRE
WALTER J. STEVENS, MAI
THOMAS O. MARSHALL, MAI
KEVIN M. THENE, MAI

October 1, 1998

Ms. Lucille Galvin, SR/WA
Property Agent, Valuation Division
City of San Diego
1200 Third Avenue, Suite 1700, MS 51-A
San Diego, CA 92101-4199

RE: AP 2645 – Black Mountain Road Assessment District No. 4070, Mira Mesa Community, San Diego, California 92126

Dear Ms. Galvin:

At your request, I have completed an appraisal of the referenced property as of September 30, 1998. The purpose of the appraisal was to estimate the market value of the undeveloped privately-owned property within the Black Mountain Road Assessment District. The appraisal is intended for use by the client in refinancing the existing assessment district bonds. The appraisal report has been prepared to comply with the *Appraisal Standards for Land-Secured Financings* published by the California Debt Advisory Commission, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Ethics and Supplemental Standards of the Appraisal Institute. This appraisal has been prepared as a complete, summary appraisal report prepared under Standards Rule 2-2(b) of USPAP.

Twelve of the properties are finished or semi-finished lots in the Westview portion of the development. They are appraised using a discounted cash flow analysis method. Six of the properties (Casa Mira View) are semi-finished and not planned for development in the near future. They are appraised by direct sales comparison. The value of the district reported below is the sum of the two valuations.

An apartment development, Westview Village, was under construction on the date of value. At the client's request, the improvements have not been appraised.

By virtue of my experience and based upon my investigation, it is my opinion that the value of the subject property, as of September 30, 1998, was:

Market Value of the Undeveloped Property: $23,180,000

Market value is net of the outstanding special assessments, in compliance with the *Appraisal Standards for Debt-Secured Financings*.

Submitted herewith is my report containing the facts and reasoning upon which the above value is based. The assumptions and limiting conditions of the appraisal are stated in the report. It has been a pleasure to be of service to the City of San Diego in this assignment.

Sincerely,

LIPMAN STEVENS MARSHALL & THENE, INC.

Thom O. Marshall

Thomas O. Marshall, MAI
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG002840
Expiration Date: March 10, 2001

TM:ema

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EXECUTIVE SUMMARY

Property

Black Mountain Road Assessment District No. 4070
Mira Mesa Community of San Diego, California
Thomas Brothers Map Page 1298-E2

Project Description/Location

18 residential lots on Black Mountain Road and Westview Parkway, Northwest of Mira Mesa Boulevard/Interstate 15, Mira Mesa Community, San Diego, California

Assessor's Parcel Numbers

Casa Mira View
318-410-20
318-410-21
318-410-22
318-410-23
318-410-24
318-410-25

Westview Unit 2
318-570-02
318-570-03
318-570-05

Westview Unit 10
318-570-06
318-570-09

Westview Unit 3
318-580-01
318-580-02
318-580-03

Westview Unit 4
318-580-04
318-580-05

Westview Unit 5
318-590-01
318-590-02

Ownership

Pardee Construction Company

Property Condition

Casa Mira View: Rough graded lots, offsite improvements complete, zoned multi-family (30-45 units per acre), 41.3 gross acres (net area not available), no development plans.

Westview Unit 3: Westview Village Apartments, 8.90 net acres, 180 units, under construction (appraisal of the land only).

Westview Units 2, 4 and 10: Finished lots with a proposed detached condominium development, 147 units on 15.7 net acres (only 9.61 net acres ± are included in the appraisal because some of the parcels had assessed value-to-lien ratios in excess of 3:1).

	Westview Unit 5: 6.50 net acres, rough-graded with offsite improvements complete, zoned for multi-family development, no development plans.
Highest and Best Use	Residential Development
Purpose of the Appraisal	To estimate the market value of the undeveloped property (including the land value for a portion that is under construction) in the Black Mountain Road Assessment District.
Intended Use	For refinancing the existing assessment district bonds.
Estate Valued	The fee-simple estate as encumbered by the assessment district.
Date of Value	September 30, 1998
Value Summary	Market Value of the Undeveloped Property $23,180,000
Major Assumptions	1) The property is appraised net of the existing special assessments, in compliance with CDAC appraisal standards. 2) The improvements that were under construction on Unit 3 (Westview Village Apartments) on the date of value were not appraised, at the instruction of the client.
Date of Report	October 1, 1998
Appraiser	Thomas O. Marshall, MAI

LIMITING CONDITIONS AND MAJOR ASSUMPTIONS

This appraisal is made expressly subject to the following conditions and stipulations:

1. No responsibility is assumed for matters which are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumes good title, responsible ownership and competent management. Except for the existing assessment district, any liens or encumbrances which may now exist have been disregarded, and the property has been appraised as though free of indebtedness.

2. The factual data utilized in this analysis has been obtained from sources deemed to be reliable; however, no responsibility is assumed for its accuracy.

3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The 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.

4. 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.

5. This appraisal is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.

6. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

7. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or this appraisal firm, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent of the signatory of this appraisal report. Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety. The use of the report in the underwriting of the proposed reassessment is authorized.

8. This appraisal has been prepared as a complete appraisal and a summary report prepared under Standards Rule 2-2(b) of USPAP.

9. The appraisal has been prepared in compliance with the *Appraisal Standards for Land Secured Financings* published by the California Debt Advisory Commission.

CERTIFICATION

I certify, to the best of my knowledge and belief, ...

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Thomas O. Marshall, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- this appraisal was not based on a requested minimum valuation, a specific valuation or approval of a loan.
- no one provided significant professional assistance to the person signing this report.

Thom O. Marshall

Thomas O. Marshall, MAI
Date: October 1, 1998
Certified General Real Estate Appraiser
State of California
OREA Appraiser I.D. No. AG002840
Expiration Date: March 10, 2001

INTRODUCTION

Purpose of the Appraisal

The purpose of the appraisal was to estimate the market value of the undeveloped property within the Black Mountain Road Assessment District.

Intended Use of Appraisal

This appraisal is intended for use by the City of San Diego in refinancing the existing assessment district bonds. No other use is authorized.

Value Definition

Bulk Sale Value – 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 buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress. The bulk sale is executed in lieu of the seller proceeding with development and/or marketing of the individual parcels or tracts to end users or merchant builders over a market-oriented absorption period for the type of project.[1]

Identification of the Property

The subject property consists of 18 parcels, zoned for multi-family development, and ranging in size from 0.52 acre to 7.53 acres. They are the remaining undeveloped property in Westview and Casa Mira View, and the land under Westview Village Apartments, currently under construction (the improvements were not appraised).

Legal Description

The properties are described in the county assessment records as Parcels 1 through 6, Parcel Map 16194; Lots 36, 37 and 39, Map 12871, Westview Unit No. 2; Lots 70, 71 and 71, Map 12870, Westview Unit No. 10; Lots 40, 41 and 42, Map 12996, Westview Unit No. 4; Lots 43 and 44, Map 12681, Westview Unit No. 9; and Lots 45 and 46, Map 12998, Westview Unit No. 5. A complete legal description should be obtained from a title report. The

[1] California Debt Advisory Commission, *Appraisal Standards for Land Secured Financings,* May 1994, p. 29

Assessor's maps and other exhibits in this report adequately describe the subject properties for the purposes of this appraisal.

Ownership/3-Year Property History

There have been no transactions within the past three years that would require disclosure under USPAP standards. A reported escrow involving Unit 3 has not been analyzed, because it is an improved sale (Westview Village Apartments).

Date of Value

September 30, 1998

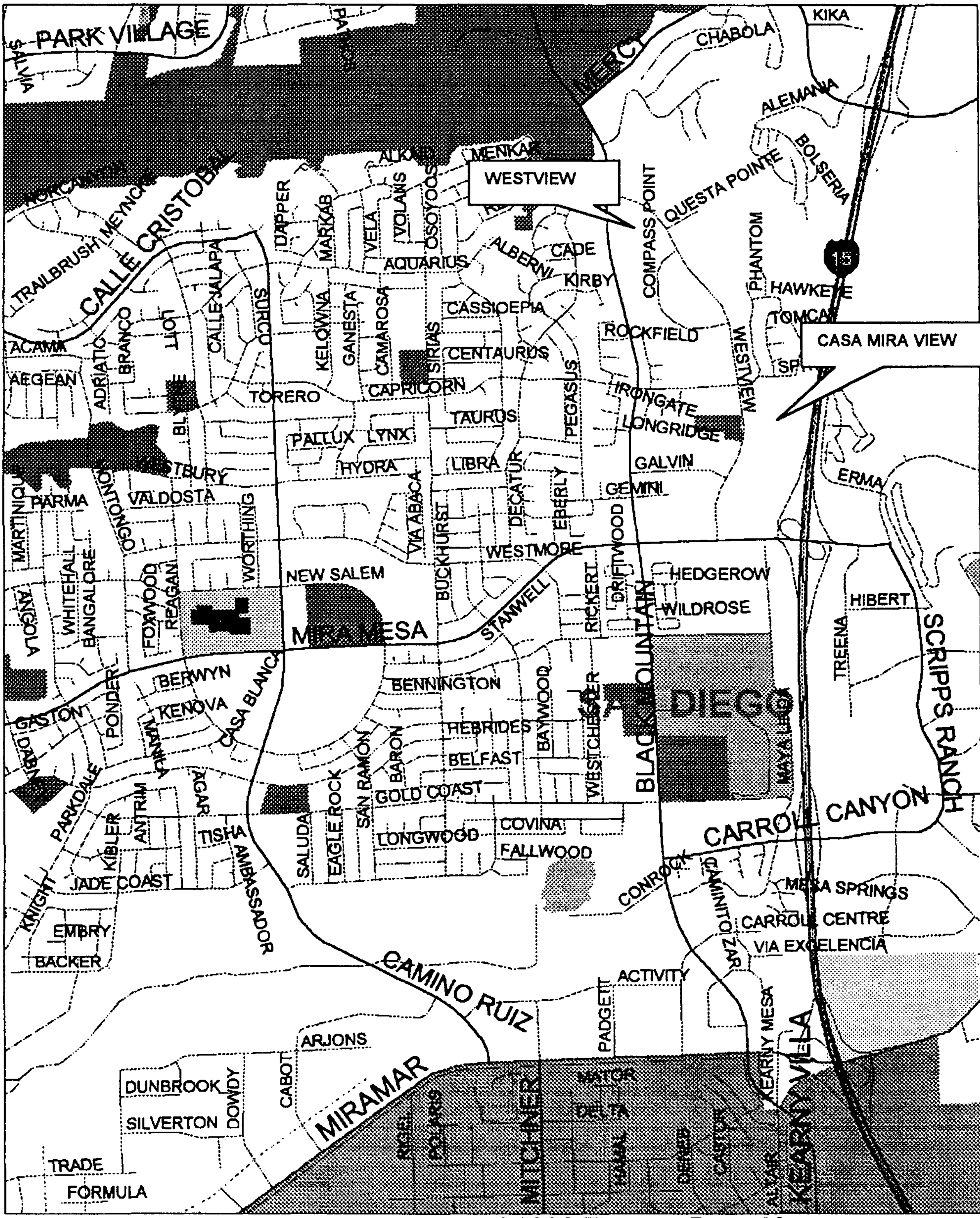
Exposure Time

Six months is a reasonable estimate.

Scope of the Appraisal

In preparing this appraisal, I personally inspected the subject property and the comparable market data. Sources of data for the appraisal included a representative of Pardee Construction Company (Bill Bryan, 310/475-3525); Comps, Inc.; our database; Market Profiles of San Diego, and local market participants.

This appraisal has been prepared as a summary report under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The specific information that USPAP requires in a summary report is included, along with any other information that is necessary to understand the appraisal. Since there were no departures from USPAP, this is a complete appraisal.


WESTVIEW
CASA MIRA VIEW
PARK VILLAGE
CHABOLA
KIKA
ALEMANIA
BOLSERIA
QUESTA POINTE
COMPASS POINT
PHANTOM
HAWKEYE
15
CALLE CRISTOBAL
TRAILBRUSH
ACAMA
AEGEAN
ADRIATIC
BRANCO
LOTT
CALLE JALAPA
SURCO
DAPPER
MARKAB
VELA
VOLANS
OSOYOOS
MENKAR
AQUARIUS
ALBERNI
CADE
KIRBY
KELOWNA
GANESTA
CAMAROSA
SIRIUS
CASSIOPEIA
CENTAURUS
CAPRICORN
TORERO
ROCKFIELD
WESTVIEW
IRONGATE
LONGRIDGE
TAURUS
PEGASUS
PALLUX
LYNX
HYDRA
LIBRA
GALVIN
GEMINI
ERMA
WESTBURY
PARMA
VALDOSTA
MARTINIQUE
WORTHING
VIA ABACA
BUCKHURST
DECATUR
EBERLY
DRIFTWOOD
WESTMORE
NEW SALEM
HEDGEROW
WILDROSE
HIBERT
ANGOLA
WHITEHALL
BANGALORE
FOXWOOD
REAGAN
MIRA MESA
STANWELL
RICKERT
TREENA
SCRIPPS RANCH
BERWYN
KENOVA
GASTON
PONDER
CASA BLANCA
BENNINGTON
HEBRIDES
BELFAST
BAYWOOD
WESTCHESTER
BLACK MOUNTAIN
SAN DIEGO
MAYA LINDA
PARKDALE
MANILA
AGAR
ANTRIM
KIBLER
TISHA
SALUDA
EAGLE ROCK
SAN RAMON
BARON
GOLD COAST
COVINA
LONGWOOD
FALLWOOD
CARROLL CANYON
CONROCK
CAMINITO ZAR
MESA SPRINGS
CARROLL CENTRE
VIA EXCELENCIA
KNIGHT
JADE COAST
EMBRY
BACKER
AMBASSADOR
CAMINO RUIZ
ACTIVITY
PADGETT
ARJONS
DUNBROOK
DOWDY
CABOT
SILVERTON
MIRAMAR
TRADE
FORMULA
MITCHNER
RIGEL
POLARIS
MATOR
DELTA
HAMAL
DENEB
CASTOR
ALTAIR
KEARNY MESA
KEARNY VILLA

SUMMARY AREA DESCRIPTION

COMMUNITY DESCRIPTION

Mira Mesa is located 15 miles north of downtown San Diego, between the Interstate 805 and 15 corridors. It is bounded on the north by the Los Peñasquitos Canyon Preserve and the community of Rancho Peñasquitos, Carmel Valley and Sorrento Valley to the west, Scripps Miramar Ranch to the east, and the Marine Corps Air Station, Miramar to the south.

The Mira Mesa Community Plan was originally adopted in January, 1966 and subsequently revised and approved by the San Diego City Council in October, 1992. The community developed rapidly beginning in mid-1969 as the demand for moderate priced housing increased. The initial development was in the easterly part of the community. Pardee Construction Company has been the major builder in the community. Current development is in the northwesterly area, and on Pardee's remaining property (the subject) near Interstate 15.

The community is composed of a variety of land uses, the majority being residential and industrial. About 38 percent of Mira Mesa is zoned for residential development, which is concentrated on the eastern side. Industrial development is planned for approximately 26 percent of the land area, which is mainly concentrated on the central and west sides of the community. Retail uses are concentrated on and around Mira Mesa Boulevard. About 18 percent of the land is to be preserved as open space.

Access to the community is provided by Interstate 15 is on the eastern boundary of the planning area and Interstate 805 at its western boundary. Mira Mesa Boulevard is the main east-west arterial for the community. Access to the area needs improvement due to increased traffic levels during peak hours, mainly on Interstate 15 and Mira Mesa Boulevard. The revised community plan addresses this issue. Proposals include reclassification and expansion of several streets, including Black Mountain, Kearny Villa, Carroll Canyon, and Scranton Roads. However, it is doubtful that the improvements will relieve the community's traffic woes as the I-15 Corridor continues to be impacted by population growth further north.

Mira Mesa is included in the Del Mar-Mira Mesa Subregional Area for statistical reporting. The population as of January 1, 1997 was 120,610, an increase of 23,453 or 24.1 percent over 1990. The median household income was $61,893 as of January 1, 1997.

Mira Mesa has evolved into one of the major employment centers in the San Diego region. The majority of the employment is located in office and industrial parks in Sorrento Mesa at the western portion of the community. About 70,303 people were employed in Del Mar-Mira Mesa in 1995. The majority of employment is in services, followed by retail trade.

Mira Mesa Boulevard is the main corridor for retail activity. The larger community and neighborhood centers, which include major department stores, off-price retailers, supermarkets, and restaurants, are concentrated around Camino Ruiz. The Mira Mesa Shopping Center, located at the northwest corner, is a 420,000 square-foot regional center anchored by Mervyn's, Marshalls, Vons, and Sav-On. Mira Mesa West is a neighborhood center anchored by Target Stores. Another center, Mira Mesa Square, is located at the northeast corner of Mira Mesa Boulevard and Westview Parkway, a short distance south of the subject. This center is anchored by Ralph's Supermarket.
The restaurant and fast food market is highly competitive on Mira Mesa Boulevard, as virtually all of the major chains are found in this corridor. Because of the high activity, restaurants enjoy high volume levels during peak hours.

The Marine Corps Air Station, Miramar (formerly the Naval Air Station, Miramar) at the southern boundary has had a significant influence on planning and development. Consisting of 24,000 acres, MCAS Miramar, with 11,000 military and 2,500 civilian employees is one of the region's major employers. Operations and employment at the base contribute over $250 million annually into the regional economy.

MCAS Miramar accommodates approximately 225,000 flight operations per year. The San Diego Association of Governments (SANDAG) has adopted a Comprehensive Land Use Plan (CLUP) for NAS Miramar to protect the airport from incompatible land uses and provide the city with development criteria that will allow for the orderly growth of the area surrounding the airport. The CLUP identifies the areas that are affected by noise resulting from air operations and the types of land uses that are compatible within these areas. The subject is identified as being located outside the NAS Miramar sphere of influence.

Neighborhood

The subject is in the northeasterly section of Mira Mesa, just north of Mira Mesa Boulevard, between Interstate 15 and Black Mountain Road. Mira Mesa Boulevard is the main east-west thoroughfare in the area. Properties along Mira Mesa Boulevard are primarily retail in nature. This street provides access from the subject to Interstate 15 to the east and Interstate 805 to the west.

The immediate area has been sparsely developed in the past; however, it is rapidly developing into an active neighborhood with a mixture of residential, commercial, educational, and recreational uses. Public schools are nearby, and a relatively new elementary school, Gage Elementary, is directly north of the subject. Police, fire department, and other urban services are also in close proximity. The Mesa Shopping Center East is a short distance south of the subject. This center is anchored by Ralphs Supermarket and various smaller retail stores.

The subject is part of the Westview/Casa Mira View development by Pardee Construction Company. The development includes the Cortina condominiums, built in the early to mid-1990s and sold out; and Sunset Glen and Las Casitas, built in the mid to late-1990s. Sunset Glen is sold out, and Las Casitas has about 28 unsold homes of the 219 that were offered.

The subject consists of the remaining 80.78 acres in the Westview/Casa Mira View development except for three parcels that were excluded because their assessed value-to-lien ratios were acceptable. Part is under construction with apartments at a density of about 20 units per net acre (improvements are not appraised), and the remainder is planned for similar apartments or detached small-lot housing similar to Sunset Glen and Las Casitas, which are at a density of about 12 units per acre.

The subject is designated in the Mira Mesa Community Plan for multi-family development. Multi-family is an appropriate use considering the good access, the nearby convenience shopping, schools and nearby employment.

Market Conditions

Economic conditions are favorable. The local economy has experienced a re-structuring following the recession of the early 1990s, and is less affected by variations in military expenditures. Technology industries, manufacturing and tourism are all growing. Unemployment and inflation rates are low, and the population is growing (by 70,000 in 1997). The median housing price increased by more than 14 percent in the past year. Rental vacancies have dropped so low that options for renters are limited, and rental rates are increasing. The addition of new supply is lagging behind the growth in population and new household formations.

Rental and for-sale housing market conditions are discussed in the Market Absorption Study, presented in the Valuation section of this report.

[Pages 12-20, Site Photographs and
Plat Maps Intentionally Omitted]

SUMMARY SITE ANALYSIS

Introduction

I inspected the property on August 19, 1998. I made observations regarding site characteristics and the surrounding neighborhood. Land use information was obtained from the City of San Diego.

Location

The property is on the east side of Black Mountain Road and on both sides of Westview Parkway, north of Mira Mesa Boulevard.

Assessment Information

The 1998 assessed values (land only) and special assessments for A.D. No. 4070 are:

APN	AV	A.D. Balance
Casa Mira View		
318-410-20	$122,835	$291,369
318-410-21	$186,096	$288,345
318-410-22	$318,557	$303,468
318-410-23	$183,805	$280,279
318-410-24	$175,226	$330,689
318-410-25	$115,343	$317,583
Westview Unit 2		
318-570-02	$260,036	$93,391
318-570-03	$267,942	$108,956
318-570-05	$257,099	$93,391
Westview Unit 10		
318-570-06	$142,329	$73,502
318-570-09	$37,962	$14,700
Westview Unit 3		
318-580-01	$269,744	$128,743
318-580-02	$337,030	$198,967
318-580-03	$439,762	$230,177
Westview Unit 4		
318-580-04	$177,045	$138,496
318-580-05	$162,566	$109,237
Westview Unit 5		
318-590-01	$483,017	$224,325
318-590-02	$358,057	$191,164
Total:	$4,294,451	$3,416,782

The tax rate is 1.11473 percent (tax rate area 08-012), plus special taxes.

Site Area/Shape

The shapes are depicted on exhibits in this report. All the properties have adequate sizes and dimensions. Pardee has divided the project into planning units, which will be used as the components of the "retail" value of the property. Net areas are shown in the next table.

Note that Unit 2 actually contains 15.60 gross acres, but two parcels have been excluded because their lien-to-assessed value ratios were acceptable. Unit 10 has 4.44 gross acres, but one parcel was excluded for the same reason. Also note that some of the net areas were estimated. That is because net areas were only available for the planning units, not the individual parcels. The areas are:

APN	Gross Acres	Net Acres	Status
Casa Mira View			
318-410-20	6.65	n/av	No development plans.
318-410-21	6.57	n/av	
318-410-22	6.92	n/av	
318-410-23	6.40	n/av	
318-410-24	7.53	n/av	
318-410-25	7.23	n/av	
	41.30	n/av	
Westview Unit 2			
318-570-02	3.58		Plans submitted for 147 detached condominiums on Units 2, 4 and 10, containing 15.7 net acres. The estimated net area of the parcels that are included in the appraisal is 9.61 acres.
318-570-03	3.69		
318-570-05	3.54		
	10.81	4.31 (Est.)	
Westview Unit 10			
318-570-09	0.52		
318-570-06	1.96		
	2.48	1.7 (Est.)	
Westview Unit 4			
318-580-04	2.08		
318-580-05	1.91		
	3.99	3.6	
		9.61	
Westview Unit 3			
318-580-01	3.17		Westview Village Apartments, 180 units, were under construction on the date of value.
318-580-02	3.96		
318-580-03	5.17		
	12.30	8.90	
Westview Unit 5			
318-590-01	5.69		No development plans have been submitted.
318-590-02	4.21		
	9.90	6.50	
Totals	80.78	n/av	

A total net area of 25.01 acres will be used to appraise Westview The gross area of Casa Mira View will be used, since a net area is not available. The net areas are based on Pardee's planning as of 1992, and my estimates for Units 2 and 10. Pardee was not able to provide updated net areas for this appraisal.

Topography

The six parcels on Westview Parkway south of Capricorn Way (Casa Mira View) are rough-graded, and are at a higher elevation than the street, separated by a steep slope. They will lose usable area to the slopes, and to drainage basins. The usable area was not available. The remaining properties (Westview) are finished or semi-finished lots with level pads and some slopes around the perimeters. Unit 5 contains fill dirt that has not been graded and compacted. The other units have level pads.

Utilities

All utility services are directly available to the lots.

Access and Street Improvements

Access is from Westview Parkway and Questa Pointe. The roads are fully improved and publicly dedicated.

Community Plan

The six parcels on Westview Parkway south of Capricorn Way (Casa Mira View) are designated Medium High Density, 30-45 units per net acre, in the Mira Mesa Community Plan. The other parcels (Westview Units 2, 3, 4, 5 & 10) are all designated Low-Medium Density, 10-15 units per net acre.

Zoning

Casa Mira View is zoned R-1000, and Westview is governed by Planned Residential Permit (PRD) No. 86-0969. Both projects are also under a Development Agreement with the City of San Diego, adopted on August 8, 1988. The Development Agreement is effective for 20 years, or until August 7, 2008. Under the development agreement, a total of 1,797 units are allowed in Casa Mira View (43.5 units per gross acre), and a total of 1,481 units are allowed in Westview (18.4 units per net acre). Pardee is building fewer units than are allowed under the PRD. A PRD amendment in 1996 allows 156 dwellings on Units 2, 4 and 10 (9.9 units per acre). The developer's current plan is to build 147 detached condominium units (9.4 units per acre). (Based on 15.7 net acres; the subject portion of Units 2, 4 and 10 only contains an estimated 9.61 net acres.) The proposal is being reviewed by city planning, with approval expected by late January or early February 1999. The final number of dwellings may change during the approval process.

Flood Zone

According to Federal Emergency Management Agency maps, the subject is in Zone C, an area of minimal flooding (Community-Panel No. 060295 0081 B).

Earthquake Hazard The subject property is not within an identified Alquist-Priolo Earthquake Special Studies Zone.

Hazardous Materials An environmental assessment was not available. For purposes of this appraisal, the site is assumed to be free of hazardous wastes.

Soils A soils survey was not provided for this assignment. This valuation assumes that the soils are suitable for development of the property.

Surrounding Land Uses The project is surrounded by existing residential neighborhoods, both single-family and multi-family; and Interstate 15 is to the east. Hage Elementary School is on the northwest corner of Westview Parkway and Capricorn Way.

Easements/Encroachments/Restrictions I have not reviewed a title report. I am not aware of any easements, encroachments or restrictions that would impact value.

Improvements As of the date of value, development had begun on Westview Village Apartments at the southeast corner of Westview Parkway and Black Mountain Road (Unit 3). There were no other improvements on the property. The appraisal is of the land only as requested by the client, based on the probability that the value-to-lien ratio will exceed 3:1).

Highest and Best Use The sites are physically capable of development. The six lots at the southeast corner of Westview Parkway and Capricorn Way (Casa Mira View) need finish grading, and the remaining lots (Westview) are finished or need minor grading. They are designated in the community plan for residential development, at densities of either 10 to 15 units per net acre (Westview) or 30 to 45 units per net acre (Casa Mira View). Under the Development Agreement with the City of San Diego, Westview has an entitlement for 18.4 units per net acre, and Casa Mira View has an entitlement for 43.5 units per gross acre. Multi-family and single-family developments have been successful in this area. Rental units or units for sale are financially feasible. Attached condominiums are probably not feasible because of liability related to construction defect lawsuits. The highest and best use is residential development.

The two product types that currently are offered in Westview are the prototypes for the remaining land, according to Pardee's representative. They are luxury apartments at a density of about 20 units per net acre, and detached condominiums at about 10 to 12 units per net acre. As projects are completed, Pardee will evaluate market conditions to decide on the product type. They will finish Westview before starting Casa Mira View. The density of development envisioned by Pardee is below the density allowed by the community plan and by the PRD. The current development plan for Units 2, 4 and 10 in Westview is a detached condominium project with a density of 9.4 units per net acre. A Pardee representative reported that Unit 5 is planned for 131 to 144 apartments (20 to 22 units per net acre).

VALUATION

INTRODUCTION

The appraisal includes a "bulk" value of the twelve lots that are near the intersection of Westview Parkway and Black Mountain Road (Westview), and a separate value estimate for the six lots southeast of Westview Parkway and Capricorn Way (Casa Mira View).

The bulk value requires a market absorption study to establish a sales rate of finished lots for the discounted cash flow analysis. This analysis assumes that lots will be sold to outside or "guest" builders (although Pardee plans to develop the properties). Lot values are estimated using the Sales Comparison Approach. The projected revenues from lot sales, the absorption rate, costs and expenses, and the yield rate appropriate for the investment, are the components of the discounted cash flow analysis.

MARKET ABSORPTION STUDY

There are no development approvals for Casa Mira View at the southeast corner of Westview Parkway and Capricorn Way. That portion includes six lots containing a total of 41.30 gross acres. According to Bill Bryan representing Pardee Construction Company, the lots will be the last to be developed in this project. The community plan allows 30 to 45 units per acre. Development is likely to be at a much lower density, according to Mr. Bryan. The type of development will depend on market conditions at the time, and will either be apartments or detached condominiums, similar to current projects (around 10 to 20 units per acre). Attached condominiums are not being considered, according to Mr. Bryan, because of defect lawsuit liability.

The remaining lots in the Black Mountain Road Assessment District (Westview) are either under construction with apartments, or are planned for future apartments or detached condominiums. The total net area is approximately 25.01 acres. According to Pardee's representative, development will be the type that makes sense when the lots are developed. The absorption analysis includes both the multi-family rental housing market and the detached housing market.

Rental Market

In its March 1998 edition, *Rental Trends*, published by Market Profiles of San Diego, reported a countywide vacancy rate of 1.32 percent, the lowest ever recorded for a March audit. Instead of offering concessions to attract renters as in the recent past, many landlords now maintain waiting lists. A number of factors have transformed the rental market from a tenant's market to a landlord's market. They include:

- Economic recovery and job growth in the region,
- Escalating home prices that force many potential homebuyers out of the market,
- Population expansion, both natural and by immigration,
- Return of former residents who left in the last down-cycle, and
- Splitting of households that were formed by doubling-up.

The countywide survey results by Market Profiles are shown in the next table.

San Diego County Summary
Market Profiles of San Diego
March 1998

Category	San Diego County	North County	South County
Total Number of Complexes	873	384	489
Total Number of Units Surveyed	109,983	53,231	56,752
Total Number of Units Leased	108,830	52,522	56,008
Total Number of Units Vacant	1,453	709	744
Overall Vacancy Factor	1.32%	1.33%	1.31%
Average Monthly Rental Rate	$746	$785	$708
Average Square Footage	836	857	816
Average $/Square Foot	$0.89	$0.91	$0.86

The March 1998 survey reflected a $25 per month increase in the average rent from the September 1997 survey, or 3.47 percent. Compared with one year earlier, the average rent increased by $53, or 7.65 percent. The average rental rate of $746 is an all-time high. The extremely low vacancy rate will force rents higher.

The Interstate 15 Corridor of San Diego includes Mira Mesa, Carmel Mountain Ranch, Poway, Ramona, Rancho Bernardo, Rancho Peñasquitos and Scripps Ranch. The next table shows the performance of this sub-market.

Interstate 15 Summary
Market Profiles of San Diego
March 1998

Community	Weighted Average Rent	Weighted Average Sq. Ft.	Weighted Average Rent/Sq. Ft.	Total Units Surveyed	Total Units Rented	Total Units Vacant	Vacancy Factor
Carmel Mtn. Ranch	$883	834	$1.05	1,586	1,575	11	0.69%
Mira Mesa	**$787**	**789**	**$0.99**	**3,654**	**3,606**	**48**	**1.31%**
Poway	$774	846	$0.91	1,218	1,202	16	1.31%
Ramona	$570	870	$0.65	730	703	27	3.69%
Rancho Bernardo	$929	951	$0.97	3,245	3,209	36	1.10%
Rancho Peñasquitos	$913	901	$1.01	1,050	1,044	6	0.57%
Scripps Ranch	$833	857	$0.97	289	282	7	2.42%
Total Market Region	$837	862	$0.96	11,772	11,621	151	1.28%

Mira Mesa has the largest rental housing inventory in the Interstate 15 Corridor. Its weighted average rent and vacancy factor are near the averages for the sub-market. The weighted average rent is above that for the entire county, and its vacancy factor is similar to the county's.

The Meyers Group reported housing trends for San Diego County as of January 1998. Of a total of 434,739 total renter households, an estimated 282,478 or 65 percent turn over each year. Meyers estimated that ten percent of the turnover represents renters buying a home. The remaining 90 percent that turn over each year equals 254,350 households. Many of the renters who move out of existing projects relocate to new developments.

Meyers also estimated that new households will be formed at the rate of 9,569 per year in the county (1997-2000). Of the total household formation, 4,364 households will be renters and 5,205 will be homebuyers.

As of March 1998, there were a total of 4,970 proposed units in the county. Proposed developments in Mira Mesa included a site formerly owned by Kaiser Permanente on the south side of Mira Mesa Boulevard that was once planned for a hospital. It is now proposed for a 432-unit apartment project plus a commercial element. The subject was the only other proposed development.

Westview Village Apartments (subject Unit 3) opened for pre-leasing on August 8, 1998. That project, currently under construction, has accepted 49 reservations (the entire first phase) in 34 days, a rate of ten per week. First-phase move-ins are planned on November 13, 1998 and November 27, 1998. The rental office is preparing to accept reservations for the second phase, which will be ready for occupancy in late December 1998. The third phase is planned for occupancy beginning in late February 1999.

The apartment units in Westview Village are a two bedroom-two bath plan with 987 square feet, renting for $1,140 per month; a two bedroom-two bath plan with 1,151 square feet renting for $1,350 per month; and a three bedroom-two bath plan with 1,253 square feet renting for $1,425 per month. The apartments include one or two-car garages, nine-foot ceilings, private patios or balconies, refrigerators, washers and dryers, and central air conditioning. The project has a security gate, swimming pool and spa, a tot lot, a fitness center, an indoor racquetball court, a steam room, a sauna, and a clubhouse.

The tenant mix is composed of households moving from other rentals in the same area, job relocations from outside San Diego, and people who have sold their homes to take advantage of the appreciated values in the current market.

There are no other new apartments in Mira Mesa to compare. The existing apartments in that community were built between 1975 and 1990. Absorption rates in recently built apartments in other parts of San Diego County provide guidance in estimating an absorption rate for the subject.

Jefferson at Carmel Mountain opened around the first of March 1998. It is a 277-unit development of luxury apartments, renting for $895 to $1,965 per month. The units have garages, alarm systems, a pool and a fitness center. As of September 15, 1998, 155 units were leased, which is a rate of about 6.5 units per week.

Ridgewood Village in Poway, a 192-unit development, opened on July 10, 1997. On February 12, 1998 189 units were leased, which is a rate of about six units per week. Rents at this complex are from $780 to $985 per month.

Including the subject, new apartments are leasing in a range of six to ten units per week. The new projects generally offer more amenities than existing projects. The demand is expected to exceed the new supply over the next few years.

Detached Housing Market

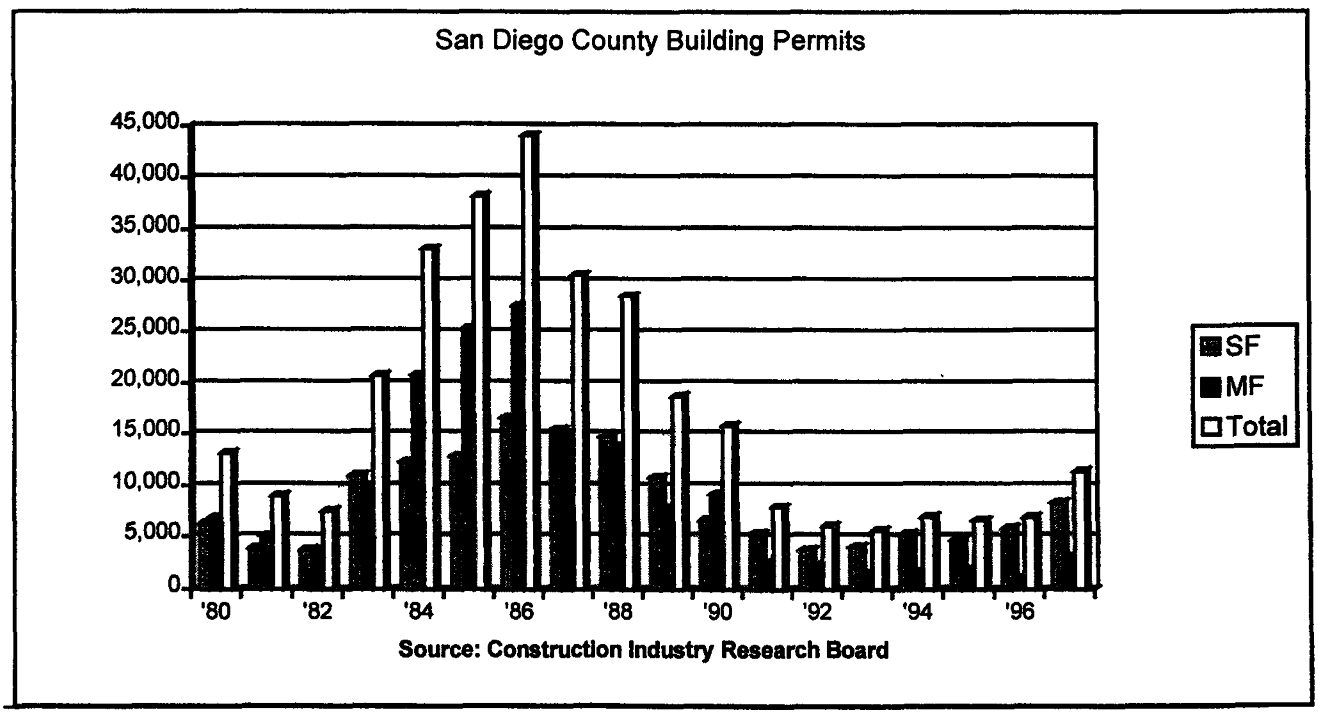
Detached condominiums are a single-family product structured as a condominium. Individual lots are sold (typically, 3,000 to 4,000 square feet) along with undivided interests in the common area. Pardee Construction Company has one active detached condominium development within the Black Mountain Road Assessment District. Las Casitas, with 219 homes, is on the west side of Westview Parkway and is bordered by Compass Point Drive. There are four plans ranging in size from 1,304 to 1,698 square feet, currently priced from $192,990 to $218,990 plus upgrades. All have attached two-car garages. The developed opened in November 1996, and 191 homes had been sold as of September 10, 1998. The sales rate over the marketing period averaged two per week, although sales were slow through December 1997 and have accelerated during 1998.

Sunset Glen, a similar project containing 211 homes, was marketed from 1995 to sell-out in early 1998. They were priced at $180,000 to $190,000. That development is on the west side of Westview Parkway, between Compass Point Drive and Capricorn Way. During the active selling phase in 1997, the weekly sales rates each quarter ranged from 1.86 to 2.76 units.

Pardee's other development within the assessment district, Cortina, is on the east side of Westview Parkway south of Questa Pointe. That attached condominium development with 127 units sold between 1993 and 1995.

In the housing market study conducted by the Meyers Group in January 1998, the total demand for new detached housing in the county was projected at 12,746 homes per year for 1998 and 1999. That estimate was based on its regular surveys, title company and U.S. Census information, and other sources. The projection assumed that 20 percent of an estimated 62,360 home sales each year will be potential sales of new housing.

Building permit records demonstrate that new construction is lagging demand in the county. The next chart includes single and multi-family permits issued between 1980 and 1997.



A total of 11,402 permits were issued in 1997. In the first quarter of 1998, there were 1,855 single-family and 675 multi-family permits issued, a total of 2,530. The annualized number is 10,120.

The demand for new single-family homes is likely to outstrip the supply over the next few years. Considering the current experience in Westview and the other data, an absorption rate of two per week is likely for detached condominiums.

Absorption Conclusions

The favorable market for new housing is likely to continue during the remaining development phase of Westview. I have estimated that new apartments will be absorbed at a rate of six per week, and that new detached condominiums will sell at a rate of two per week.

An exact number of units is not available for all the subject parcels. Pardee is processing a plan for 147 detached condominiums on Units 2, 4 and 10. Three of the assessor's parcels in Units 2, 4 and 10 have been excluded from the appraisal because their assessed value-to-lien ratios exceeded 3:1. An allocation among the remaining assessor's parcels was not available. I made the following estimate for the purposes of the appraisal:

> Total Project (Units 2, 4 and 10): 147 units on 15.7 net acres, or 9.4 units per net acre.
> Portion included in the appraisal: 9.61 ± net acres times 9.4 per acre = 90 units.

Westview Unit 3 is under construction with 180 apartments on 8.9 net acres (20 units per acre).

Westview Unit 5 has 6.5 net acres. At 20 apartments per net acre, the total is 130 apartments (there are no development plans at the present time).

The estimated totals for the portions of Westview that are included in the appraisal are summarized as follows:

> Detached Condominiums: 90 units.
> Apartments: 310 units (180 existing and 130 future).

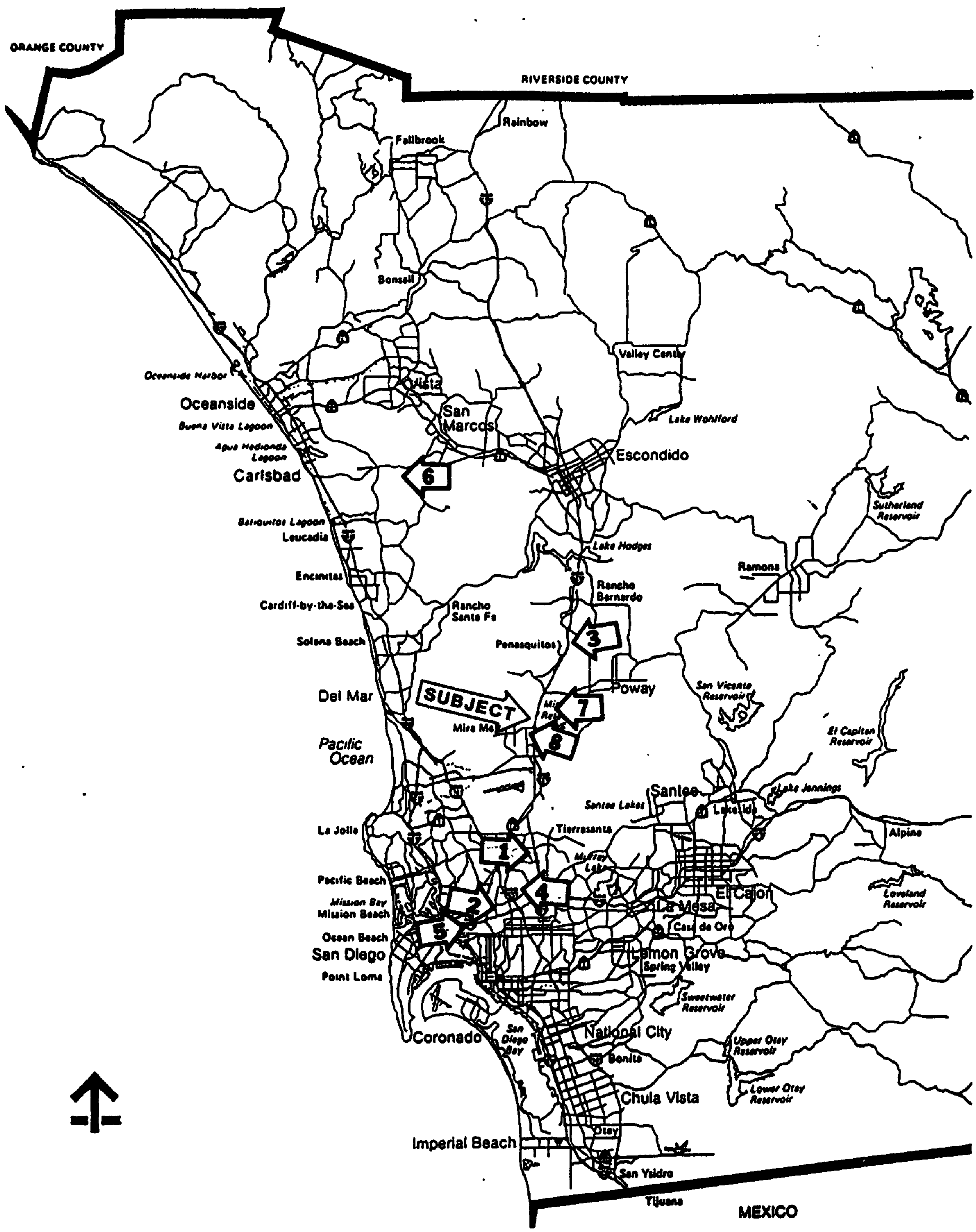
Casa Mira View is capable of up to 1,797 multi-family units under the development agreement with the city, but market conditions could force a smaller number of units. Since Casa Mira View has been appraised separately from the discounted cash flow analysis, an absorption estimate is not necessary.

Absorption of the detached condominiums at two per week would take a total of 45 weeks. Multi-family absorption at six per week would take a total of 52 weeks.

RETAIL LOT VALUES

Before estimating the value of the property in bulk, it is necessary to estimate the values of the components on a "retail" basis. The components are the lots that may be sold to guest builders. They are appraised using the Sales Comparison Approach. I have researched the local market, and have selected the following land sales as the best comparisons for the subject property.

LAND COMPARABLES MAP



No.	Location	Date	Price	Area (Net acres)	Price/SF (net)	Units/ Acre	Comments
1	Daley Center Dr. N. of Stonecrest Blvd. San Diego	9/96	$7,228,000	10.7	$15.51	30	Stonecrest Village, a luxury apartment development with 320 units in the Kearny Mesa community.
2	SWC Friars Rd. and Gill Village Way San Diego	1/97	$11,500,000	14.4	$18.33	40	Land assembly for a luxury apartment development in Mission Valley
3	NEC World Trade Drive and Stoney Peak Drive, Carmel Mountain Ranch community of San Diego	10/96	$5,900,000	10.4	$13.02	27	Jefferson at Carmel Mountain Ranch Apartments
4	NEC Friars Rd. and Northside Drive San Diego	7/96	$11,300,000	19.71	$13.16	30	Jefferson at Mission Valley Apartments
5	Hotel Circle South east of Taylor Street San Diego	8/97	$4,558,000	8.0	$13.08	28	Purchased for apartments, but may be a hotel site.
6	East Side of Melrose Drive, South of Palomar Airport Road, Carlsbad	Escrow	$5,250,000	10.5	$11.48	15.3	Rancho Carillo master-planned community, attached townhome site.
7	SWC Scripps Poway Parkway and Cypress Canyon Road San Diego	4/96	$2,820,000	6.1	$10.61	19.2	Scripps Ranch Villages master-planned community, attached townhome site
8	SWC Mira Mesa Blvd./I-15 Mira Mesa community San Diego	Escrow	$19,155,000	62.82	$7.00	23.8	Formerly proposed as a Kaiser Hospital site. Buyer plans 39.7 acres of retail and 17.7 acres of apartments (422 units). See remarks in report narrative.

Sale 1 is in the Kearny Mesa community, part of the Interstate 15 corridor. Market conditions have improved since the sale date, but the density is higher than the subject's estimated potential. The location is more central and is superior to the subject. The entitlements were in place.

Sale 2 is in Mission Valley. The sale date in January 1997 requires upward adjustment, but the higher density and better location cause negative adjustments.

Sale 3 is in a master-planned community, Carmel Mountain Ranch in the Interstate 15 corridor. It is an older sale requiring upward adjustment for market conditions, but the planned community setting and higher density require downward adjustments.

Sales 4 and 5 are in Mission Valley and are older sales requiring upward adjustment for market conditions and downward adjustments for location and density.

Sale 6 is in Carlsbad, in a new master-planned community, Rancho Carrillo. It is a current sale at a density similar to the estimated density of the for-sale-housing component of the subject. The location is equivalent overall.

Sale 7 is in Scripps Ranch Villages, a master-planned community east of Mira Mesa, also part of the Interstate 15 corridor. The sale required an upward adjustment for market conditions, and a downward adjustment for location.

Sale 8 is a current escrow involving a site formerly planned for a Kaiser Hospital. It was sold as a mixed-use retail and multi-family site. The project requires site finishing, estimated at $2.00 per square foot, and off-site environmental mitigation estimated to cost between $2.3 and $2.5 million ($0.84 to $0.91 per square foot). The Casa Mira View component of the subject is similar in size, location and development potential, but it needs less site work and no offsite mitigation. The sale was negotiated in late 1996, but the need to mitigate was not known at the time and offsets the change in market conditions. The sale therefore is analyzed using the actual price of $7.00 per square foot, adjusted for the subject's better condition. The proposed apartment density is in a similar range as the estimated density for the subject.

"Retail" Land Value Conclusions

For this appraisal, I have identified multi-family and small-lot single-family parcels, recognizing that Pardee's actual development plan may vary depending on their analysis of market conditions when they are ready to build. The market data included both types of land.

Sales 1 through 5 were finished multi-family properties that sold for $13.02 to $18.33 per square foot. Sales 6 and 7 were small-lot single-family properties that sold for $10.61 to $11.48 per square foot. These data had similar assessments and fees as the subject, and the value conclusions are subject to the existing assessment district in compliance with the California Debt Advisory Commission's appraisal standards.

I have estimated the land values for Westview at $13.00 per square foot for the multi-family component (or about $28,000 per unit), and $11.00 per square foot for the for-sale component (or about $51,000 per unit).

The best comparison for Casa Mira View (bulk value of 41.4 acres) is Comparable 8 (escrow) at $7.00 per square foot. The subject requires less finishing work, but the subject's outstanding assessment ($1.00 per square foot) is offsetting. The subject's net area is not known, but the comparable sale was reported on a gross basis (about nine percent will be unusable). Based on this sale and the other data, I have estimated the market value of the Casa Mira View component at $7.00 per square foot.

DISCOUNTED CASH FLOW ANALYSIS

A single buyer of the Westview component of the subject would anticipate selling finished pads to outside builders, and would pay less than the total retail lot value. Discounts would be made for absorption time, risk, selling expenses, property and special taxes, and profit. The developer reported to the city that remaining site development costs total $2.00 per square foot.

The risk and profit discount from retail value is usually incorporated into a single-line discount rate that varies depending on market conditions, the anticipated absorption time, and the degree of site finishing that remains to be done. Our surveys of market participants indicated a range of 15 to 20 percent. The subject has a relatively short absorption time, reducing the risk associated with possible future market downturns. The lots are finished and the market is currently under-supplied. Based on my research and interviews with investors, a discount rate of 15 percent is reasonable.

The present value discounting is done quarterly. Each quarter, a net cash flow results from lot sale revenues minus expenses. The rate of sales (the absorption rate) is the most important variable.

In the absorption study that was presented earlier, I estimated 45 weeks to absorb the detached condominiums, and 52 weeks to absorb the rental units. Absorption of the finished product will be delayed by the planning and development process, estimated to take six quarters for each planning unit. The timing of the land sales as shown in the discounted cash flow analysis reflects the planning and development process.

Property taxes are estimated by multiplying the value of the property that remains unsold each second and fourth quarter, by the tax rate (divided by two). Special taxes are from the schedule provided by the City of San Diego. Site development costs of $2.00 per net square foot are deducted concurrently with the projected land sales (except for Unit 3, under construction with apartments). Finally, the expenses associated with administration and selling commissions is estimated at five percent of the revenue line each quarter.

The absorption estimates and the results of the discounted cash flow analysis are displayed on the tables that follow.

UNIT ABSORPTION - BLACK MOUNTAIN ROAD ASSESSMENT DISTRICT
Westview Component

Apartments	6 /week	78 /qtr.
Detached Condos	2 /week	26 /qtr.

	No. Acres	Units	Quarters 1	2	3	4	5	6	7	8	9	10	11	12	Totals
Detached Condo Component															
Units 2, 4 and 10*	9.61	90	Land sale	Planning/construction						26	26	26	12	0	90
Apartment Component															
Unit 3	8.90	180	Land sale**	78	78	24	0	0	0	0	0	0	0	0	180
Unit 5	6.50	130	0	0	Land sale	Planning/construction						78	52	0	130
subtotals	15.40	310	0	78	78	24	0	0	0	0	0	78	52	0	310
Totals	25.01	400	0	78	78	24	0	0	0	26	26	104	64	0	400

* Units 2, 4 and 10 contain 15.7 net acres, but only 9.61 net acres are included in the appraisal.

** Units under construction

DISCOUNTED CASH FLOW ANALYSIS - BLACK MOUNTAIN ROAD ASSESSMENT DISTRICT

WESTVIEW COMPONENT

RETAIL LOT VALUES	Net Acres	Sq. Ft.	Value/SF	Value	QUARTERLY REVENUES 1	2	3	4	5	6	7	8	TOTALS
Detached Condo Component													
Units 2, 4 & 10 (est.area)	9.61	418,612	$11.00	$4,604,728	$4,604,728	$0	$0	$0	$0	$0	$0	$0	$4,604,728
Apartment Component													
Unit 3	8.90	387,684	$13.00	$5,039,892	$5,039,892	$0	$0	$0	$0	$0	$0	$0	$5,039,892
Unit 5	6.50	283,140	$13.00	$3,680,820	$0	$0	$3,680,820	$0	$0	$0	$0	$0	$3,680,820
subtotals	15.40	670,824		$8,720,712	$5,039,892	$0	$3,680,820	$0	$0	$0	$0	$0	$8,720,712
Totals	25.01	1,089,436		$13,325,440	$9,644,620	$0	$3,680,820	$0	$0	$0	$0	$0	$13,325,440
EXPENSES													
Sales and Administration		5.0%			$482,231	$0	$184,041	$0	$0	$0	$0	$0	$666,272
Site Development Cost per Net SF		$2.00			$837,223	$0	$566,280	$0	$0	$0	$0	$0	$1,403,503
Property Taxes on Unsold Land					$16,779	$0	$0	$0	$0	$0	$0	$0	$16,779
Special Taxes on Unsold Land					$44,828	$0	$0	$0	$0	$0	$0	$0	$44,828
Totals					$1,381,061	$0	$750,321	$0	$0	$0	$0	$0	$2,131,382
NET CASH FLOWS					$8,263,559	$0	$2,930,499	$0	$0	$0	$0	$0	$11,194,058
PRESENT VALUE FACTORS @	15.0%				0.9639	0.9290	0.8954	0.8631	0.8319	0.8018	0.7728	0.7449	
DISCOUNTED CASH FLOWS					$7,964,876	$0	$2,624,081	$0	$0	$0	$0	$0	$10,588,957
SUM OF DISCOUNTED CASH FLOWS (rounded)					$10,589,000								

CONCLUSION

The lots that comprise Westview, containing a total of 25.01 net acres, were appraised in bulk using a discounted cash flow analysis. Casa Mira View, with a total area of 41.3 gross acres, was appraised by direct sales comparison. The results are as follows:

Westview	$10,589,000
Casa Mira View (1,799,028 SF @ $7.00)	$12,593,000
Total	$23,182,000
rounded,	$23,180,000

ALLOCATION BY PARCEL

At the request of the client, the bulk value has been distributed among the Assessor's parcels as shown on the next table. As described in this Summary Appraisal Report, the value of the portion of the district known as Westview was estimated using a discounted cash flow analysis. The "retail" values of the three planning areas in Westview were estimated and discounted for absorption, site improvement costs and other expenses, in order to value the property in "bulk." All of the planning areas contained more than one Assessor's parcel. The Assessor's parcels were not valued separately, and their net areas were not available on an individual basis. In addition, the planning areas had different values per square foot on a "retail" basis. To comply with the client's request to allocate the "bulk" value among the Assessor's parcels, I used the following method:

- The "retail" value of each planning area was calculated as a percentage of the total "retail" value of Westview.
- The calculated percentage for each planning area was multiplied by the total "bulk" value of Westview (value by DCF) to obtain the allocated "bulk" value of each planning area.
- The allocated "bulk" value of each planning area was then allocated among the Assessor's parcels in proportion to the gross area of each parcel (net areas were not available).

The other part of the district, Casa Mira View, is a large semi-finished parcel that is detached from the rest of the district, with no near-term planning. It was not included in the discounted cash flow analysis. Its value has been proportionally allocated among the Assessor's parcels using gross areas. *The individual values are reasonable allocations only, and are not necessarily equal to the individual market values.*

Appraisal Site Number	Owner Name	Assessor Parcel No.	Lien Outstanding	Gross Acres	Allocated Values
Case Mira View					
1	Pardee Construction Company	318-410-20	$291,369.43	6.65	$2,027,525
2	Pardee Construction Company	318-410-21	$288,344.83	6.57	$2,003,134
3	Pardee Construction Company	318-410-23	$280,279.25	6.40	$1,951,303
4	Pardee Construction Company	318-410-24	$330,689.18	7.53	$2,295,830
5	Pardee Construction Company	318-410-25	$317,582.59	7.23	$2,204,362
6	Pardee Construction Company	318-410-22	$303,467.82	6.92	$2,109,846
				41.30	$12,592,000
Westview Units 2, 4 and 10					
13	Pardee Construction Company	318-570-02	$93,390.87	3.58	$758,011
14	Pardee Construction Company	318-570-03	$108,956.01	3.69	$781,302
15	Pardee Construction Company	318-570-05	$93,390.87	3.54	$749,542
7	Pardee Construction Company	318-570-06	$73,502.07	1.96	$415,001
16	Pardee Construction Company	318-570-09	$14,700.41	0.52	$110,102
10	Pardee Construction Company	318-580-04	$138,496.48	2.08	$440,409
11	Pardee Construction Company	318-580-05	$109,236.66	1.91	$404,414
				17.28	$3,658,781
Westview Unit 3					
17	Pardee Construction Company	318-580-01	$128,743.20	3.17	$1,032,067
8	Pardee Construction Company	318-580-02	$198,966.77	3.96	$1,289,269
9	Pardee Construction Company	318-580-03	$230,177.24	5.17	$1,683,213
				12.30	$4,004,549
Westview Unit 5					
18	Pardee Construction Company	318-590-01	$224,325.28	5.68	$1,679,689
12	Pardee Construction Company	318-590-02	$191,164.15	4.21	$1,244,981
				9.89	$2,924,671
Total Value				80.77	$23,180,000

Allocation Method		
Case Mira View		
Gross Acres	41.3	
Value	$12,592,000	
Westview		
Units 2, 4 & 10	$4,604,728	34.6%
Unit 3	$5,039,892	37.8%
Unit 5	$3,680,820	27.6%
Retail Value	$13,325,440	100.0%
Units 2, 4 & 10	$3,658,781	34.6%
Unit 3	$4,004,549	37.8%
Unit 5	$2,924,671	27.6%
Value by DCF	$10,588,000	100.0%

APPENDIX B

GENERAL INFORMATION PERTAINING TO APPRAISED PROPERTIES

Assessor Parcel Number	Original Assessment District	Owner's Name	Reassessment Lien	% of Lien	1998/99 Assessed Value	Assessed Value to Lien Ratio	Appraised Value	Appraised Value to Lien Ratio
30804003	4013	Mansfield, Florence E	34,248.37	0.09%	46,002	1.34	368,000	10.75
30804015	4013	Pipefitters Welfare Educa & Pension Fund	273,987.05	0.72%	68,113	0.25	184,941	0.67
30903020	4013	Kaiser Foundation Hospitals	111,079.06	0.29%	57,608	0.52	0	0.00
31102025	4013	Lusk-Smith Mira Mesa North	518,538.47	1.36%	910,801	1.76	717,000	1.38
31102043	4013	Pipefitters Welfare Educa & Pension Fund	325,359.65	0.85%	305,565	0.94	1,215,325	3.74
31102045	4013	Pipefitters Welfare Educa & Pension Fund	780,251.08	2.05%	293,813	0.38	2,668,432	3.42
31102108	4013	Pipefitters Welfare Educa & Pension Fund	32,198.51	0.08%	61,012	1.89	220,168	6.84
31102110	4013	Pipefitters Welfare Educa & Pension Fund	26,449.93	0.07%	54,549	2.06	176,134	6.66
31841020	4070	Pardee Construction Co.	269,604.45	0.71%	122,835	0.46	2,027,525	7.52
31841021	4070	Pardee Construction Co.	266,805.78	0.70%	186,096	0.70	2,003,134	7.51
31841022	4070	Pardee Construction Co.	280,799.10	0.74%	318,557	1.13	2,109,846	7.51
31841023	4070	Pardee Construction Co.	259,342.69	0.68%	183,805	0.71	1,951,303	7.52
31841024	4070	Pardee Construction Co.	305,987.06	0.80%	175,226	0.57	2,295,830	7.50
31841025	4070	Pardee Construction Co.	293,859.51	0.77%	115,343	0.39	2,204,362	7.50
31857003	4070	Pardee Construction Co.	100,817.11	0.26%	267,942	2.66	781,302	7.75
31857005	4070	Pardee Construction Co.	86,414.67	0.23%	257,099	2.98	749,542	8.67
31857006	4070	Pardee Construction Co.	68,011.54	0.18%	142,329	2.09	415,001	6.10
31857009	4070	Pardee Construction Co.	13,602.31	0.04%	37,962	2.79	110,102	8.09
31858004	4070	Pardee Construction Co.	128,150.94	0.34%	177,045	1.38	440,409	3.44
31858005	4070	Pardee Construction Co.	101,076.80	0.26%	162,566	1.61	404,414	4.00
31859001	4070	Pardee Construction Co.	207,568.42	0.54%	483,017	2.33	1,679,689	8.09
31859002	4070	Pardee Construction Co.	176,884.39	0.46%	358,057	2.02	1,679,689	9.50
34313012	4029	City of San Diego	13,605.64	0.04%	0	0.0	410,100	30.14
34313111	4029	Wong, Hubert & Beverley	71,099.94	0.19%	125,247	1.76	1,548,400	21.78
64614115	4010/4019	Otay International Center	64,504.90	0.17%	158,311	2.45	271,321	4.21
64614116	4010/4019	Otay International Center	61,304.33	0.16%	145,681	2.38	246,437	4.02
64614117	4010/4019	Otay International Center	207,037.60	0.54%	519,989	2.51	834,834	4.03
64614118	4010/4019	Otay International Center	94,463.08	0.25%	226,566	2.40	398,152	4.21
64614119	4010/4019	Otay International Center	121,472.86	0.32%	292,358	2.41	510,533	4.20
64614217	4010/4019	Otay International Center	266,994.50	0.70%	518,789	1.94	1,147,094	4.30
64614218	4010/4019	Otay International Center	272,692.15	0.71%	530,402	1.95	1,170,373	4.29
64614219	4010/4019	Otay International Center	280,601.26	0.74%	545,538	1.94	1,205,693	4.30
64614220	4010/4019	Otay International Center	283,456.67	0.74%	550,193	1.94	1,217,734	4.30
64614406	4010/4019	Kascommercial Properties	75,008.88	0.20%	21,288	0.28	38,531	0.51
64623006	4010/4019	Otay International Center	127,084.77	0.33%	257,978	2.03	501,703	3.95
64623007	4010/4019	Otay International Center	106,829.66	0.28%	217,002	2.03	421,431	3.94
67739003	4025	H G Fenton Material Co.	173,877.07	0.46%	229,696	1.32	1,055,200	6.07
67739004	4025	H G Fenton Material Co.	197,351.14	0.52%	277,509	1.41	1,362,600	6.90
67739005	4025	H G Fenton Material Co.	184,375.87	0.48%	219,621	1.19	1,303,300	7.07
67739006	4025	H G Fenton Material Co.	224,324.29	0.59%	310,065	1.38	1,540,300	6.87
67739007	4025	H G Fenton Material Co.	342,973.69	0.90%	415,469	1.21	2,606,600	7.60
67739024	4025	H G Fenton Material Co.	682,874.90	1.78%	889,789	1.30	4,241,700	6.21
67739025	4025	H G Fenton Material Co.	142,550.07	0.36%	197,419	1.38	1,072,300	7.52
67739026	4025	H G Fenton Material Co.	130,599.74	0.33%	174,054	1.33	859,000	6.58
67739029	4025	H G Fenton Material Co.	209,130.52	0.55%	269,592	1.29	1,522,500	7.28
		TOTALS	**8,995,250.42**	**23.56%**	**11,877,898**	**1.32**	**49,887,984**	**5.55**

(1) All of the 1998/99 assessed values are for land only. None of the listed parcels had 1998/99 assessed values for improvements.

APPENDIX C

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 1.2 million in 1998 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 is a charter city and operates under the Council-Manager form of government. The City Council is comprised of eight members elected by district to serve overlapping four-year terms. The Mayor, who presides over the City Council, is elected at large to serve a four-year term. The City Council, which acts as the City's legislative and policy-making body, selects the City Manager, who is the City's chief administrator and is responsible for implementing the policies and programs adopted by the City Council.

The City's population grew by 14% between 1989 and 1998 for an average increase of 16,800 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 impacted by economic conditions.

Population

As set forth in Table 1 below, between January 1, 1989 and January 1, 1998, the City's population has increased by 151,600 (or by approximately 16,800 new residents annually in the nine year period).

Table 1
POPULATION GROWTH
Calendar Years 1989 through 1998

Calendar Year(1)	City of San Diego	Annual Growth Rate	County of San Diego	Annual Growth Rate	State of California	Annual Growth Rate
1989	1,073,200	2.8%	2,388,700	3.8%	29,063,000	2.6%
1990	1,110,500	3.5%	2,498,000	3.3%	29,760,000	2.4%
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	1,224,800	2.2%	2,794,800	2.4%	33,252,000	1.8%

(1) As of January 1 of the calendar year.

Source: State of California, Department of Finance

Employment Summary

As seen in Table 2, the City's unemployment rate for calendar year 1997 averaged 4.3% which was down from a 5.4% rate during calendar year 1996. The City's 1997 unemployment rate was below both the national rate of 5.0% and the State rate of 6.3%.

Table 2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE
Calendar Years 1993 through 1997

	1993	1994	1995	1996	1997
Civilian Labor Force City of San Diego					
Employed	518,200	525,800	525,600	536,500	562,400
Unemployed	44,100	40,500	36,500	30,600	25,400
Unemployment Rates					
City	7.8%	7.2%	6.6%	5.4%	4.3%
County	7.7	7.0	6.4	5.3	4.2
California	9.2	8.6	7.8	7.2	6.3
United States	6.8	6.1	5.6	5.4	5.0

Source: State of California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

Table 3 provides the Employment Development Department's estimates of total annual nonagricultural wage and salary employment by major industry in the County during the period 1993 to 1997. 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 102,100 new jobs during this period.

Table 3
SAN DIEGO COUNTY
WAGE AND SALARY EMPLOYMENT
Calendar Years 1993 through 1997

	1993	1994	1995	1996	1997
Mining	400	400	300	400	400
Construction	39,500	40,600	43,600	45,500	52,500
Manufacturing	117,500	114,100	114,900	117,500	122,100
Nondurable Goods	32,300	32,300	31,600	32,200	33,600
Durable Goods	85,200	81,800	83,300	85,200	88,500
Transportation, Communications, Utilities(1)	35,700	36,400	37,400	38,300	41,100
Trade	225,500	227,000	229,500	235,900	241,100
Wholesale	39,700	42,000	42,900	42,700	44,500
Retail	185,800	185,100	186,600	193,200	196,600
Finance, Insurance, Real Estate	62,200	59,100	55,800	57,400	60,900
Services	287,300	296,100	310,900	321,200	338,800
Government	179,100	181,500	186,100	190,100	192,500
Federal	44,300	45,400	45,700	45,800	44,900
State and Local	134,700	136,100	140,400	144,300	147,600
TOTAL NONAGRICULTURAL(2)	947,200	955,300	978,600	1,006,200	1,049,300

(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, Biotechnology, and Software may not fall into a single employment sector alone. For example, some categories of firms in Telecommunications appear in Manufacturing, while certain other categories 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 recorded consecutive annual increases of approximately 800 and 2,600 in 1995 and 1996, respectively. Manufacturing employment continued to grow in 1997, averaging 122,100 for the year, up by 4,600 jobs from 1996, with gains reported in most major categories, including electronics, industrial machinery and aerospace.

Construction. Construction employment in the County grew by approximately 7,000 during 1997, after increasing by approximately 1,900 during 1996.

Transportation, Communications and Utilities. The Transportation, Communications and Utilities industry classification recorded a net increase of 2,800 new jobs in the County during 1997. This included a gain of approximately 1,600 in Transportation and 1,300 in Communications, partially offset by a loss of approximately 100 jobs in the Electric and Gas Utilities category.

Wholesale and Retail Trade. Combined, the Retail and Wholesale Trade sectors account for 23% of total nonagricultural wage and salary employment during 1997. Wholesale trade added approximately 1,800 jobs in 1997, after a decline of approximately 200 during 1996. Retail trade employment increased by approximately 3,400 in 1997 after increasing by approximately 6,600 in 1996.

Finance, Insurance and Real Estate. Countywide employment in the Finance, Insurance and Real Estate sector increased by approximately 3,500 jobs during 1997, after adding approximately 1,600 jobs during 1996.

Services. Employment in the County's Services sector grew by approximately 17,600 jobs, or 5.5% in 1997, following a gain of 10,300 jobs the previous year. All of the major categories recorded year-to-year gains, led by Business Services (+6,400) and Engineering and Management (+3,100).

Much of the growth in the Engineering and Management category during 1996 and 1997 is related to gains in the Telecommunications and Biotechnology subcategories within this grouping. The strong growth in the Business Services category reflects increases in the Data Services and Software subcategories.

Government. The Government sector, which accounted for 18% of total 1997 nonagricultural wage and salary employment in the County, grew by approximately 2,400 jobs during 1997. This increase occurred in State and local government agencies, with almost all of the increase due to gains in public education. Federal employment was down by 900 jobs during the year.

Military Employment and Civilian Defense Spending. According to the San Diego Chamber of Commerce, the County, with a total military and civilian payroll of $3.7 billion in the federal fiscal year 1997, 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 $2.7 billion during the federal fiscal year 1997, down slightly from $2.8 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, sub contracts, and other contracts of less than $1,000 each. The total defense spending in 1997 was $9.56 billion representing only a fractional increase over the $9.48 billion reported in 1996. The San Diego Chamber of Commerce estimates that as of June 1, 1997, total active duty military personnel in the County totaled 113,100 and the total civilian employment was 23,200.

Property Taxes

Table 4 presents assessed valuation within the City for each of the ten fiscal years ending June 30, 1999.

Table 4
ASSESSED VALUATION
Fiscal Years Ended June 30, 1990 through 1999
(in thousands except for percentages)[1][2]

Fiscal Year Ending June 30	Secured Property	Unsecured Property	Gross Total	Less Exemptions[3]	Net Assessed Valuations[4]	Annual Assessed % Change
1990	$ 48,203,351	$ 3,345,666	$ 51,549,017	$ 1,492,849	$ 50,056,168	11.63%
1991	$ 53,756,806	$ 3,885,132	$ 57,641,938	$ 1,676,063	$ 55,965,875	11.81%
1992	$ 57,563,431	$ 3,946,532	$ 61,509,963	$ 1,792,948	$ 59,717,015	6.70%
1993	$ 59,787,900	$ 4,059,854	$ 63,847,754	$ 1,099,768	$ 61,747,986	3.40%
1994	$ 60,586,129	$ 4,218,892	$ 64,805,021	$ 2,360,741	$ 62,444,280	1.13%
1995	$ 60,939,995	$ 4,371,923	$ 65,311,918	$ 2,420,027	$ 62,891,891	0.72%
1996	$ 61,793,760	$ 4,303,198	$ 66,096,958	$ 2,489,507	$ 63,607,451	1.14%
1997	$ 61,893,902	$ 4,353,543	$ 66,247,445	$ 2,355,174	$ 63,892,271	0.45%
1998	$ 63,562,588	$ 4,988,950	$ 68,551,538	$ 2,910,753	$ 65,640,785	2.74%
1999	$ 68,648,609	$ 5,337,916	$ 73,986,525	$ 2,994,814	$ 70,991,711	8.15%

(1) Assessed valuations are based on 100% of full market value.
(2) Includes both locally assessed and State assessed utility property.
(3) Excludes homeowners' and business inventory exemptions.
(4) Net assessed valuation for tax rate purposes. Includes both locally assessed and State assessed utility property.

Source: City of San Diego Comprehensive Annual Financial Report for Fiscal Years 1990 through 1998 and City Auditor and Comptroller for Fiscal Year 1999

Table 5 summarizes the City's secured tax collections for each of the ten fiscal years ended June 30, 1998.

Table 5
SECURED TAX LEVIES AND COLLECTIONS
Fiscal Years Ended June 30, 1989 through 1998
(in thousands except for percentages)

Fiscal Year Ending June 30	Tax Levy[1]	Current Year Collections	Current Year Collections as Percentage of Current Tax Levy	Total Tax Collections	Total Collections as Percentage of Tax Levy[2]
1989	$ 102,539	$ 97,895	5.47%	$ 101,852	99.33%
1990	$ 115,361	$ 109,990	95.34%	$ 113,377	98.28%
1991	$125,823	$ 116,952	92.95%	$ 120,510	95.78%
1992	$ 127,143	$ 121,308	95.41%	$ 125,153	98.43%
1993	$ 120,574	$ 114,821	95.23%	$ 119,867	99.41%
1994	$ 109,881	$ 105,911	96.39%	$ 110,738	100.78%
1995	$ 109,754	$ 104,295	95.03%	$ 108,192	98.58%
1996	$ 111,281	$ 108,137	97.18%	$ 110,513	99.31%
1997	$ 111,719	$ 108,676	97.28%	$ 110,563	98.96%
1998	$ 116,912	$ 114,311	97.78%	$ 117,429	100.44%

(1) Commencing in Fiscal Year 1993, by action of the State Legislature, there was a permanent shift of some property taxes from cities to schools.
(2) Total Collections include unpaid taxes from previous years' tax levies collected in the current fiscal year.

Source: City of San Diego Comprehensive Annual Financial Report for Fiscal Years 1990 through 1997 and City Auditor and Comptroller for Fiscal Year 1998

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Table 6 indicates the ten largest secured and unsecured property taxpayers in the City.

Table 6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO[1]
As of June 30, 1998
(in thousands, except for percentages)

Taxpayers	Type of Business	Assessed Valuation[2][3]	Percentage of Net Assessed Valuation[3]	Approximate Tax Paid[4]
Equitable Life Assurance	Investment	$ 475,620	0.74%	$ 4,798
Qualcomm	Electronics	410,822	0.64%	4,538
Hewlett-Packard	Manufacturing	260,980	0.41%	2,662
Sony Corporation of America	Electronics	246,823	0.38%	2,515
Pacific Gateway	Developer	231,590	0.36%	2,580
Sea World	Entertainment	228,549	0.36%	2,499
Solar Turbines	Manufacturing	180,984	0.28%	2,006
Pardee Construction	Developer	168,345	0.26%	2,359
Manchester Resorts	Hotels	125,644	0.20%	1,399
Miramar Ranch North	Investment	27,000	0.04%	754
		$2,356,357	3.67%	$24,658

(1) This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell, and American Telephone and Telegraph, because valuations within the City cannot be readily determined.
(2) Total assessed valuation includes both secured and unsecured property.
(3) Using total Net Assessed Valuation of $64,360,745,000.
(4) The City receives approximately 17.2% of total taxes paid.

Source: County of San Diego Assessor's Office

Taxable Sales

According to the California State Board of Equalization, taxable transactions at retail and other outlets in the City during calendar year 1997 totaled approximately $12.4 billion, up 9.8% from 1996, and up 28.2% from 1993. Table 7 provides annual sales information by type of outlet for the period 1993 through 1997.

Table 7
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 1993 through 1997
(in thousands)

	1993	1994	1995	1996	1997
Retail Stores					
Apparel	$ 433,780	$ 447,313	$ 434,581	$ 451,984	$ 485,551
General Merchandise	1,043,784	1,054,734	1,074,910	1,120,672	1,354,698
Drug	175,783	178,139	173,447	183,977	(1)
Food	508,069	495,380	498,605	521,014	554,625
Packaged Liquor	68,333	61,625	61,532	62,141	(2)
Eating and Drinking	1,119,170	1,148,154	1,229,823	1,307,079	1,380,894
Home Furnishings and Appliances	346,672	405,446	447,654	492,104	444,930
Building Materials and Farm Implements	441,905	426,329	441,099	469,293	603,365
Auto Dealers & Supplies	902,145	958,513	1,042,689	1,089,331	1,189,462
Service Stations	610,907	607,873	604,944	672,559	673,078
Other	1,266,404	1,298,837	1,381,085	1,492,879	1,686,807
Total Retail Stores	6,916,952	7,082,343	7,390,369	7,863,033	8,373,410
All Other Outlets	2,760,162	2,975,794	3,167,820	3,426,610	4,024,433
Total All Outlets	$9,677,114	$10,058,137	$10,558,189	$11,289,643	$12,397,843

(1) Included in General Merchandise
(2) Included in Other Retail
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 8, visitor spending in the County totaled $4.37 billion in 1997, up 26.7% from 1993 and up 7.9% from 1996.

Table 8
SAN DIEGO COUNTY
TOTAL VISITOR SPENDING
Calendar Years 1993 through 1997
(in billions)

Calendar Year	Amount
1993	$ 3.45
1994	$ 3.64
1995	$ 3.80
1996	$ 4.05
1997	$ 4.37

Source: San Diego Convention and Visitors Bureau

As shown in Table 9, the transient occupancy tax (TOT) revenues have been exhibiting a strong upward trend. The TOT revenues have grown substantially between Fiscal Year 1994 and Fiscal Year 1998. This was accounted for in part by a 16.7% rate increase early in the Fiscal Year ended June 30, 1995.

Table 9
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX[1]
Fiscal Years 1994 through 1998[2]
(in thousands)

Fiscal Year	Amount
1994	\$ 49,998[3]
1995[4]	\$ 57,211
1996	\$ 64,427
1997	\$ 75,476
1998	\$ 85,088

(1) Includes General Fund portion of TOT (5.5¢ of 10.5¢) and balance (5¢ of 10.5¢) allocated to Special Promotional Programs.

(2) Fiscal Year refers to the twelve month period from July 1 of the previous year to June 30 of the referenced year.

(3) In the fiscal year ended June 30, 1994, the City began accounting for transient occupancy tax revenues on an accrued basis, rather than on a cash basis, as allowable under the National Council on Governmental Accounting (NCGA) Statement No. 1. Since the amount in fiscal 1994 which would have been accounted for in fiscal 1993 had the City begun using the accrual method earlier, was not deducted from 1994 receipts, this had the effect of providing a one-time increase of \$3,801,000.

(4) 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 for Fiscal 1994-1997, and City Budget and Management Services for Fiscal 1998.

The City is the focal point for tourism in the County. The Convention Center, approximately 75% of the County's hotel and motel rooms, and all 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 all of these attractions, including museums, totaled 20.5 million during 1997, up 1.7% from 1996.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major events. The City hosted the America's Cup in 1992 and 1995 and the Super Bowl in January 1998. In addition, the City was the site for the Republican National Convention held in August 1996.

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 1997 there were 7.2 million arrivals, up 4.3% from 1996. In January 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 an f.a.s (free alongside ship) basis and includes domestic exports and re-exports. The total value of exports from the County during 1997 totaled \$7.8 billion, up 16.4% from 1996.

Table 10
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO COUNTY
Calendar Years 1993 through 1997
(in billions)

Calendar Year	Total Exports
1993	$ 4.4
1994	$ 4.9
1995	$ 5.9
1996	$ 6.7
1997	$ 7.8

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 11 provides information published in the 1998-99 Business Referral Directory of the Greater San Diego Chamber of Commerce. 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 11
CITY OF SAN DIEGO
MAJOR EMPLOYERS(1)
Calendar Year 1998(2)

Employer	Product/Service
10,000 or More Employees:	
San Diego Unified School District	Education
Sharp Health Care	Health Service
University of California, San Diego	Higher Education
5,000 - 9,999 Employees:	
National Steel & Shipbuilding Company	Shipbuilding, Repair
Qualcomm	Wireless Communications
San Diego Community College District	Higher Education
Scripps Health	Health Service
3,000 - 4,999 Employees:	
Kaiser Permanente	Health Service
Palomar Pomerado Health System	Health Service
San Diego Gas & Electric/Sempra Energy	Utility
Science Applications International Corporation	Research and Development
Seaworld of California	Entertainment
Solar Turbines	Gas Turbine Manufacturing
Sony Technology Center	Electronics
2,000 - 2,999 Employees:	
Ace Parking	Parking Stations and Garages
Bank of America	Banking
Cubic Corporation	Electronic Systems
Foodmaker	Restaurants
Hewlett Packard Company	Electronic Instruments

Home Depot	Building materials
Manpower Temporary Services	Employment Service
Nordstrom	Department Store
Pacific Bell	Utility
Samsung	Electronics
San Diego State University	Higher Education
Scripps Research Institute	Biomedical Research
Target Stores - San Diego	Retail
University of San Diego	Higher Education

(1) Does not include various major public employers, including the City, the County, and the federal government with a combined total employment of 176,800.
(2) As of January 1, 1998.

Source: Greater San Diego Chamber of Commerce

Building Permits

Table 12 provides a summary of the building permit valuations, and the number of new dwelling units authorized in the City, for Fiscal Years 1994 through 1998. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

Table 12
CITY OF SAN DIEGO
BUILDING PERMIT VALUATIONS
AND NUMBER OF DWELLING UNITS
Fiscal Years Ended June 30, 1994 through 1998

	1994	1995	1996	1997	1998
Valuation (in thousands)					
Residential	$475,878	$432,957	$396,681	$541,443	$890,476
Nonresidential	325,245	382,514	450,301	478,887	576,170
Total	$801,123	$815,471	$846,982	$1,020,330	$1,466,646
Number of New Dwelling Units:					
Single Family	1,860	1,440	1,468	2,197	3,032
Multiple Family	992	1,212	774	1,014	3,018
Total	2,852	2,652	2,242	3,211	6,050

Source: City of San Diego, Development Services Department

APPENDIX D

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Public Facilities Financing Authority of the City of San Diego (the "Authority") for and on behalf of itself and the City of San Diego (the "City") for and on behalf of the City's Reassessment District No. 1999-1 and U.S. Bank Trust National Association, as dissemination agent (the "Dissemination Agent") in connection with the issuance of Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds and Series 1999-B Subordinate Lien Bonds. The Bonds are being issued pursuant to a Indenture of Trust, dated as of January 1, 1999 (the "Indenture"). The Authority and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority 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 S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 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 the Authority's annual continuing disclosure report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"City Annual Report" shall mean the audited Comprehensive Annual Financial Report of the City.

"Disclosure Representative" shall mean the Deputy City Manager of the City or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Deputy City Manager of the City, acting in his or her capacity or Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee 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 purpose of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3200
FAX (609) 279-5962
E-mail: MUNIS@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort LICENSEE, NJ 07024
(201) 346-0701
FAX (201) 947-0107
E-mail: nrmsir@dpcdata.com

Kenny Information Systems, Inc.
Attn: Kenny Repository Service
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4595
FAX (212) 797-7994

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
(212) 807-5001 or (800) 689-8466
FAX (212) 989-2078
E-mail: Disclosure@Muller.com

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"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.

"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 Agreement, there is no State Repository.

"Trustee" shall mean U.S. Bank Trust National Association, in Los Angeles, California, or any successor thereto.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or, upon written direction, shall cause the Dissemination Agent to, not later than April 1st after the end of the Authority's fiscal year (which fiscal year presently ends June 30), commencing with the report for the 1999-2000 fiscal year, provide to each Repository 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 Authority 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. The Dissemination Agent shall have no duty to review or approve the content of the Annual Report, or any part thereof. If Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the latest date specified in subsection (a) for providing the Annual Report to Repositories, the Authority shall provide the Annual Report to the Dissemination Agent. If by the latest date specified in subsection (a), the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority.

(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 and the Municipal Securities Rulemaking Board 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 the State Repository, if any; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the Trustee and the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The City Annual Report, for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles applicable from time to time to the City. If the City's Annual Report is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the City Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Other financial information and operating data relating to Reassessment District No. 1999-1 contained in the Official Statement for the Bonds as follows:

(1) Principal amount of Bonds outstanding.
(2) Balance in the Revenue Fund.
(3) Balance in the Reserve Fund and a statement of the Reserve Requirement.
(4) An update of the following tables in the Official Statement.
Table 2 Development Status and Land Use Summary.
Table 4 Assessed Value-to-Lien Ratio Ranges
Table 6 Appraised Value-to-Lien Ratios by Property Owner (excluding therefrom the columns headed "Appraised Value" and "Appraised Value-to-Lien Ratio"
Table 8 Delinquency History

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority 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 Authority 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 Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if the Authority determines that such event is material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
(7) modifications to rights of Owners of Bonds;
(8) bond calls;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds; and
(11) rating changes.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the Authority's determination.

(c) If the Authority has determined that the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If, under subsection (b), the Authority determines that the Listed Event would not be material under applicable federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with each Repository, the Dissemination Agent shall file a notice of such occurrence with the Repositories, the State Repository and the Municipal Securities Rulemaking Board. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture. Notice of a Listed Event is only required under this Section 5 following the occurrence of the Listed Event.

(f) The Dissemination Agent may conclusively rely on an opinion of counsel that the Authority's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The Authority's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the Authority. If at any time there is no designated Dissemination Agent appointed by the Authority, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Authority shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon notice to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent 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) The undertaking, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(d) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual 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 Authority. 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 in the same manner as for a Listed Event under Section 5(f), 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 Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its respective duties or obligations hereunder. The Dissemination Agent may rely on an opinion of counsel that the amendment or waiver complies with the requirements of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent it has been indemnified to its satisfaction from any cost, liability or expense whatsoever, including, without limitation, fees and expenses of its attorneys, or 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 Authority or Dissemination Agent, as the case may be, 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 Authority or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article XI of the Indenture insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's negligence or willful misconduct. The Dissemination Agent may rely on and shall be protected in acting or refraining from acting upon any direction from the Authority or an opinion of nationally recognized bond counsel. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Authority from time-to-time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties of hereunder. The Dissemination Agent and Trustee shall have no duty or obligation to review any information provided to them by the Authority hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Owners, or Beneficial Owners or any other party. The obligations of the Authority 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 Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, 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 and Technical Services Business Center 202 "C" Street, MS.-9B San Diego, CA 92101-3868 Attention: Patricia T. Frazier
Dissemination Agent:	Deputy City Manager City of San Diego Financial and Technical Services Business Center 202 "C" Street, MS.-9B San Diego, CA 92101-3868 Attention: Patricia T. Frazier

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.

Dated as of _________________, 1999

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By:____

Patricia T. Frazier, specified designee of Michael T. Uberuaga, Chair

Dated as of _________, 1999

_______________________________, as Dissemination Agent

By:_______________________________

Its: Authorized Officer

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Public Facilities Financing Authority of the City of San Diego

Name of Bond Issue: Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds and Series 1999-B Subordinate Lien Bonds

Date of Issuance: __________, 1999

NOTICE IS HEREBY GIVEN that the Public Facilities Financing Authority of the City of San Diego has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of January 1, 1999. [The Issuer anticipates that the Annual Report will be filed by __________________.]

Dated: ______________

________________________, on behalf of ISSUER

cc: Issuer

APPENDIX E

FORM OF BOND COUNSEL OPINION

Commission
Public Facilities Financing Authority
of the City of San Diego

$30,500,000	**$7,575,000**
Public Facilities Financing Authority of the City of San Diego Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds	**Public Facilities Financing Authority of the City of San Diego Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-B Subordinate Lien Bonds**

BOND OPINION

Ladies and Gentlemen:

We have acted as bond counsel to the Public Facilities Financing Authority of the City of San Diego (the "Authority") in connection with the sale and delivery of the Authority's Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds in the aggregate principal amount of $30,305,000 (the""Senior Lien Bonds") and the Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-B Subordinate Lien Bonds in the aggregate principal amount of $7,575,000 (the "Subordinate Lien Bonds" and collectively with the Senior Lien Bonds, the "Bonds"). The Bonds are issued under that certain Indenture of Trust dated as of February 1, 1999 (the "Indenture") and entered into by and between the Authority and U.S. Bank Trust National Association, as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The Bonds are special, limited obligations of the Authority. The Senior Lien Bonds are payable solely from and secured by a first lien upon and pledge of the Revenues of the Authority and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Senior Lien Bonds. The Subordinate Lien Bonds are payable solely from and secured by a lien on the Revenues of the Authority which is subordinate to the lien upon and pledge of such Revenues to the Senior Lien Bonds and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Subordinate Lien Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications, documents and written opinions provided to us by persons believed to be responsible without undertaking to verify such facts by independent investigation. We have also assumed the genuineness of the signatures appearing upon such records, proceedings, certifications, documents and opinions.

We call attention to the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We have not been engaged to take, and have not undertaken, any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon our examination and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California and has duly and validly authorized all the acts undertaken by it in connection with the authorization, issuance, sale and delivery of the Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a legal, valid and binding limited obligation of the Authority enforceable in accordance with its terms.

3. The Indenture creates valid liens on the funds pledged by the Indenture for the security of and payment on the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided in the Indenture.

5. Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds (including any original issue discount properly allocable to a holder thereof) is exempt from personal income taxation by the State of California, 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; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all applicable requirements of the Internal Revenue Code of 1986 and the regulations promulgated thereunder that must be satisfied subsequent to the delivery of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such applicable requirement. Failure to comply with certain of the requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

Respectfully submitted,

Brown Diven Hessell & Brewer LLP

APPENDIX F

SUMMARY OF LEGAL DOCUMENTS

The following is a summary of selected provisions of the Indenture and the Assessment Bond Indenture not otherwise described elsewhere in the Official Statement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms thereof. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon written request from the Trustee.

INDENTURE OF TRUST

Selected Definitions

"Acquired Obligations" means the City of San Diego Reassessment District No. 1999-1 Limited Obligation Improvement Bonds dated as their date of delivery to the Authority as the initial purchaser thereof and issued in the aggregate principal amount of $__________ by the City under and pursuant to the Assessment Bond Law.

"Acquired Obligations' Prepayment Account" means the Prepayment Account of the Redemption Fund established by the Fiscal Agent pursuant to the provisions of the Bond Indenture.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

"Administrative Costs" means the annual costs of administering the Bonds, including without limitation the annual fees and expenses pertaining to the servicing of the Bonds and the provision of continuing disclosure pertaining to the Bonds, and/or the Authority as required by Rule 15c2-12 of the Securities and Exchange Commission and any applicable continuing disclosure agreement pertaining to the Bonds. Such fees and expenses shall include, but not be limited to, any or all of the following: the fees and expenses of the Trustee (including any fees or expenses of its counsel) and the expenses of the Authority in carrying out its duties under the Indenture which expenses include, but are not limited to, calculating the rebate obligation, if any, for the Bonds; undertaking of any annual audits of the Bonds, and undertaking any annual or event continuing disclosure requirement. In addition to the costs of consultants and attorneys incurred in undertaking such duties, the expenses of the Authority shall also include an allocable share of the salaries of staff of the Authority or the City directly related thereto and a proportionate amount of general administrative overhead related thereto, any rebate obligation due and owing the United States government and all other costs and expenses of the Authority or the Trustee incurred in connection with the discharge of their respective duties under the Indenture and in the case of the Authority, in any way related to the administration of the Authority. Administrative Expenses also includes any Unfunded Reassessment District Administrative Expenses.

"Assessment Bond Law" means the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of the State of California.

"Authority Bond Counsel" means Brown Diven Hessell & Brewer LLP, Solana Beach, California, or any law firm which is a firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excluded from gross income for purposes of Section 103 of the Code, which firm is selected by Authority and which acts as bond counsel to Authority in connection with the issuance of the Bonds, and which may be City Bond Counsel.

"Authorized Denomination" means the amount of $5,000 or any integral multiple thereof.

"Authorized Representative" means: (a) with respect to the Authority, its Chair, Vice Chair, Treasurer or Secretary, or any other Person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair and filed with the City and the Trustee; (b) with respect to the City, its Mayor or any other Person designated as an Authorized Representative of the City by a Written Certificate signed on behalf of the City by its Mayor and filed with the Authority and the Trustee; (c) with respect to the Trustee, the Senior Vice President, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

"Bankruptcy Proceedings" means any proceeding filed by or against a Person under the federal bankruptcy laws, any other proceeding instituted by or against a person seeking to adjudicate him or her a bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection relief or composition or such owner or his or her debts under any law relating to bankruptcy, insolvency or reorganization of relief of debts, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for such Person.

"Bond Counsel" means either Authority Bond Counsel or City Bond Counsel.

"Bond Indenture" means that certain Bond Indenture by and between the City and U.S. Bank Trust National Association, as fiscal agent, dated as of January 1, 1999 establishing the terms and conditions pertaining to the issuance and administration of the Acquired Obligations.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

"Bond Purchase Agreement" means that Bond Purchase Agreement by and between the Authority and the City dated as of January 1, 1999 establishing the terms and conditions pursuant to which the Authority will purchase from the City and the City will sell to the Authority the Acquired Obligations.

"Bond Purchase Contract" means the Purchase Contract dated ______, 1999, by and between the Authority, the City and the Original Purchaser.

"Bonds" means the Senior Lien Bonds and the Subordinate Lien Bonds.

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

"Bond Year" means, with respect to the Bonds or the Acquired Obligations, the period beginning on the Closing Date and ending on September 2, 1999 and each successive twelve month period thereafter until there are no longer any Bonds or Acquired Obligations Outstanding.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are closed.

"City Bond Counsel" means Brown Diven Hessell & Brewer LLP, or any law firm which is a firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excluded from gross income for purposes of Section 103 of the Code, which firm is selected by City and which acts as bond counsel to City in connection with the issuance of the Acquired Obligations, and which may be Authority Bond Counsel.

"Closing Date" means the date on which the Bonds are delivered to the Original Purchaser, being Date of Delivery or as to the Limited Obligation Improvement Bonds, the date such bonds are delivered to the Authority.

"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 all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, the acquisition of the Acquired Obligations and the refunding of the assessment bonds refunded through the sale and delivery of the Acquired Obligations, including but not limited to, compensation, fees and expenses of the City, the Authority, the Trustee and their respective counsel, compensation to any financial consultants, certified public accountants, market economists or the Original Purchaser, other legal fees and expenses, filing and recording fees and costs, costs of preparation and reproduction of documents and costs of printing.

"Date of Delivery" means the date the Bonds are delivered to the Original Purchaser thereof.

"Defeasance Securities" means any of the following :

(1) Cash (insured at all times by the federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct, non callable obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"Demand for Payment" means a demand for payment in the form attached to the Surety Bond certifying that payment due under the Indenture on the Senior Lien Bonds has not been made to the Trustee.

"Expense Fund" means the fund by that name established with the Trustee pursuant to the provisions of the Indenture

"Extraordinary Redemption Proceeds" means the proceeds of the extraordinary redemption, in whole or in part, of the principal of, premium (if any) on, and interest on the Acquired Obligations with funds attributable to prepayment by a property owner of any reassessment securing the Acquired Obligations.

"Event of Bankruptcy" means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

"Event of Default" means any of the events specified in the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Independent Certified Public Accountant" means a nationally recognized certified public accountant or nationally recognized firm of certified public accountants appointed by the Authority, and who, or each of whom: (a) is judged by the Authority to have extensive experience with respect to the preparation of financial statements; (b) is in fact independent and not under the domination of the Authority or the City; (c) does not have any substantial interest, direct or indirect, with the Authority or City; (d) is not connected with the Authority or the City as an officer or employee thereof, but who may be regularly retained by either the Authority or the City to make reports to such client; and (e) is acceptable to the Independent Financial Consultant (which approval shall not be unreasonably withheld).

"Independent Financial Advisor" means a financial consultant or firm of such financial consultants appointed by the Authority, and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority or the City; (c) does not have any substantial interest, direct or indirect, with the Authority or the City; and (d) is not connected with the Authority or the City as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority or the City.

"Information Services" means Financial Information, Inc's., "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard and Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressees providing information with respect to called bonds as the Authority may designate in writing to the Trustee.

"General Counsel" means General Counsel of the Bond Insurer.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Senior Lien Bonds as provided therein.

"Office" means the principal corporate trust office of the Trustee at 550 South Hope Street, 5th Floor, Los Angeles, California 90071, or such other offices as may be specified to the Authority by theTrustee in writing, provided, however, for transfer, registration, exchange, payment and surrender of Bonds, means care of the coporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota or such other office designated by the Trustee from time to time.

"Optional Redemption Proceeds" means the proceeds of the optional redemption, in whole or in part, of the principal of, premium (if any) on, and interest on the Acquired Obligations.

"Original Assessment Districts" means the following assessment districts established by the City:

Assessment District No. 4007 (First San Diego River Improvement Project)
Assessment District No. 4010 (Otay International Center)
Assessment District No. 4013 (Calle Cristobal/Camino Santa Fe)
Assessment District No. 4019 (Otay International Center, Phase 2)
Assessment District No. 4025 (Mission Valley Heights)
Assessment District No. 4029 (Sorrento Valley Road - Sorrento Valley Boulevard to I-805)
Assessment District No. 4070 (Black Mountain Road)

"Original Assessment Districts' Residual Assessment Installments" means the funds representing the proceeds of the assessment installments for the Original Assessment Districts (excluding any assessments for annual administration) received by the City and which are not utilized to defease the improvement bonds issued for the Original Assessment Districts.

"Original Purchaser" means collectively Salomon Smith Barney; Emily Wagner & Associates, Inc.; and Charles A. Bell Securities Corp. as original purchaser of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture related to disqualified Bonds) all Bonds theretofore, or thereupon being authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with provisions of the Indenture related to the defeasance of the Bonds; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or "Bond Owner," whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following investments, provided at the time of investment the investment is a legal investment under the laws of the State of California for the moneys proposed to be invested therein:

(1) obligations of any of the following federal agencies which obligationsrepresent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA)
- Federal Housing Administration;
- Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;
- Obligations of the Resolution Funding Corporation (REFCORP);
- Senior debt obligations of the Federal Home Loan Bank System;
- Senior debt obligations of other Government Sponsored Agencies approved by Bond Insurer ;

(3) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of puchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" byS&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

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

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

(B) (i) which are fully secured as to principal and interest and redemption premium if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) investment agreements approved in writing by the Bond Insurer [supported by appropriate opinions of counsel] with notice to S&P;

(8) General obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P;

(9) Defeasance Securities; and

(10) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer with notice to S&P.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Program Fund" means the fund by that name established with the Trustee pursuant to the Indenture.

"Reassessment District" means the City of San Diego Reassessment District No.1991-1 formed by the City pursuant to the Assessment Bond Law for which the City has issued the Acquired Obligations.

"Rebate Fund" means the account by that name established pursuant to the Indenture.

"Rebate Regulations" means the Proposed and Temporary Treasury Regulations issued under Section 148(f) of the Code.

"Record Date" means the fifteenth (15th) day (whether or not such day is a Business Day) of the calendar month preceding each Interest Payment Date.

"Redemption Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Residual Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Revenue Fund" means the fund by that name established pursuant to the Indenture.

"Revenues" means: (a) all amounts derived from or with respect to the Acquired Obligations, (b) the Original Assessment Districts' Residual Assessment Installments, (c) investment income with respect to any moneys held by the Trstee in the funds and accounts established under the Indenture, excepting herefrom the Rebate Fund, and (d) any other investment income received under the Indenture.

"S&P" *means Standard & Poor's Corporation, and its successors and assigns.*

"Same Series" means with respect to the Senior Lien Bonds only a Senior Bond and with respect to the Subordinate Lien Bonds only a Subordinate Bond.

"Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530; Midwest Securities Trust Company, Capital Securities-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressees providing depository services with respect to bonds as the Authority may designate in writing to the Trustee.

"Senior Interest Account" means the account of the Revenue Fund by that name established with the Trusee pursuant to the Indenture.

"Senior Lien Bonds" means the Public Facilities Financing Authority of the City of San Diego Refunding Revenue Bonds, Series 1999-A Senior Lien Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Senior Principal Account" means the account of the Revenue Fund by that name established with the Trustee pursuan to the Indenture.

"Senior Reserve Fund" means the fund by that name established with the Fiscal Agent pursuant to the Indenture.

"Senior Reserve Fund Prepayment Credit" means as to any parcel within the Reassessment District, the amount eqal to the original reassessment lien levied against such parcel divided by the aggregate original reassessment liens against all parcels within the Reassessment District multiplied times the Senior Reserve Requirement calculated as of the Closing Date.

"Senior Reserve Fund Reassessment Lien Discharge Credit" means, as of the date of calculation, for any Original Assessment District, an amount equal to (a) ten percent (10%) of the aggregate reassessment liens originally levied against all parcels within the Original Assessment District, minus (b) any Senior Reserve Fund Prepayment Credits previously granted to any parcels within such Original Assessment District and, if the amount on deposit in the Senior Reserve Fund is less than the Senior Reserve Requirement, minus (c) an amount equal to the deficiency in the Senior Reserve Fund multiplied bya fraction the numerator of which is equal to (a) minus (b) and the denominator of which is the Senior Reserve Requirement.

"Senior Reserve Requirement" means an amount equal to ten percent (10%) of the original principal amount of the Senior Lien Bonds less any amounts transferred from the Reserve Fund pursuant to the Indenture.

"Special Record Date" means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

"State" means the State of California.

"Subordinate Interest Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Subordinate Lien Bonds" means the Public Facilities Financing Authority of the City of San Diego Refunding Revenue Bonds, Series 1999-B Subordinate Lien Bonds, authorized by, and at any time Outstanding pursuant to, the Indenture

"Subordinate Principal Account" means the account of the Revenue Fund by that name established with the Trustee pursuant to the Indenture.

"Subordinate Reserve Fund" means the fund by that name established with the Fiscal Agent pursuant to the Indenture

"Subordinate Reserve Fund Prepayment Credit" means as to any parcel within the Reassessment District, the amount equal to the original reassessment lien levied against such parcel divided by the aggregate original reassessment liens against all parcels within the Reassessment District multiplied times the Subordinate Reserve Requirement calculated as of the Closing Date.

"Subordinate Reserve Fund Reassessment Lien Discharge Credit" means, as of the date of calculation, for any Original Assessment District, an amount equal to (a) ten percent (10%) of the aggregate reassessment liens originally levied against all parcels within the Original Assessment District, minus (b) any Subordinate Reserve Fund Prepayment Credits previously granted to any parcels within such Original Assessment District and, if the amount on deposit in the Subordinate Reserve Fund is less than the Subordinate Reserve Requirement, minus (c) an amount equal to the deficiency in the Subordinate Reserve Fund multiplied by a fraction the numerator of which is equal to (a) minus (b) and the denominator of which is the Subordinate Reserve Requirement.

"Subordinate Reserve Requirement" means an amount equal to ten percent (10%) of the original principal amount of the Subordinate Lien Bonds less any amounts transferred from the Reserve Fund pursuant to the Indenture.

"Surety Bond" means the surety bond issued by the Bond Insurer, guaranteeing certain payments into the Senior Reserve Fund with respect to the Senior Lien Bonds as provided therein and as set forth therein.

"Tax Certificate" means that certain certificate of the Authority by that name delivered on the Closing Date.

"Trustee" means U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee under the Indenture.

"Unfunded Reassessment District Administrative Expenses" means those annual costs of the administration of the Acquired Obligations and the Reassessment District in excess of the proceeds of the annual assessments for administrative costs and surcharges for collection costs and registration costs which may be collected on the tax roll by the City.

"Written Certificate," "Written Order" and "Written Request" of the Authority or the City mean, respectively, a written certificate, written order or written request signed in the name of the Authority by any Authorized Representative thereof or in the name of the City by any Authorized Representative thereof. Any such certificate, order or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Yield" shall have the meaning given to such term as set forth in the Tax Certificate for the Bonds.

Pledge and Assignment

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Acquired Obligations and all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund, the Expense Fund and the Residual Account of the Revenue Fund) are pledged by the Authority to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Senior Lien Bonds are payable solely from and secured by a first lien upon and pledge of the Revenues and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Senior Lien Bonds. The Subordinate Lien Bonds are payable solely from and secured by a lien on the Revenues which is subordinate to the lien upon and pledge of such Revenues to the Senior Lien Bonds and from other amounts on deposit in the funds and accounts created under the Indenture with respect to the Subordinate Lien Bonds.

Acquisition of the Acquired Obligations

Prior to or concurrent with the acquisition of the Acquired Obligations with amounts on deposit in the Program Fund, there shall have been filed with the Authority and the Trustee all of the following documents, in each case in form and substance satisfactory to the Authority.

(a) Original fully executed copies of all agreements and other instruments pursuant to which such Acquired Obligations are authorized, sold and issued or incurred, including without limitation any Purchase Agreement and any related indenture, trust agreement, or bond resolution;

(b) The fully executed Acquired Obligations or other instrument evidencing such Acquired Obligations;

(c) A Written Certificate of the City stating that all of the documents referred to in (a) and (b) above have been duly executed by the City and that the Persons executing such documents on its behalf have been duly authorized to do so;

(d) Certified copies of all resolutions of the governing body of the City approving and authorizing the Acquired Obligations and the documents referred to in (a) and (b) above;

(e) An opinion of City Bond Counsel which: (a) states that the Acquired Obligations are a valid and binding obligation of the City enforceable in accordance with its terms, subject to customary bankruptcy, equitable remedy and other exceptions, and (b) contains such other opinions and addresses such other matters as are commonly provided by bond counsel for tax-exempt bonds similar to the type of Acquired Obligations and as may reasonably be required by the Authority or the Original Purchaser;

(f) Such other Bonds, opinions, documents and other information as may be required pursuant to the Purchase Agreement or as may be required by the Authority, City Bond Counsel, Authority Bond Counsel or counsel to the Original Purchaser.

Funds and Accounts

Pursuant to the Indenture, the Trustee is required to establish and maintain various funds and accounts. The following is a description of such funds and accounts.

Program Fund

The Trustee shall deposit a portion of the proceeds of sale of the Bonds into the Program Fund pursuant to the provisions of the Indenture. Except as otherwise provided in the Indenture, money in the Program Fund shall be used solely for the acquisition of the Acquired Obligations. The Trustee shall immediately disburse the monies held in the Program Fund to, or at the written direction of, the Authority for the purpose of purchasing and acquiring the Acquired Obligations from the City.

Revenue Fund

All Revenues will be deposited in the Revenue Fund and the Trustee shall transfer monies on deposit in the Revenue Fund pursuant to the provisions of the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS - Repayment of the Bonds - Revenue Fund."

Within the Revenue Fund, the Trustee shall establish the following accounts:

Senior Interest Account. Subject to the provisions of the Indenture, all amounts in the Senior Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Senior Lien Bonds as the same shall become due and payable or, at the Written Request of the Authority filed with the Truste, to apply to the payment of accrued interest on any Senior Lien Bonds purchased by the Authority in lieu of redemption pursuant to the provisions of the Indenture. Any amounts on deposit in the Senior Interest Account on any Interest Payment Dateand not required to pay interest then due and payable on the Bonds shall be retained in such Senior Interest Account.

Senior Principal Account. Subject to the provisions of the Indenture, all amounts in the Senior Principal Account shal be used and withdrawn by the Trustee solely to paythe principal of the Senior Lien Bonds as required by the Indenture and upon the stated maturity thereof.

Subordinate Interest Account. Subject to the provisions of the Indenture, all amounts in the Subordinate Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Subordinate Lien Bonds as the same shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Subordinate Lien Bonds purchased by the Authority in lieu of redemption pursuant to the provisions of the Indenture. Any amounts on deposit in the Subordinate Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds shall be retained in such Subordinate Interest Account.

Subordinate Principal Account. Subject to the provisions of the Indenture, all amounts in the Subordinate Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Subordinate Lien Bonds as required by the Indenture and upon the stated maturity thereof.

Redemption Account. All Extraordinary Redemption Proceeds and all Optional Redemption Proceeds shall be deposited into the Redemption Account. Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemptionfor which notice has been given and at the principal amount thereof. At any time prior to selection of Bonds for redemption, the Trustee may apply amounts on deposit in the Redemption Account to the purchase ofBonds, for cancellation, at public or private sale, at par or less (including brokerage and other charges, but excluding accrued interest, which is payable from the Senior Interest Account or the Subordinate Interest Account, as applicable) as directed by the Authority.

Residual Account. Monies deposited in the Residual Account shall no longer be Revenues and shall be released from the lien and pledge established by the Indenture. All funds deposited in the Residual Account shall be transferred on the same Business Day of such deposit to the Fiscal Agent together with a Written Certificate of the Trustee that such funds are being transferred pursuant to the Indenture and are to be deposited in the Acquired Obligation Redemption Fund.

Senior Reserve Fund

The Trustee shall establish and maintain a separate reserve fund for the Senior Lien Bonds, designated as the "Senior Reserve Fund". The Trustee shall deposit the Surety Bond into the Senior Reserve Fund.

In the event and to the extent that the moneys on deposit in the Revenue Fundand the Senior Interest Account and/or the Senior Principal Account of the Revenue Fund whichare available to pay debt service on the Senior Lien Bonds, plus the amounts, if any, on deposit in and credited to the Senior Reserve Fund in excess of the Surety Bond, are insufficient to pay the amount of the principal and interest coming due on the Senior Lien Bonds, then upon the later of: (a) one (1) day after receipt by the General Counsel of Demand for Payment, duly executed by the Trustee certifying that funds available in the Revenue Fund and the Senior Principal Account and the Senior Interest Account of the Revenue Fund available to pay scheduled debt service on the Senior Lien Bonds are insufficient to pay the amount ofthe principal and interest coming due on the Senior Lien Bonds; or (b) the Interest Payment Date of the Senior Lien Bonds as specified in a Demand for Payment presented by the Trustee to the General Counsel, the Bond Insurer will make a deposit of finds in an account with the Trustee or its successor in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Indenture for the payment of principal and interest coming due on the Senior Lien Bonds (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond.

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

The Senior Reserve Fund shall be replenished in the following priority: (a) principal and interest on the Surety Bond shall be paid from first available Revenues and (b) after all such amounts are paid in full, amounts necessary to fund the Senior Reserve Fund to the Senior Reserve Fund Requirement, after taking into account the amounts available under the Surety Bond shall be deposited from the next available Revenues.

If on any Interest Payment Date the amount in the Senior Interest Account shall be less than the amount required for the interest payable with respect to the Senior Lien Bonds on such date, the Trustee shall withdraw from the Senior Reserve Fund and deposit into the Senior Interest Account the amount necessary to make good the deficiency.

If on the Interest Payment Date the amount in the Senior Principal Account shall be lessthan the amount required for the principal payable with respect to the Senior Lien Bonds onsuch date, the Trustee shall withdraw from the Senior Reserve Fund and deposit into the Senior Principal Account the amount necessary to make good the deficiency.

If on September 3rd of any year the amount on deposit in the Senior Reserve Fund exceeds the Senior Reserve Requirement, the Trustee shall on such date transfer such excess to the Revenue Fund.

Subordinate Reserve Fund

The Trustee shall deposit certain moneys transferred pursuant to the provisions of the Indenture into the Subordinate Reserve Fund. The Trustee shall apply moneys in the Subordinate Reserve Fund as provided in the Indenture.

If on any Interest Payment Date the amount in the Subordinate Interest Account shall be less than the amount required for the interest payable with respect to the Subordinate Lien Bonds on such date, the Trustee shall withdraw from the Subordinate Reserve Fund and deposit into the Subordinate Interest Account the amount necessary to make good the deficiency

If on the Interest Payment Date the amount in the Subordinate Principal Account shall be less than the amount required for the principal payable with respect to the Subordinate Lien Bonds on such date, the Trustee shall withdraw from the Subordinate Reserve Fund and deposit into the Subordinate Principal Account the amount necessary to make good the deficiency.

If the Trustee receives a Written Order of the Authority pertaining to the extraordinary redemption of the Bonds or a portion thereof which Written Order directs the Trustee to transfer an amount equal to any applicable Subordinate Reserve Fund Prepayment Credit from the Subordinate Reserve Fund, the Trustee shall transfer such amount from the Subordinate Reserve Fund to the Redemption Fund and apply such amount in such extraordinary redemption .

If the Trustee receives a Written Request from an Authorized Representative of the City indicating that the Reassessment Liens for one of the Original Assessment Districts are scheduled to be discharged and requesting the transfer of a sum certain representing the Senior Reserve Fund Reassessment Lien Discharge Credit applicable to such Original Assessment District, the Trustee shall transfer such amount to the Fiscal Agent on the July 2nd falling immediately after the date of such Written Request, together with a copy of such Written Request of the City.

If on September 3rd of any year the amount on deposit in the Subordinate Reserve Fund exceeds the Subordinate Reserve Requirement, the Trustee shall on such date transfer such excess to the Revenue Fund.

Expense Fund.

The moneys deposited into the Expense Fund shall be utilized to pay theCosts of Issuance and Administrative Costs, as set forth in a Written Request of the City containing the respective amounts to be paid to the designated payees and deliverd to the Trustee concurrently with the delivery of the Bonds to the Original Purchaser. The Trustee shall pay all such Costs of Issuance and Administrative Costs upon receipt ofan invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition. On July 1 of eah year, the Trustee shall transfer any funds then held in the Expense Fund to the City.

Rebate Fund.

All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Indenture, and he Tax Certificate of the Authority, unless the Authority obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

Investment of Monies.

Except as otherwise provided in the Indenture, all moneys in anyof the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause (5) of the definition thereof.

Unless otherwise provided in the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund, except that earnings on the investment of amounts in the Senior Reserve Fund, Subordinate Reserve Fund and Rebate Fund shall be retained in each such fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any funds established under the Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investmentscredited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold.

Particular Covenants

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any,and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the owner of such Bonds or by any other arrangement. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

No Additional Bonds; Encumbrances. The Authority shall not issue additional bonds payable from, or secured by, the Revenues on a parity with the Bonds. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds and which results in debt service savings, and such issuance shall not be deemed to constitute an issuance of parity bonds.

Except as provided in the preceding paragraph above with respect to bonds to refund the Outstanding Bonds, the Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues on a parity with the Bonds and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry practice, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the Bond proceeds, the Revenues, the Acquired Obligations and all funds and accounts established pursuant to the Indenture.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Authority Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants.

Collection of Revenues Under Acquired Obligations. The Trustee shall collect all Revenues payable with respect to the Acquired Obligations promptly as such Revenues become due and payable, and subject to the provisions of the Indenture shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Acquired Obligations.

Disposition of Acquired Obligations. The Trustee shall not sell or otherwise dispose of the Acquired Obligations, or any interest in the Indenture, unless either (a) there shall have occurred and be continuing an Event of Default under the Indenture, or (b) upon the written direction of the Authority if the proceeds derived by the Trustee from the sale or other disposition of the Acquired Obligations is sufficient to enable the Trustee to optionally redeem or discharge all Bonds then Outstanding.

<u>Events of Default; Remedies of Bond Owners</u>

Events of Default. In determining whether a payment default has occurred, no effect shall be given to payments made under the Bond Insurance Policy. Subject to the immediately preceding sentence, the following events shall be Events of Default:

(a) if default shall be made by the Authority in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, or otherwise;

(b) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if suchdefault shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the Bond Insurer or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners, upon the consent of the Bond Insurer, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable perid and diligently pursued until the default is corrected; and

(d) the occurrence of an Event of Bankruptcy with respect to the Authority.

Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding may, upon the prior written consent of the Bond Insurer and the delivery of notice in writing to theAuthority, and shall, at the direction of the Bond Insurer, exercise any and all remedies available pursuant to law or granted with respect to such Event of Default. More specifically, upon the occurrence and continuance ofan Event of Default, the Bond Insurer, acting alone, shall have the right to direct all remedies. The Bond Insurer shall be recognized as the registered owner of all Bonds forthe purposes of exercising all rights and privileges available to Owners of the Bonds. Upon the occurrence of and continuance of an Eventof Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and emedies granted to the Owners of the Bonds or the Trustee for the benefit of the Owners of the Bonds.

Other Remedies of Bond Owners. Subject to the limitation on the rights of Bondowners to sue, any Bond Owner may with Insurer consent, have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, ando require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or in violation ofany of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an expres trust.

Application of Revenues and Other Funds Upon Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall be immediately upon receipt by the Authority be transferred by the Authority to the Trustee and shall be deposited by the Trustee in theRevenue Fund, and all amounts held in the Revenue Fund by the Trustee, and all revenues and any other funds then held or thereafter received by the Authority or the Trustee under any of the provisionsof the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Ownes of the Senior Lien Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

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

(c) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Subordinate Lien Bonds and payment of reasonablecharges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(d) To the payment of the principal of and interest then due with respect to the Subordinate Lien Bonds (upon presentation of the Subordinate Lien Bonds to be paid, and stamping thereon of the payment if only partially paid, orsurrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

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

Trustee to Represent Bond Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemedto have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds,the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, with Bond Insurer consent, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the affected series of the Bonds then Outstanding and the consent of the Bond Insurer, and upon being indemnified to its satisfaction therefor, or upon direction of the Bond Insurer to the extent indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it, with the consent or direction of the Bond Insurer, shall deem most effectual to protectand enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the Bond Law or any other law; and upon instituting such proceeding the Trustee shall be entitled, as a matter of right, to the appointmentof a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, with the consent of the Bond Insurer, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction or expose the Trustee to liability.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have received prior written consent of the Bond Insurer and shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the affected series of the Bonds then Outstanding, shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such suit, action or proceeding in its own name, and (c) 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 such tender of indemnity shall have been made to, the Trustee.

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

The Trustee

The Trustee shall, prior to an Event of Default, and after the curing or waiver ofall Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of therights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Authority may, upon the consent of the Bond Insurer, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing. The Authority shall remove the Trustee (i) if at any time requested to do so (A) by the Bond Insurer or (B) by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) upon the consent of the Bond Insurer, or (ii) if at any time the Trustee shall cease to be eligible to serve as Trustee, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee. Thereupon, the Authority shall, upon the consent of the Bond Insurer, appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority, and to the Bond Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesuch, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed in succession to the Trustee shall be a financial institution having (or, if such financial institution is a member of a holding company system, its holding company has) a combined capital and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination byfederal or state agency. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combinedcapital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Incase at any time the Trustee shall cease to be eligible in accordance with the provisions of paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture

The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with the Indentureexcept as the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under this Agreement, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

<u>Modification or Amendment of the Indenture</u>

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into, with the written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of all Bonds of the affected series then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesuch percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to appove the particular form of any supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after theexecution by the Authority and the Trustee of any supplemental Indenture, the Trustee shall mail a notce (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such supplemental indenture, to the Owners of the Bonds at the respective addresses shownon the Registration Books. Any failure to give such notice, or any defect tin this Agreement, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or all of themcontained in the Indenture other covenants and agreements thereafter to be observed, or to pledge or assign additional security for the Bonds (or any portion thereof);

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not adversely affect the security for the Bonds granted under this Agreement;

(iii) 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, and to add such other terms, conditions and provisions as may be permitted by such act or similar federal statute; and

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be, or to remain, excludable from gross income for purposes of federal income taxation by the United States of America.

<u>Defeasance of the Bonds</u>

Discharge of Indenture. The Bonds may be paid by the Authority inany of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under this Agreement by the Authority:

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

(b) by irrevocably depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity money or securities in the necessary amount to pay or redeem all Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any amounts due and owing the Trustee, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of Authorized Representatives of the Authority and an opinion of Bond Counsel, each to the effect that all conditions precedent in this Agreement provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as shall be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesuch for their payment.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) Lawful money of the United States of America (i.e., cash), in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, plus any redemption premium, and all unpaid interest thereon to the redemption date; or

(b) Defeasance Securities the principal of, premium, if any, and interest on which when due as determined by Independent Certified Public Accountant will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal of, premium, if any, and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, anymoneys held by the Trustee in trust for the payment of the principalof, premium, if any, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become dueand payable (whether at maturity or upon call for redemption or by acceleration or otherwise as provided inthe Indenture), if such moneys were so held at such date, or one year after the date of deposit of such moneys ifdeposited after such date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesuch, the Trustee shall (at the written request and cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ASSESSMENT BOND INDENTURE

Selected Definitions

"Act" means the "Refunding Act of 1984 for 1915 Improvement Act Bonds," being Division 11.5 of the Streets and Highways Code of the State of California.

"Authorized Investment" shall have the same meaning given the term Permitted Investment in the Indenture.

"Cost of Issuance Fund" means the Cost of Issuance Fund established by the Assessment Bond Indenture.

"Fiscal Agent" means U.S. Bank Trust National Association, or any successor thereto acting asFiscal Agent pursuant to the Assessment Bond Indenture.

"Rebate Fund" means the Rebate Fund established by the Assessment Bond Indenture.

"Redemption Fund" means the Redemption Fund established by the Assessment Bond Indenture.

Pledge

The Acquired Obligations shall be secured by, and the City does hereby pledge, (1) the unpaid reassessments levied on properties within the Reassessment District, the annual reassessment installments collected pursuant to the Act and the proceeds of the prepayment of any reassessments made pursuant to the Act , and (2) the amounts held in the Redemption Fund created and maintained pursuant to the Assessment Bond Indenture and the invested earnings thereon (except to the extent earnings are to be transferred to the Rebate Fund under the Assessment Bond Indenture).

Redemption

Optional Redemption. The Bond maturing on or after September 2, ____ or any portion thereof may be called for redemption and redeemed prior to maturity on March 2 or September 2, commencing on September 2,_____, from any source of funds, by paying the Redemption Price (expressed as percentages of principal amount to be redeemed) and accrued interest on the principal amount to be redeemed to the date of redemption as set forth below:

Redemption Dates	Redemption Price
September 2, ____ to September 1, ____	____%
September 2, ____ to September 1, ____	____%
September 2, ____ and thereafter	____%

Mandatory Redemption From the Proceeds of Prepayments of Assessments. The Acquired Obligations are subject to mandatory redemption in whole or in part on any March 2 or September 2, commencing on March 2, 1999, from the proceeds of the prepayment of the reassessment, in whole or in part, on any parcel within he Reassessment District for which the reassessment is unpaid. The Acquired Obligations subject to such mandatory redemption shall be redeemed at a redemption price equal to the lesser of (i) three percent (3%) of the principal amount of the Acquired Obligations to be redeemed or (ii) the redemption premium which would apply in the event of anoptional redemption of such Acquired Obligations, plus accrued interest on such amount to the date of redemption.

Mandatory Sinking Fund Redemption. The Acquired Obligations are subject to mandatory sinking fund redemption in part on September 2, 2___, and on each September 2 thereafter to and including September 2, 2__ from mandatory sinking fund payments set aside in the Redemption Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the respective dates set forth below:

Payment Date (September 2)	Principal Amount	Payment Date (September 2)	Principal Amount

Purchase of Acquired Obligations. In lieu of payment at maturity or redemption under the Assessment Bond Indenture, monies in the Redemption Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Acquired Obligations, upon the filing with the Fiscal Agent prior to the selection of Acquired Obligations for redemption of a written request from the City requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such request may provide, but in no event may Acquired Obligations be purchased at a price in excess of the principal amount thereof, the premium, if any, plus interest accrued to thedate of maturity or redemption that would otherwise be payable.

Selection of Acquired Obligations for Redemption If less than all of the outstanding Acquired Obligations or portions thereof are to be redeemed (other than mandatory sinking fund redemptions), the City shall select theAcquired Obligations to be redeemed in authorized denominations in such a way that the ratio of outstanding Acquired Obligations to issued Acquired Obligations shall be approximately the same in each maturity insofar as possible; provided, however, that the portion of any serial Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof, and that, in selecting portions of such Acquired Obligations for redemption, the Fiscal Agent shall treat each such Bond as representing that number of Acquired Obligations of $5,000 denomination which is obtained by dividing the principal amount of such Acquired Obligations to be redeemed in part by $5,000.

Funds and Accounts.

The Fiscal Agent is authorized and directed to establish the following funds for purposes of collecting reassessment installments, making payment for the hereinafter designated costs and expenses of and payment of principal and interest on the Acquired Obligations. The funds to be created are subject to the following terms and conditions:

Redemption Fund

The Fiscal Agent is hereby authorized and directed to establish and maintain a Redemption Fund into which shall be placed (i) all sums received by the City for the collectionof the reassessments and the interest thereon , (ii) all sums received by the City for the prepayment of reassessments, (iii) funds transferred to the Fiscal Agent by the Trustee pursuant to the Indenture of Trust, and (iv) any surplus in the Costs of Issuance Fund as provided below.

The City shall transfer or cause to be transferred all sums received for the collection of the reassessments and of interest thereon and all sums received for the prepayment of reassessments to the Fiscal Agent within thirty (30) business days of the receipt thereof by the City.

Except as provided for in the fdlowing sentence, principal of and interest on the Acquired Obligations shall be paid by the Fiscal Agent to the registered owners out of the Redemption Fund on he Interest Payment Dates to the extent funds on deposit in said Redemption Fund are available therefor. Notwithstanding the foregoing, on July 1st of each year the Fiscal Agent shall advance from funds then on deposit in the Redemption Fund the payment of the principal of and interest on the Acquired Obligations which is due and payable on the next September 2d.

The Fiscal Agent shall establish a reassessment lien credit account within the Redemption Fund (the "Reassessment Lien Credit Account"). All funds transferred to the Fiscal Agent by the Trustee pursuant tothe Indenture of Trust shall be deposited in the Reassessment Lien Credit Account. Such funds shall be transferred from the Reassessment Lien Credit Account on September 3rd of each year and remain on deposit in the Redemption Fund until utilized pursuant to the provisions of the Assessment Bond Indenture.

In all respects not recited herein, payment of principal and interest on said Acquired Obligations shall be governed by the Assessment Bond Indenture or such other direction of the City to the Fiscal Agent given in accordance with the provisions of the Act. Under no circumstances shall the Acquired Obligations or interest thereon be paid out of any other fund except as provided herein.

The Fiscal Agent shall establish a prepayment subaccount within the Redemption Fund to be known as the Prepayment Account. The Fiscal Agent shall deposit in the Prepayment Account all monies received from the City representing the principal of and redemption premium on any prepaid reassessments. Such amounts shall be identified in writing to the Fiscal Agent. Such monies shall be applied solely to the payment of principal of and premium and interest on Acquired Obligations to be redeemed prior to maturity pursuant to the provisions of the Indenture.

Rebate Fund

The Fiscal Agent shall establish and transfer into a Rebate Fund all amounts specified in writing by the Treasurer, such instructions prepared in accordance with the provisions of the Arbitrage Rebate Instructions. Subject to the provisions of said Arbitrage Rebate Instructions, amounts on deposit in the Rebate Fundshall be paid only to the United States of America in accordance with written instructions of the Treasurer. Notwithstanding any other provisions of the Assessment Bond Indenture, all earnings on amounts on deposit inthe Rebate Fund shall remain therein until all amounts payable to the United States of America have been paid. Any excess funds shall be transferred in accordance with written instructions received from the Treasurer.

Costs of Issuance Fund

The Fiscal Agent shall establish and maintain a Costs of Issuance Fund. There shall be deposited into the Costs of Issuance Fund the amount provided in the Assessment Bond Indenture. The Fiscal Agent shall pay from the Costs of Issuance Fund any Costs of Issuance of the Reassessment District upon the written direcion of the City. On August 1, 1999 the Fiscal Agent shall transfer any unspent funds remaining in the Costs of Issuance Fund to the Redemption Fund.

Investments.

Obligations purchased as investments of monies in any of the funds and accounts inwhich investments are authorized shall be deemed at all times to be part of such funds and accounts. Except for the Costs of Issuance Fund and except as provided with respect to the Rebate Fund, all investment earnings on monies held under the Assessment Bond Indenture shall be deposited in the Redemption Fund. Subject to the restrictions set forth herein, monies in said fund and accounts may from time to time be invested by the Fiscal Agent at the written direction of the Treasurer, which written direction shall contain a certification to the Fiscal Agent that such investments are Authorized Investments, as defined herein, or if no such written direction is given, in Authorized Investments described in (5) of the definition thereof, provided that monies shall be invested only in obligations which will by their terms mature on such dates so as to ensure the payment of principal of and interest on the Acquired Obligations as the same become due.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide monies to meet any payment or transfer for such funds and accounts or fromsuch funds and accounts. For the purpose of determining at any given time the balance in any such funds oraccounts, any such investments constituting a part of such funds and accounts shall be valued at their market value or cost. Notwithstanding anything herein to the contrary, the Fiscal Agent shall not be responsible for any loss from any investments pursuant to the Assessment Bond Indenture, except for its own negligence or willful misconduct. The Fiscal Agent or any of its affiliates may act as principal or agent in the acquisition or disposition of investments or as a sponsor or advisor with respect toany Authorized Investments. The Fiscal Agent may commingle the funds and accounts established hereunder for investment purposes, but shall nonetheless account for each separately.

The City acknowledges that to the extent regulations of the Comptrollerof the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receive of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

Modification or Amendment to the Assessment Bond Indenture.

The Assessment Bond Indenture and the rights and obligations of the City and of the owners of the Acquired Obligations may be modified or amended at any time by a supplemental indenture pursuant to the affirmative vote at a meeting of the owners, or with the written consent without a meeting, of the owners of at least a majority in aggregate principal amount of the Acquired Obligations then outstanding. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the reassessments superior to or on a parity with the pledge and lien created for the benefit of the Acquired Obligations, (iii) reduce the percentage of Acquired Obligations required for the amendment hereof, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such supplemental indenture entered into by the City and the Fiscal Agent complies with the provisions of the Indenture and the Fiscal Agent may conclusively rely on such opinion.

The Assessment Bond Indenture and the rights and obligations of the Cityand the owners may also be modified or amended at any time by a supplemental indenture, without the consent ofany owners, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Assessment Bond Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(2) to make modifications not adversely affecting any outstanding series of Acquired Obligaions in any material respect;

(3) to make such provisions for the purpose of curing anyambiguity, or of curing, correcting or supplementing any defective provisions of the Assessment Bond Indenture, or in regard to questions arising under the Assessment Bond Indenture, as the City may deem necessary or desirable and not inconsistent with the Assessment Bond Indenture, and which shall not materially adversely affect the rights of the owners; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess earnings to the United States of America or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Acquired Obligations or to conform with the federal tax regulations.

Provisions Constitute Contract.

The provisions of the Assessment Bond Indenture and the Acquired Obligations shall constitute a contract between the City and the Bondowners and the provisions hereof and thereof shall be enforceable by anyBondowner for the equal benefit and protection of all Bondowners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of California.

After the issuance and delivery of the Acquired Obligations, the Assessment Bond Indenture shall not be subject to rescission, but shall be subject to modification to the extent and in the manner provided in the Assessment Bond Indenture, but to no greater extent and in no other manner.

APPENDIX G

FORM OF MUNICIPAL BOND INSURANCE POLICY

APPENDIX G

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

P. Lassiter

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Stephen D. Cooke

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

W. William Weber

Authorized Officer

Form No.: 66-0003 (7/97)

Ambac

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

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

SPECIMEN

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Authorized Representative

Form No. 2B-0015 (7/97)

APPENDIX H

FORM OF SENIOR RESERVE FUND SURETY BOND

SURETY BOND

Ambac Assurance Corporation

Statutory Office:
c/o CT Corporation
44 East Mifflin Street
Madison, Wisconsin 53703

Administrative Office:
One State Street Plaza
New York, New York 10004
Telephone: (212) 668-0340

Policy No. SB BE

Ambac Assurance Corporation ("Ambac"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments which are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and which are required to be made by or on behalf of the (the "Obligor") to ____ (the "Paying Agent/Trustee") as such payments are due by the Obligor but shall not be so paid pursuant to a resolution of the City Council of the Obligor authorizing the issuance of $ _____(the "Obligations") of said city and providing the terms and conditions for the issuance of said Obligations (the "Resolution/Indenture/Ordinance"); provided that the amount available at any particular time to be paid to the Paying Agent under the terms hereof shall not exceed the Surety Bond Coverage, defined herein as the lesser of $_________ or the [Debt Service Reserve Fund Requirement for the Obligations, as that term is defined in the Resolution] (the "Reserve Requirement"). The Surety Bond Coverage shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment of the Obligations.

2. Upon the later of: (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent certifying that payment due as required by the Resolution has not been made to the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Paying Agent or its successor, in [City/State] sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, or telegram of the executed Demand for Payment c/o the General Counsel of Ambac. If a Demand for Payment made hereunder does not, in any instance conform to the terms and conditions of this Surety Bond, Ambac shall give notice to the Paying Agent, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by Ambac under this Surety Bond pursuant to a Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by Ambac hereunder and will be reinstated to the extent of each reimbursement of Ambac by the Obligor pursuant to Article II of the Guaranty Agreement, dated as of the

date of the Obligations, by and between Ambac and the Obligor (the "Guaranty Agreement"); provided, that in no event shall such reinstatement exceed the Surety Bond Coverage. Ambac will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Guaranty Agreement and such reinstatement shall be effective as of the date Ambac gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2. The Surety Bond Coverage shall be automatically reduced to the extent that the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Resolution.

5. Any service of process on Ambac may be made to Ambac or the office of the General Counsel of Ambac and such service of process shall be valid and binding as to Ambac. During the term of its appointment, General Counsel will act as agent for the acceptance of service of process and its offices are located at One State Street Plaza, New York, New York 10004.

6. This Surety Bond is noncancelable for any reason. The term of this Surety Bond shall expire on the earlier of (i) ____________ (the maturity date of the Obligations) or (ii) the date on which the Obligor, to the satisfaction of Ambac, has made all payments required to be made on the Obligations pursuant to the Resolution. The premium on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

7. This Surety Bond shall be governed by and interpreted under the laws of the State of Wisconsin **[or Minnesota, Nebraska, North Carolina, South Carolina, Utah, Vermont, Washington or Commonwealth of Pennsylvania, for financings in those states]**, and any suit hereunder **[seeking specific performance (for Florida)]** in connection with any payment may be brought only by the Paying Agent within one year **[two years in Minnesota, three years in Maryland and Utah, five years in Kansas]** after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and Ambac has failed to make such payment or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to Ambac a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

8. One of the following paragraphs may apply:

ADDITIONAL PARAGRAPH FOR CALIFORNIA TRANSACTIONS:

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

ADDITIONAL PARAGRAPH FOR NEW YORK TRANSACTIONS:

The insurance provided by the Surety Bond is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

ADDITIONAL PARAGRAPH FOR FLORIDA TRANSACTIONS:

The insurance provided by the Surety Bond is not covered by the Florida Insurance Guaranty Association.

ADDITIONAL PARAGRAPH FOR CONNECTICUT TRANSACTIONS:

In the event that Ambac were to become insolvent, any claims arising under the Surety bond would be excluded from coverage by the Connecticut Insurance Guaranty Association.

FOR OKLAHOMA TRANSACTIONS — MUST USE OKLAHOMA ENDORSEMENT

IN WITNESS WHEREOF, Ambac has caused this Surety Bond to be executed and attested on its behalf this day of , 19 .

Ambac Assurance Corporation

Attest: ______________________________
Assistant Secretary

By: ______________________________
Vice President and
Assistant General Counsel

By: ______________________________
[Countersignature Agent, if applicable]

Attachment 1

Surety Bond No.SB BE

DEMAND FOR PAYMENT

, 19

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel

Reference is made to the Surety Bond No. SB BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) Payment by the Obligor to the Paying Agent was due on _____ [a date not less than one (1) day prior to the applicable payment date for the Obligations] under the _____________________, attached hereto as Exhibit A, in an amount equal to $________ (the "Amount Due"). The Amount Due is payable to the Owners of the Obligations on ___________________.

(b) $_______ has been deposited in the ______ [fund/account] from moneys paid by the Obligor or from other funds legally available to the Paying Agent for payment to the Owners of the Obligations, which amount is $________ less than the Amount Due (the "Deficiency").

(c) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (up to but not in excess of the Surety Bond Coverage) be made by Ambac under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

____
[Paying Agent's Account]

[PAYING AGENT]
By: ______________________________
Its:

Attachment 2

Surety Bond No. SB BE

NOTICE OF REINSTATEMENT

, 19

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. SB BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

Ambac hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $________, subject to a reduction as the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Resolution.

AMBAC ASSURANCE CORPORATION

Attest: ______________________________ By: ______________________

Title: Title: