

EMRCFD RES 07-065

RESOLUTION OF THE BOARD OF DIRECTORS OF ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT (CITY OF GOODYEAR, ARIZONA), RESCINDING RESOLUTIONS EMRCFD RES 06-046 AND EMRCFD RES 06-053; APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING THE DISTRICT; DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS AS DESCRIBED IN THE FEASIBILITY REPORT RELATING TO SUCH IMPROVEMENTS; DETERMINING THAT NOT TO EXCEED \$12,760,000 GENERAL OBLIGATION BONDS WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes ("A.R.S."), as amended, the Board of Directors of the Estrella Mountain Ranch Community Facilities District (City of Goodyear, Arizona) (the "*District*"), has caused a study of the feasibility and benefits of the Project (as such term and all other initially capitalized terms are defined hereinafter) to be prepared, relating to certain public infrastructure provided for in the General Plan of the District and to be financed with the proceeds of the sale of general obligation bonds of the District (the "*Report*"), which Report includes, among other things, a description of certain public infrastructure to be acquired and constructed and all other information useful to understand the Project, an estimate of the cost to acquire, operate and maintain the Project, an estimated schedule for completion of the Project, a map or description of the area to be benefited by the Project and a plan for financing the Project, a copy of which is on file with Clerk of the District; and

WHEREAS, pursuant to Section 48-715, A.R.S., as amended, a public hearing on the Report was held on the date hereof, after provision for publication of notice thereof as provided by law;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT (CITY OF GOODYEAR, ARIZONA), that:

Section 1. Definitions. In this resolution, the following terms shall have the following meanings:

"*Act*" shall mean Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended.

"*Board*" shall mean this Board of Directors of the District.

"*Bonds*" shall mean the District's General Obligation Bonds, Series 2007.

"*Clerk*" shall mean the Clerk of the District.

"District" shall mean the Estrella Mountain Ranch Community Facilities District (City of Goodyear, Arizona).

"Project" shall mean the acquisition or construction of public infrastructure (as such term is defined in the Act) described in the Report, including particularly the acquisition and/or construction by the District of the improvements described on Exhibit A hereto.

"Report" shall mean the Report pertaining to the Project on file with the Clerk prior to the date and time hereof, discussing the matters required by A.R.S. Section 48-715, as amended, as such matters relate to the Project.

Section 2. Rescind Prior Resolutions. The Board hereby rescinds Resolution EMRCFD RES 06-046 and Resolution EMRCFD RES 06-053 in their entireties.


Section 3. Approval of Feasibility Report. Published notice of the public hearing on the Report has been provided by the Clerk not less than ten (10) days in advance of the date of the public hearing on the Report and such publication is hereby ratified and approved. The Clerk has provided the Report and notice of public hearing on the Report to the City of Goodyear, Arizona, not less than ten (10) days in advance of the date of the public hearing. Based on the review by the Board and the presentation of the Report at the public hearing on October 15, 2007, the Report is hereby adopted and approved in the form submitted to the Board.

Section 4. Resolution of Intent. This Board hereby identifies the public infrastructure of the Project, the areas benefited, the expected method of financing and the system of providing revenues to operate and maintain the Project, all as identified and provided for in the Report, for any and all purposes of the Act. Any portion of the costs of the Project not financed by the proceeds of the Bonds shall remain eligible to be financed through the sale of future bonds of the District.

Section 5. Preliminary Approval to Issue and Sell Bonds. The Board hereby declares its intent to proceed with the financing of the Project in substantially the manner presented in the Report and hereby declares its intent to issue not to exceed \$12,760,000 principal amount of Bonds to finance the costs of the Project.

PASSED, ADOPTED AND APPROVED on October 15, 2007.


Chairman


Clerk

APPROVED AS TO FORM:



Gust Rosenfeld P.L.C.
Bond Counsel

Attachments: Exhibit A - Description of Improvements

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Estrella Mountain Ranch Community Facilities District (City of Goodyear, Arizona) at a special meeting held on October 15, 2007, and that a quorum was present thereat and that the vote thereon was 5 ayes and 0 nays; 2 did not vote or were absent.



Clerk

EXHIBIT A

"Project" shall mean the acquisition of public infrastructure (as such term is defined in the Act) described in the Report, including particularly the acquisition by the District of the following:

Portions of Estrella Parkway Phase 3A Extension

Estrella Parkway Phase 3B Extension

Portions of the Estrella Parkway Phase 3C Extension

Rainbow Valley Water, Reclaimed Water, Sewer and Sewage Force Mains

H-7 Well Site Water Main Extension

H-10 Well Site Water Main Extension

AGENDA ITEM # 7.C.1, C.2, C.3
DATE: October 15, 2007
COAC NUMBER:
EMRCFD 07-196

**CITY OF GOODYEAR
CFD ACTION FORM**

SUBJECT: Estrella Mountain Ranch Community Facilities District Board consider EMRCFD RES 07-065 approving the feasibility report and EMRCFD RES 07-066 authorizing issuance of bonds	STAFF PRESENTER: Sheila K. Mills, CFD Administrator COMPANY CONTACT: Scott Ruby, Esq. - Gust Rosenfeld PLC
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RECOMMENDATION:

1. The Estrella Mountain Ranch Community Facilities District Board conduct a Public Hearing for the Feasibility Report submitted in connection with the proposed issuance of general obligation bonds Series 2007 not to exceed \$12,760,000.
 - a. Open Public Hearing
 - b. Staff Presentations
 - c. Receive Public Comment
 - d. Close Public Hearing
2. The Estrella Mountain Ranch Community Facilities District Board adopt Resolution EMRCFD RES 07-065 rescinding resolutions EMRCFD RES 06-046 and EMRCFD RES 06-053; approving the feasibility report relating to the acquisition, construction and financing of certain improvements; declaring its intention to acquire and/or construct certain improvements; determining that not to exceed \$12,760,000 general obligation bonds will be issued to finance the costs and expenses thereof under the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, and all amendments thereto.
3. The Estrella Mountain Ranch Community Facilities District Board adopt Resolution EMRCFD RES 07-066 authorizing the issuance of its district general obligation bonds, Series 2007 in the principal amount not to exceed \$12,760,000; approving the form and authorizing the execution and delivery of an Indenture of Trust and Security Agreement, a Standby Contribution Agreement, a Purchase Contract relating to the Bonds, a Continuing Disclosure Undertaking, a Dissemination Agency Agreement and certain other documents securing the payment of the Bonds; awarding the Bonds to the Purchaser thereof; ratifying and approving a Preliminary Limited Offering Memorandum to the Bonds; approving a Final Limited Offering Memorandum relating to the Bonds; and levying an ad valorem tax on taxable property in the District.

EXECUTIVE SUMMARY:

A public hearing will be held to receive any comments relating to the issuance of general obligation bonds for certain public infrastructure in the Estrella Mountain Ranch Community Facilities District. The District Board will consider a resolution to approve the feasibility report and a resolution authorizing the issuance and sale of general obligation bonds and other legal documents.

COMMUNITY BENEFIT:

Utilization of District financing allows for the continuation of public infrastructure financing that balances project amenities provides for construction of public infrastructure and assists in the growth of the City's property tax base.

DISCUSSION:

This is the third general obligation bond issue (the first one has been paid in full) for the Estrella Mountain Ranch Community Facilities District which was formed on November 22, 1999. An election forming the District and authorizing the sale of bonds was held and approved. The District consists of approximately 9,771 acres and is located within the City boundaries.

The District was created to provide the vehicle for financing certain public infrastructure necessary for development of the land within the boundaries of the District. The District boundaries are located within the master planned community known as "Estrella Mountain Ranch".

The feasibility report hearing is required by law and notice of the hearing will be published once in the newspaper no later than October 4, 2007, prior to the hearing to be held on October 15, 2007, allowing the public to comment if desired. Upon completion of the hearing, the District Board will be asked to consider adoption of Resolution EMRCFD RES 07-065 approving the feasibility report and Resolution EMRCFD RES 07-066 authorizing the issuance and sale of district general obligation bonds not to exceed \$12,760,000 and other matters for this District.

FISCAL IMPACT:

Debt service on the general obligation bonds will be paid by a secondary property tax levy of \$1.00 per \$100 of secondary assessed value which will be levied on all taxable property within the District. The remaining balance for debt service (approximately 50%) will be paid by the Developer by the annual Standby Contribution Agreement. The combined tax levy for debt service and operations and maintenance for the District will be \$1.30.

The District will utilize bond proceeds, to the extent available, to acquire completed segments of the following projects which are described in detail in the feasibility report:

- Portions of the Estrella Parkway Phase 3A Extension
- Estrella Parkway Phase 3B Extension
- Portions of the Estrella Parkway Phase 3C Extension
- Rainbow Valley Water, Reclaimed Water, Sewer, and Sewage Force Mains
- H-7 Well Site Water Main Extension
- H-10 Well Site Water Main Extension

The costs of the Estrella Parkway Extension projects shall include engineering, design, survey, construction permits, roadway improvements, wet utilities, traffic control systems, and enhanced landscaping. The costs of the Rainbow Valley Water, Reclaimed Water, Sewer and Sewerage Force Main project shall include a 12” water main, a 8” sewer line, a reclaimed water line to convey effluent, force mains to convey wastewater to a high spot between the Rainbow Valley Wastewater Pumping Station and the Rainbow Valley Water Reclamation Facility, and other sewer lines and manholes to convey the wastewater from the high spot between the previously mentioned facilities. The costs of the H-7 Well Site Water Main Extension project shall include various lines, air release valve, gate valves, boxes and covers and other items. The costs of the H-10 Well Site Water Main Extension project shall include a waterline, air release valves, gate valve box and cover and other items. The amount being requested by the Developer for these projects in the feasibility report is a not to exceed amount of \$12,760,000.

All infrastructure financed by the District has been or will be dedicated to the City.

Attachments

EMRCFD – Feasibility Report – GO Bond Series 2007 (book)

EMRCFD RES 07-065

EMRCFD RES 07-066

EMRCFD-Notice of Public Hearing-09.25.07.doc

EMRCFD-GO 07-Standby contribution agreement-09.21.07.doc

EMRCFD-PLOM-327551786_v_5.09.24.07.doc

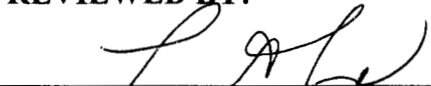
EMRCFD-GO 07-Indenture of Trust & Security Agreemnt-09.26.07.doc

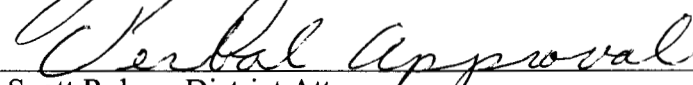
EMRCFD-Purchase Contract-GO 07-327635876_v_3-09.27.07.doc

EMRCFD-Dissemination Agency Agmnt-GO 07-327635865_v_2-09.24.07.doc

EMRCFD-GO 07-Continuing disclosure undertaking (greenberg)-09.27.07.doc

REVIEWED BY:


Larry Lange – District Treasurer


Scott Ruby – District Attorney


Brian Dalke – Interim District Manager

<i>This section must be completed</i>	
Council Action Follow-Up	COAC # EMRCFD 07-19x
Staff Name: <u>Sheila K. Mills, CFD Administrator</u>	CFD Meeting Date:
	Mtg. Type: Reg <input type="checkbox"/> WS <input type="checkbox"/> Sp <input checked="" type="checkbox"/>
	Consent <input type="checkbox"/> Business <input checked="" type="checkbox"/>
Subject: CFD Board adopt Resolution EMRCFD RES 07-065 approving the feasibility report and taking other actions, and approve Resolution EMRCFD RES 07-066 authorizing the issuance and sale of general obligation bonds and other actions.	
Does item require publication: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date to Publish: No later than October 4, 2007 by Gust Rosenfeld's office.
Does item need to be recorded: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Who will record? Clerk _____ Dept _____
Does item need correspondence? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If so, who will provide? Clerk _____ Dept _____	
Does item change City Code? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Does item affect Rate Fees? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

FEASIBILITY REPORT

For The Issuance of

**ESTRELLA MOUNTAIN RANCH
COMMUNITY FACILITIES DISTRICT
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2007**



**October 15, 2007
Newland Communities
c/o Mr. Matt Yingling
2850 East Camelback Road, Suite 300
Phoenix, AZ 850**

**Estrella Mountain Ranch
Community Facilities District
District General Obligation Bonds
Series 2007**

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SECTION ONE

INTRODUCTION; PURPOSE OF FEASIBILITY REPORT AND GENERAL DESCRIPTION OF DISTRICT

INTRODUCTION

The Feasibility Report (this “Report”) has been prepared for presentation to the Board of Directors (the “Board”) of the Estrella Mountain Ranch Community Facilities District (the “District” and/or the “CFD”) in connection with the proposed issuance by the District of District General Obligation Bonds Series 2007 (the “Series 2007 Bonds” and/or the “Bonds”) in a principal amount not to exceed \$12,760,000 pursuant to the Community Facilities Act of 1989, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes, as amended (“A.R.S.” and collectively, the “Act”).

PURPOSE OF FEASIBILITY REPORT

This Report has been prepared for consideration of the feasibility and benefits of the public infrastructure (as defined in A.R.S. §48-701) to be financed by the Bonds (the “Projects”) and of the plan for financing the Projects in accordance with the provisions of A.R.S. §48-715. Pursuant to A.R.S. §48-715, this Report includes (i) a description of the Projects which are to be acquired (Section Two); (ii) a map showing, in general, the location of the Projects (Section Three), (iii) the cost to construct the Projects and completion dates (Section Four); (iv) a map or description of the area to be benefited by the Projects (Section Five); and (v) a plan for financing the Projects (Section Six). Additionally, this Report includes a legal description of the District [[Appendix A](#)], a form of disclosure pamphlet [[Appendix B](#)], overlapping tax rates for nearby master planned communities [[Appendix C](#)], engineer’s actual construction costs [[Appendix D](#)], an analysis of the effect on the District tax rates [[Appendix E](#)], a financial model of the proposed transaction [[Appendix F](#)], and the 2006 NNP III – Estrella Mountain Ranch, LLC (the “Applicant”) consolidated financial statement [[Appendix G](#)].

This Report has been prepared for the Board’s exclusive consideration. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. In preparing this Report, engineers, staff of the City of Goodyear, Arizona (“City”), legal counsel and other experts have been consulted as deemed appropriate. **THIS REPORT IS NOT INTENDED TO BE A “FINANCIAL FEASIBILITY REPORT OR STUDY” AS THAT TERM IS CUSTOMARILY USED.**

GENERAL DESCRIPTION OF DISTRICT

Formation of the District was approved by the City upon the request of SunChase Estrella Limited Partnership, a Delaware limited partnership (“SunChase”), as the owner of all the land within the District upon formation on November 22, 1999. Residential Funding Corporation, a Delaware corporation, consented to the formation of the District as a holder of a lien interest in such land. The District consists of approximately 9,771 acres and is located within the municipal boundaries of the City.

Subsequent to the formation of the District, a Development, Financing Participation, and Intergovernmental Agreement No. 1 (“CFD Development Agreement”) was entered into between the District, the City, SunChase and Residential Funding Corporation. The initial

and subsequent public infrastructure was described in the General Plan which was recorded on November 23, 1999 as document no. 99-1063338. Ryland Group, Inc. (who subsequently obtained a contractual interest in certain property contained within the District) consented and agreed to the CFD Development Agreement.

In 2003, SunChase conveyed Estrella Mountain Ranch and assigned its interests in the CFD Development Agreement to Sun MP, LLC, a limited liability company formed in connection with a restructuring and a new capital investment in Estrella Mountain Ranch by an unrelated party. In October 2003, the City and the District consented to the assignment of SunChase's interests to Sun MP, LLC.

On May 16, 2005, Sun MP sold 3,750 acres of land to the Applicant, the majority of which is within the District. In connection with the sale, Sun MP assigned its interest in the CFD Development Agreement to the Applicant. Concurrently with such a sale, Sun MP conveyed option rights to the Applicant whereby the Applicant acquired the right to acquire from Sun MP the balance of the District land and additional land in five phases pursuant to separate but substantially similar option agreements. On May 16, 2006, Sun MP conveyed to the Applicant an additional 2,614 acres within the District as well as approximately 74 acres outside the District. On May 16, 2007, Sun MP conveyed to the Applicant an additional 2,750 acres of which 323 acres were not in the District. The Applicant has placed the 2,750 acres in an affiliate, NNP III – Estrella Mountain Ranch 3, LLC. Sun MP now owns less than 200 acres within the District.

This represents the third general obligation bond issuance for Estrella Mountain Ranch Community Facilities District. The first general obligation bond issue was the Estrella Mountain Ranch Community Facilities District General Obligation Bonds, Series 2001 in the amount of \$200,000, which acquired landscape renovations along Estrella Parkway from Elliot Road to San Miguel Drive. This Bond was called and retired by the District on July 15, 2005. The second general obligation bond issue was the Estrella Mountain Ranch Community Facilities District General Obligation Bonds, Series 2005 in the amount of \$5,005,000, which acquired a 16" water line, a 24" effluent line, the Lum lift station, and a portion of Estrella Parkway Phase 3A extension. As of July 15, 2007, the Series 2005 Bond had a principal balance of \$4,775,000.

In addition to the general obligation bonds issued by the District, three special assessment revenue bonds have also been issued by assessment districts which overlap the District. The first special assessment revenue bond issue was the Estrella Mountain Ranch Community Facilities District Special Assessment Lien Bonds, Golf Village Series 2001A, referred to as Golf Village Phase I, in the amount of \$8,088,000, which acquired Westar and Golf Club Drive, the Westar Sewer Lift Station and the associated force main, and 2,200 lineal feet of Estrella Parkway Extension. The second special assessment revenue bond issue was the Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds, (Desert Village Assessment District) Series 2002 in the amount of \$4,950,000, which acquired San Gabriel Road Phase I, San Gabriel Road Phase II, and enhanced landscaping along San Gabriel Road. The third special assessment revenue bond issue was the Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds, (Montecito Assessment District) Series 2007 in the amount of \$7,680,000, which will acquire Calistoga Drive Phase I. Currently, the fourth special assessment revenue bond known as

Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds, (Golf Village Assessment District No. 2) Series 2007 in the amount not to exceed \$7,500,000 is anticipated to be issued in late 2007. The Golf Village Assessment District No. 2 Series 2007 Bonds will be used to acquire Westar Drive Phase II, Westar Drive Phase III, and Westar Drive Phase IV. In addition, Montecito Assessment District No. 2 Series 2007 Bonds in an amount not to exceed \$15,000,000 are expected to be issued in late 2007 or early 2008.

The District was created to finance the construction and acquisition of public infrastructure described in the General Plan, including particularly the Projects, which are part of the Development, a residential, commercial and golf course master planned community. A legal description of the District has been included as [Appendix A] to this Report.

The current conceptual master plan for the District is dated December 21, 2004 and provides for the development of several separate “villages” within the District, each containing a mixture of planned land uses and densities. The conceptual master plan is revised periodically to reflect changes in market conditions, planning ideas, political and economic environments, development costs and other factors. Thus while the number of acres devoted to each particular type of land use may ultimately vary from those presented in the following table, the build-out of the District as reflected in the current conceptual master plan is currently expected to include the following land uses:

**Estrella Mountain Ranch
Community Facilities District
Land Use Plan**

<u>Type of Development</u>	<u>Acres Within the District</u>
Residential	5,146
Commercial	654
Schools	122
Parks	232
Open Space	2,897
Municipal Uses	157
Miscellaneous	563
Total Acreage	<u>9,771</u>

New residents of the Development will be advised of the formation of the District and the proposed issuance of the Bonds by way of a disclosure pamphlet included hereto under [Appendix B].

OVERLAPPING TAX RATES

The District has no control over the amount of additional indebtedness payable from ad valorem taxes on property within the District that may be issued in the future by other political subdivisions, including but not limited to the City, the County, school districts, or other entities having jurisdiction over all or a portion of the land within the District. A summary of the overlapping tax rates of property within the boundaries of the District as of the date this Report was prepared, is shown below.

<u>Overlapping Municipality</u>	<u>2007-2008 Primary Tax Rate</u>	<u>2007-2008 Secondary Tax Rate</u>	<u>2007-2008 Combined Tax Rate</u>
Maricopa County	\$ 1.2970	\$ -	\$ 1.2970
City of Goodyear	0.7321	0.8679	1.6000
Elementary and High School	4.3398	2.3869	6.7267
Maricopa County Community College District	0.8246	0.1514	0.9760
Flood Control District of Maricopa County	-	0.1533	0.1533
Central Arizona Water Conservation District (CAWCD)	-	0.1000	0.1000
Overrides	-	1.3047	1.3047
Fire	-	0.0053	0.0053
Maricopa County Library District	-	0.0391	0.0391
Maricopa Integrated Health System	-	0.0935	0.0935
Western Maricopa Education Center District 402	-	0.0500	0.0500
Estrella Mountain Ranch CFD (1)	-	1.3000	1.3000
Total	<u>\$ 7.1935</u>	<u>\$ 6.4521</u>	<u>\$ 13.6456</u>

Source: Maricopa County Assessor's Office.

The table which illustrates the overlapping tax rate for other nearby master planned communities for the 2007-2008 fiscal year is included hereto under [[Appendix C](#)].

The \$1.30 combined tax rate shown above for the District includes a \$1.00 tax rate to pay bond debt service and \$0.30 for operation and maintenance expenses of the District. In addition, certain residents of the District residing in one of the three overlapping special assessment districts, are levied a special assessment on their property. The assessments support bonds issued to finance the costs of certain public infrastructure. The estimated equivalent tax rates for these special assessments, assuming a home with a market value of \$400,000 are as follows:

<u>Assessment District</u>	<u>Average Assessment (1)</u>	<u>Market Value</u>	<u>Estimated Equivalent Tax Rate (2)</u>
Montecito	\$ 6,627	\$ 400,000	\$ 1.5059
Golf Village	6,319	400,000	1.7468
Desert Village	5,934	400,000	1.5721

Footnote:

(1) As provided by the Applicant.

(2) The calculation assumes that the full cash value of a home is 85% of its market value, the assessments are amortized evenly over 24 years and the assessments carry interest rates of 5.67%, 7.875%, and 7.375% respectively.

SECTION TWO

DESCRIPTION OF THE PROJECTS

DESCRIPTION OF THE PROJECTS

The Projects that have been constructed by the Applicant and are proposed to be acquired by the District include: (1) Portions of the Estrella Parkway Phase 3A extension, (2) Estrella Parkway Phase 3B extension, (3) Portions of the Estrella Parkway Phase 3C extension, (4) Rainbow Valley Water, Reclaimed Water, Sewer and Sewage Force Mains, (5) the H-7 Well Site Water Main Extension, (6) and the H-10 Well Site Water Main Extension. The financing of the aforementioned Projects through the CFD is in conformance with the City CFD Policy Guidelines (“Guidelines”).

(1) Portions of the Estrella Parkway Phase 3A Extension

This Project includes the cost of construction remaining for the Estrella Parkway Phase 3A extension which was not included in the Series 2005 General Obligation (“GO”) Bond. The Phase 3A extension consists of approximately 3,574 linear feet of roadway, a total of four lanes with a median, and includes its engineering, design, survey, construction permits, material testing, grading, paving, concrete, including curb, sidewalks, gutters, aprons, street light bases, water, sewer, storm drain, traffic control systems, including street signs and enhanced landscaping. Construction began on the Phase 3A extension in April 2005 and was accepted by the City in May 2007.

Estrella Parkway Phase 3A extends from just south of Westar Drive to just south of Calistoga Drive. The portion of Estrella Parkway Phase 3A extension and related improvements to be financed by the Series 2007 Bonds are in conformance with the Guidelines. See the attached maps in Section 3 for the location of the Estrella Parkway Phase 3A extension and the corresponding area of benefit. As mentioned previously, only a portion of the costs for Phase 3A is included in the Series 2007 GO Bonds.

THE ACTUAL COSTS AND EXPENSES FOR THE ESTRELLA PARKWAY PHASE 3A EXTENSION WERE PREPARED BY CMX, LLC AND ARE SUPPORTED BY EXECUTED CONTRACTS AND PAID INVOICES AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF THE REMAINING COSTS AND EXPENSES IS SHOWN BELOW:

Portions of Estrella Parkway Phase 3A Extension:

<u>Description</u>		<u>Total Cost</u>
Total actual cost of Estrella Parkway Phase 3A	\$	4,286,504
Eligible improvements financed by the Series 2005 GO Bond		(3,849,559)
Total cost of Estrella Parkway Phase 3A financed in Series 2007 GO Bonds	\$	<u>436,945</u>

(2) Estrella Parkway Phase 3B Extension

This Project includes the construction of the Estrella Parkway Phase 3B extension. This extension consists of approximately 4,332 linear feet of roadway, a total of four lanes with a median, and includes its engineering, design, survey, construction permits, material testing, grading, paving, concrete, including curb, sidewalks, gutters, aprons, street light bases, water, sewer, storm drain, traffic control systems, including street signs and enhanced landscaping. Construction of the Estrella Parkway Phase 3B extension began in April 2005 and was completed in January 2007.

Estrella Parkway Phase 3B extends from just south of Calistoga Drive to just south of Cotton Lane. The Estrella Parkway Phase 3B extension and related improvements to be financed by the Series 2007 Bonds are in conformance with the Guidelines. See the attached maps in Section 3 for the location of the Estrella Parkway Phase 3B extension and the corresponding area of benefit.

THE ACTUAL COSTS AND EXPENSES FOR THE ESTRELLA PARKWAY PHASE 3B EXTENSION WERE PREPARED BY CMX, LLC AND ARE SUPPORTED BY EXECUTED CONTRACTS AND PAID INVOICES AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF COSTS AND EXPENSES IS SHOWN BELOW:

Estrella Parkway Phase 3B Extension:

<u>Description</u>		<u>Total Cost</u>
Total actual costs of Estrella Parkway Phase 3B	\$	5,262,153
Total non-eligible cost of dry utilities		(308,613)
Total cost of Estrella Parkway Phase 3B financed in Series 2007 GO Bonds	\$	<u>4,953,539</u>

(3) Portions of the Estrella Parkway Phase 3C Extension

This Project includes the construction of a portion of the Estrella Parkway Phase 3C extension. This extension consists of 6,527 linear feet of roadway, a total of four lanes with a median, and includes its engineering, design, survey, construction permits, material testing, grading, paving, concrete, including curb, sidewalks, gutters, aprons, street light bases, water, sewer, storm drain, traffic control systems, including street signs and enhanced landscaping. Construction of Estrella Parkway Phase 3C extension began in April 2005 and was completed in February 2007.

Estrella Parkway Phase 3C extends from just south of Cotton Lane and ends at Pecos Road. See the attached maps in Section 3 for the location of Estrella Parkway Phase 3C extension and the corresponding area of benefit. The Estrella Parkway Phase 3C extension and related improvements to be financed by the Series 2007 Bonds are in conformance with the Guidelines. Only a portion of the costs for Phase 3C is included in this bond issue.

THE ACTUAL COSTS AND EXPENSES FOR THE ESTRELLA PARKWAY PHASE 3C EXTENSION WERE PREPARED BY CMX, LLC AND ARE SUPPORTED BY EXECUTED CONTRACTS AND PAID INVOICES AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF COSTS AND EXPENSES FOR THE PORTION OF ESTRELLA PARKWAY PHASE 3C BEING INCLUDED IN THE BONDS IS SHOWN IN THE FOLLOWING TABLE:

Portions of Estrella Parkway Phase 3C Extension:

<u>Description</u>		<u>Total Cost</u>
Total actual costs of Estrella Parkway Phase 3C	\$	6,408,715
Total non-eligible cost of dry utilities		(433,558)
Amount not financed by 2007 Series GO Bonds		(2,615,231)
Total cost of Estrella Parkway Phase 3C financed in Series 2007 GO Bonds	\$	<u>3,359,926</u>

(4) Rainbow Valley Water, Reclaimed Water, Sewer, and Sewage Force Mains

This assortment of pipelines was constructed together since they all lie within the same utility corridor. This utility corridor runs parallel to the Southwest Gas line between Westar Drive and the Rainbow Valley Water Reclamation Facility, (RVWRF), adjacent to Rainbow Valley Road.

The 12" water main and the 8" sewer line were installed to serve various parcels in this area. The reclaimed water line was installed to convey effluent from the RVWRF into the non-potable water system within Estrella Mountain Ranch. The force mains were installed to convey wastewater from the Rainbow Valley Wastewater Pumping Station, (RVWWPS), to a high spot between the RVWWPS and the RVWRF. The balance of the sewer lines and manholes were installed to convey the wastewater from the high spot between the RVWWPS and RVWRF to the RVWRF. The force mains to be financed by the Series 2007 Bonds are in conformance with the Guidelines.

This project includes the construction of following improvements:

- 1) 1,452 linear feet of 12" D.I.P. water main
- 2) 11,217 linear feet of 16" reclaimed water line
- 3) 1,547 linear feet of 8" sewer line
- 4) 15 linear feet of 12" sewer line
- 5) 2,126 linear feet of 18" sewer line
- 6) 2,522 linear feet of 21" sewer line
- 7) 294 linear feet of 24" sewer line
- 8) 2,489 linear feet of 30" sewer line
- 9) 7,317 linear feet of 12" D.I.P. force mains
- 10) 28 Manholes and other required appurtenances

Work began on the Rainbow Valley Water, Reclaimed Water, Sewer and Sewage Force Mains in June 2005 and was completed in January 2006.

THE ACTUAL COSTS AND EXPENSES FOR RAINBOW VALLEY WATER, RECLAIMED WATER, SEWER AND SEWAGE FORCE MAINS ARE SUPPORTED BY EXECUTED CONTRACTS, PAID INVOICES AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF COSTS AND EXPENSES FOR THE RAINBOW VALLEY WATER, RECLAIMED WATER, SEWER AND SEWAGE FORCE MAINS BEING INCLUDED IN THE BONDS IS SHOWN IN THE FOLLOWING TABLE:

Rainbow Valley Water, Reclaimed Water, Sewer and Sewage Force Mains:

<u>Description</u>		<u>Total Cost</u>
Total cost of the Rainbow Valley force mains financed in 2007 Series Bonds	\$	3,122,575
Total cost of the Rainbow Valley force mains financed in 2007 Series Bonds	\$	3,122,575

(5) H-7 Well Site Water Main Extension

H-7 Well Site Water Main Extension is located along the west section line of Sections 1, 12 and 13, Township 2 South, Range 1 West of the current terminus of Estrella Parkway at Pecos Road Alignment, south of Well H-7 located in the southwest ¼ section of Section 13.

This line was installed to convey potable water from the proposed H-7 Temporary Reverse Osmosis Facility to the pipelines in Estrella Parkway and ultimately to the City water distribution system. Future use of this line will be to convey effluent to be injected into Well H-7. The well site water main extension to be financed by the Series 2007 Bonds is in conformance with the Guidelines.

Actual construction of H-7 Well Site Water Main Extension included the following improvements:

- 1) Installation of 11,540 linear feet of 12" PVC waterline per AWWA.
- 2) Installation of 734 linear feet of 12" D.I.P. waterline per MAG Spec. 610 and AWWA C-600-99.
- 3) Installation of 13 2" air release valves per COG STD DTL 3328.
- 4) Installation of 12, 12" gate valves, boxes and covers per MAG STD DTL 391-1.
- 5) Installation of a 16" X 12" reducer.
- 6) Installation of 5 various degree bends.

Work began on the H-7 Well Site Water Main Extension in October 2005 and was completed in June 2007.

THE ACTUAL COSTS AND EXPENSES FOR H-7 WELL SITE WATER MAIN EXTENSION ARE SUPPORTED BY EXECUTED CONTRACTS, PAID INVOICES

AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF COSTS AND EXPENSES FOR THE H-7 WELL SITE WATER MAIN EXTENSION BEING INCLUDED IN THE BONDS IS SHOWN IN THE FOLLOWING TABLE:

H-7 Well Site Water Main Extension

<u>Description</u>	<u>Total Cost</u>
Total cost of the H-7 Well Site Water Main Extension financed in 2007 Series Bonds	\$ 733,350
Total cost of the H-7 Well Site Water Main Extension financed in 2007 Series Bonds	\$ 733,350

(6) H-10 Well Site Water Main Extension

H-10 Well Site Water Main Extension is located along the west section line of Sections 13 and 24, Township 1 South, Range 2 West, and is an extension of the H-7 Water Line connection from Well H-7 to Well H-10. This pipeline was installed in anticipation of Maricopa County and the City requiring redundant wells in association with the H-7 Temporary RO Facility. The future use of this line is intended to be for the conveyance of effluent from the north for injection into Well H-10. The well site water main extension to be financed by the Series 2007 Bonds is in conformance with the Guidelines.

Actual construction of H-10 Well Site Water Main Extension included the following improvements:

- 1) Installation of 1,831 linear feet of 12” DIP waterline per MAG Spec 610.
- 2) Installation of one 12” tapped cap per MAG DTL 390, Type A.
- 3) Installation of 2 12” Gate Valve box and cover per MAG Std DTL 391-1, Type “A” and debris cap per COG Std DTL G-3321.
- 4) Installation of 4 2” air release valves per COG Std DTL 3328.
- 5) Installation of other required appurtenances.

Work began on the H-10 Well Site Water Main Extension in October 2005 and was completed in February 2007.

THE ACTUAL COSTS AND EXPENSES FOR H-10 WELL SITE WATER MAIN EXTENSION ARE SUPPORTED BY EXECUTED CONTRACTS, PAID INVOICES AND DRAWS INCURRED TO DATE. A CFD IMPROVEMENT MAP SHOWING THE PROJECT LOCATION HAS BEEN INCLUDED WITH THIS REPORT. THE SUMMARY OF COSTS AND EXPENSES FOR THE H-10 WELL SITE WATER MAIN EXTENSION BEING INCLUDED IN THE BONDS IS SHOWN IN THE FOLLOWING TABLE:

H-10 Well Site Water Main Extension:

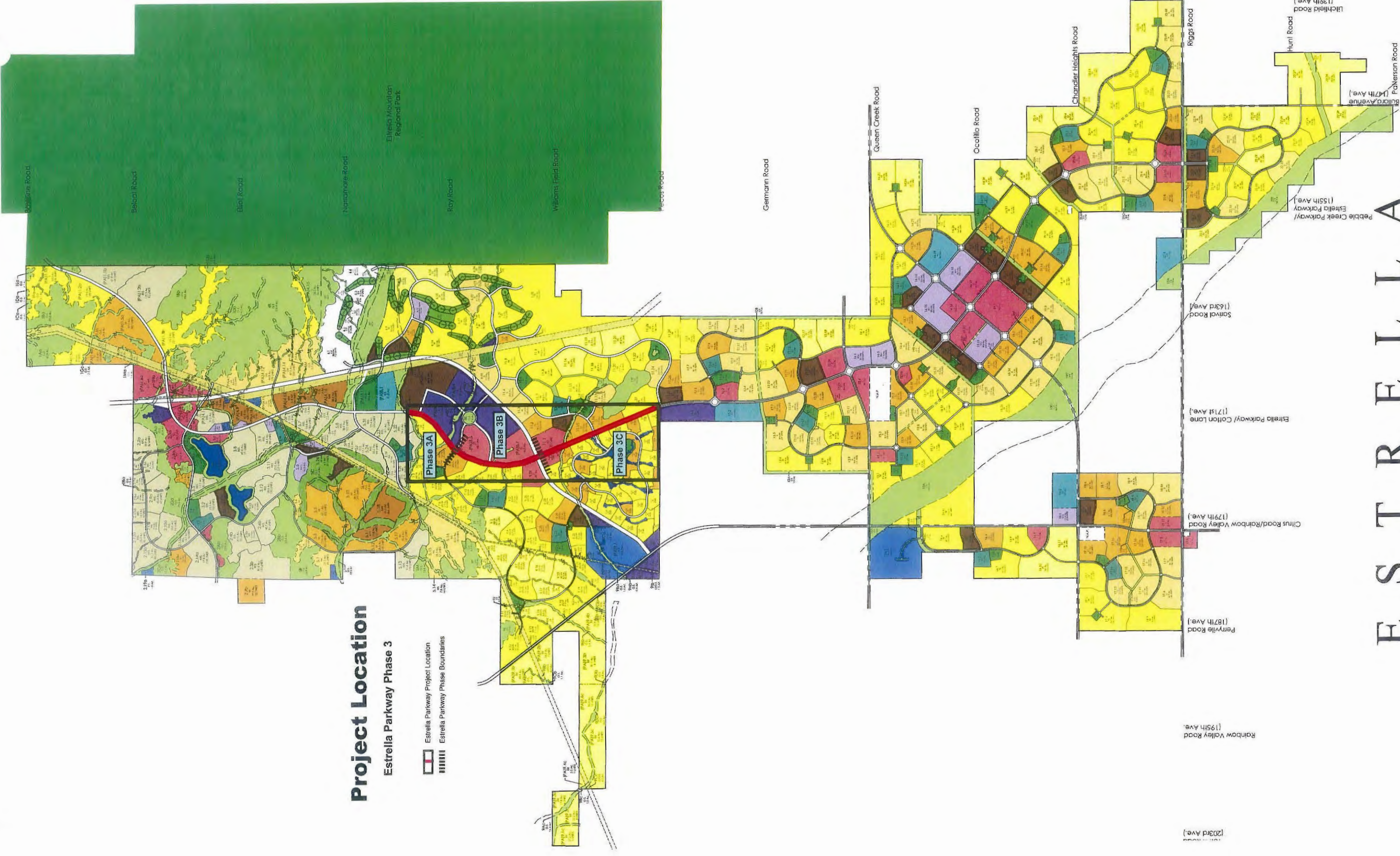
<u>Description</u>		<u>Total Cost</u>
Total cost of the H-10 Well Site Water Main Extension financed in 2007 Series Bonds	\$	151,471
Total cost of the H-10 Well Site Water Main Extension financed in 2007 Series Bonds	\$	<u>151,471</u>

SECTION THREE
LOCATION OF THE PROJECTS

Project Location

Estrella Parkway Phase 3

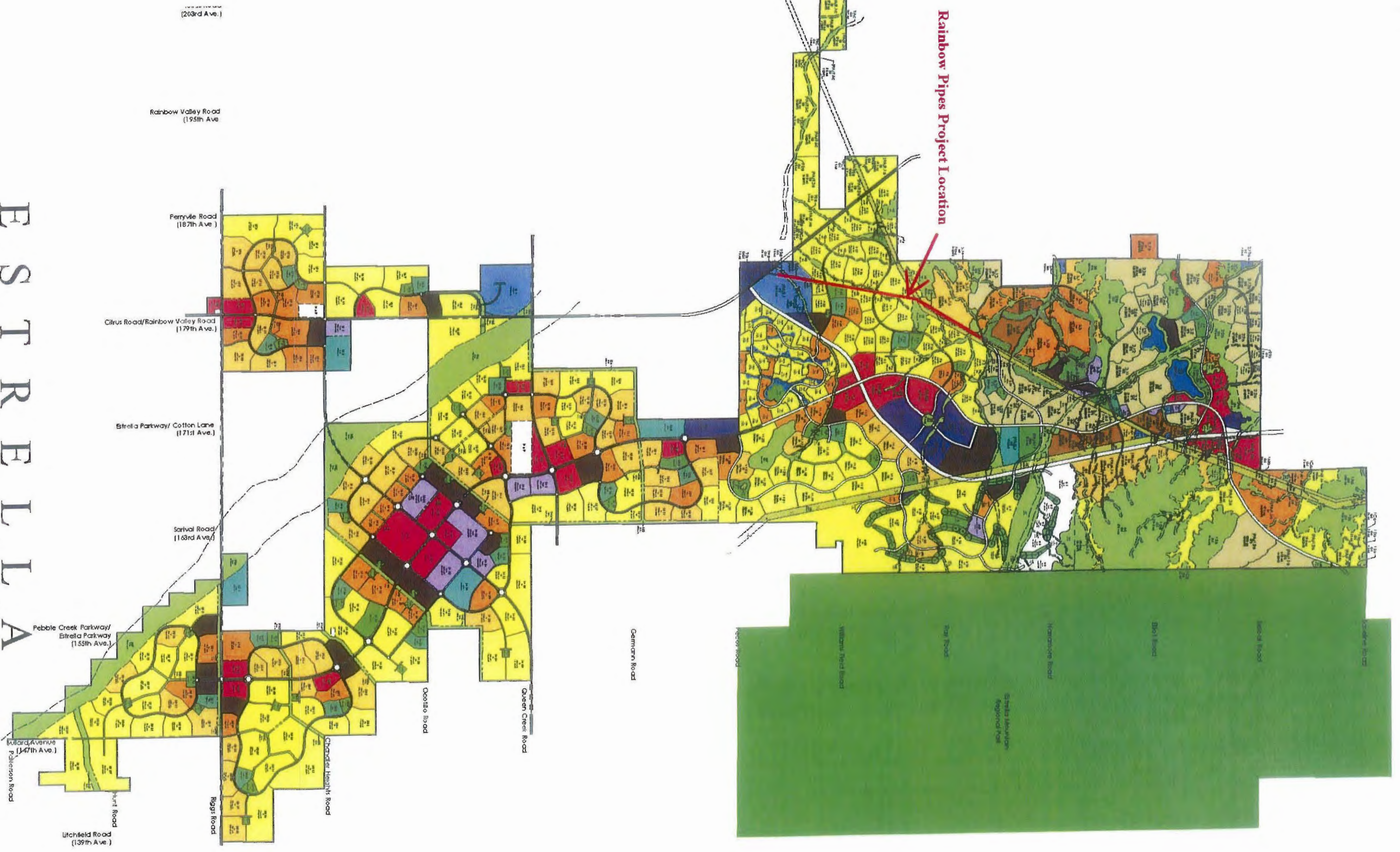
- Estrella Parkway Project Location
- Estrella Parkway Phase Boundaries



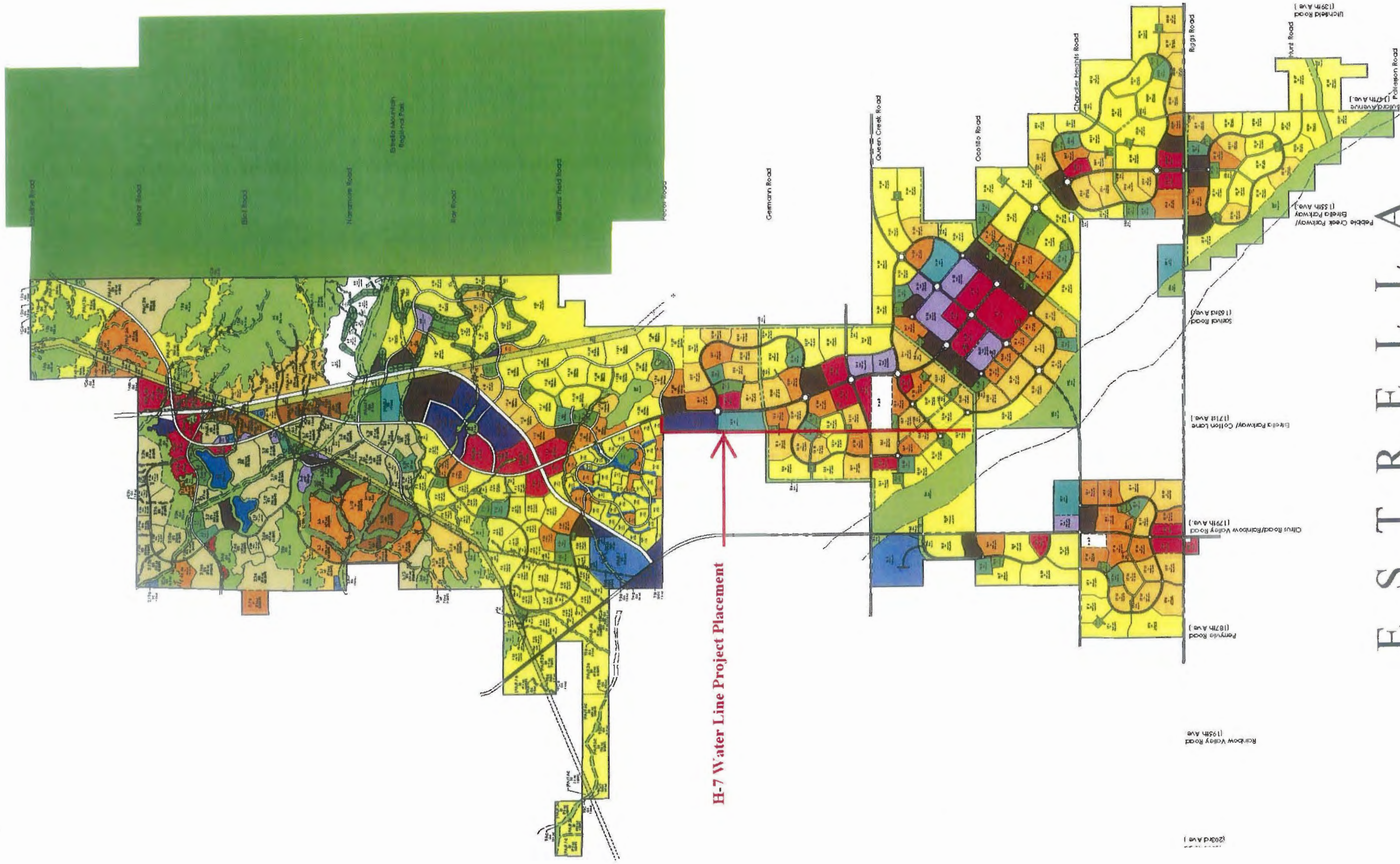
ESTRELLA MOUNTAIN RANCH MASTER PLAN



ESCONDIDO MOUNTAIN MASTER PLAN



Rainbow Pipes Project Location

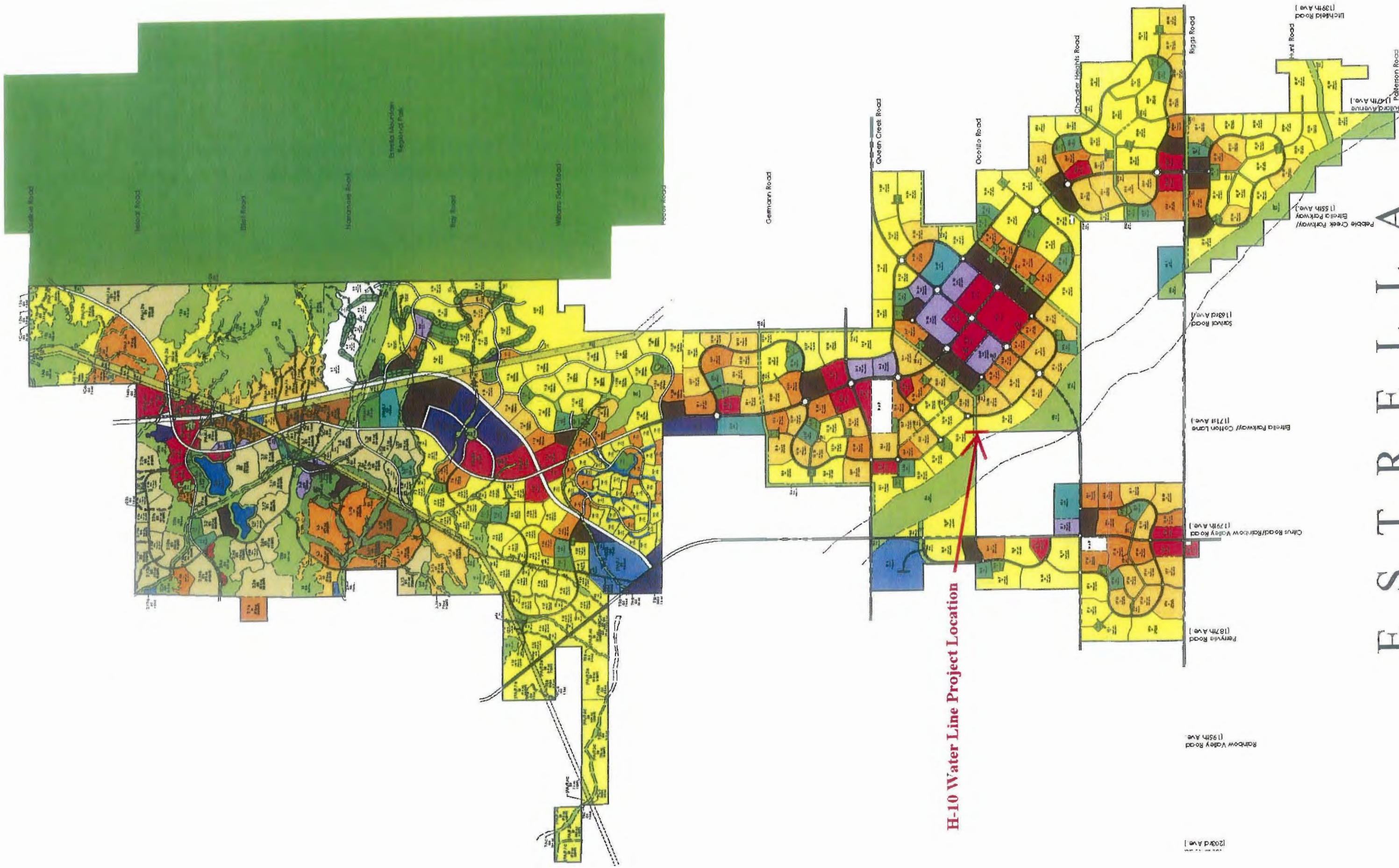


H-7 Water Line Project Placement

ESTRELLA RANCH

MASTER PLAN





H-10 Water Line Project Location

ESTRELLA

MOUNTAIN RANCH

SOUTH EAST

MASTER PLAN



SECTION FOUR

COST TO CONSTRUCT THE PROJECTS
AND
COMPLETION DATES

COST TO CONSTRUCT THE PROJECTS

Shown below is a summary of the actual costs and expenses of the Projects as well as the schedule of the completion dates for the Projects. These amounts represent actual construction costs. The Project total expended construction costs and Project cost estimates are shown in [Appendix D] to this Report.

Upon the acquisition of the Projects, the Applicant, at the request of the District, will dedicate the Projects to the City. Accordingly, the District will have no operating and/or maintenance expenses in conjunction with the Projects. District administrative expenses will be paid as described in the CFD Development Agreement. If for any reason bond proceeds are not sufficient to fund the full eligible construction costs of the Projects, the Applicant will advance such shortfalls and such shortfalls may be reimbursed by later bond issues, if any such bonds are issued at the sole discretion of the District.

Estrella Mountain Ranch Community Facilities District Series 2007 General Obligation Bonds Costs to Construct the Projects / Schedule of Completion Dates for the Projects

<u>Project Description</u>	Total Eligible		Start Date	Completion Date
	Amount Included in the 2007 Series Bonds	Costs Incurred for the 2007 Series Bonds as of 8/7/07		
1. Estrella Parkway Phase 3A Extension ⁽¹⁾	\$ 436,945	\$ 436,945	April-05	July-06
2. Estrella Parkway Phase 3B Extension	4,953,539	4,953,539	April-05	January-07
3. Estrella Parkway Phase 3C Extension	3,359,926	3,359,926	April-05	February-07
4. Rainbow Valley Force Mains	3,122,575	3,122,575	June-05	January-06
5. H-7 Well Site Water Main Extension	733,350	733,350	October-05	February-07
6. H-10 Well Site Water Main Extension	151,471	151,471	October-05	June-07
Total	\$ 12,757,805	\$ 12,757,805		

Footnote:

(1) Most costs incurred to date for Phase 3A were included in the 2005 Series Bond.

SECTION FIVE

DESCRIPTION AND MAP OF AREAS TO BE BENEFITED

DESCRIPTION OF AREAS TO BE BENEFITED

Estrella Parkway Phase 3

Estrella Parkway Phase 3, consisting of Phase 3A, Phase 3B, and Phase 3C, is the main north-south arterial roadway providing access to a major portion of the southern half of Estrella. Phase 3 of Estrella Parkway consists of 14,433 linear feet of roadway, and a total of four lanes and a median, and includes the engineering, design, survey, construction permits, material testing, grading, paving, concrete, including curb, sidewalks, gutters, aprons, street light bases, water, sewer, storm drain, traffic control systems, including street signs and enhanced landscaping. Phase 3 begins just south of Westar Drive and the existing high school and extends nearly three miles south to Pecos Road.

Construction of Phase 3 of Estrella Parkway began in April 2005 and was completed in February 2007. Phase 3 consists of three roadway sections to be financed in part by the Series 2007 Bonds, which are described as follows:

Portion of Estrella Parkway Phase 3A

The Estrella Parkway Phase 3A extension consists of 3,574 linear feet of roadway and a total of four lanes and a median beginning just south of Westar Drive and the existing high school and ending just south of Calistoga Drive. Construction of Phase 3A began in April 2005 and was accepted by the City in May 2007. A portion of Phase 3A was financed with the 2005 Series Bond, while the remaining portion will be financed with the 2007 Series Bonds. The following map shows the area of benefit.

Estrella Parkway Phase 3B

Estrella Parkway Phase 3B consists of 4,332 linear feet of roadway and a total of four lanes and a median beginning just south of Calistoga Drive and ending just south of Cotton Lane. Construction on Phase 3B began in April 2005 and was completed in January 2007. The following map shows the area of benefit.

Portion of Estrella Parkway Phase 3C

The Estrella Parkway Phase 3C consists of 6,527 linear feet of roadway and a total of four lanes and a median beginning just south of Cotton Lane and ending at Pecos Road. The construction of Phase 3C began in April 2005 and was completed in February 2007. A portion of Phase 3C will be financed with the 2007 Series Bonds, while the remaining portion will be financed in a future bond. The following map shows the area of benefit.

Rainbow Valley Water, Reclaimed Water, Sewer, and Sewage Force Mains

The Rainbow Valley Water, Reclaimed Water, Sewer, and Sewage Force Mains consists of various pipelines within the same utility corridor which runs parallel to the Southwest Gas line between Westar Drive and Rainbow Valley Water Reclamation Facility, adjacent to

Rainbow Valley Road. The construction of the force mains began in June 2005 and was completed in January 2006. The following map shows the area of benefit.

H-7 Well Site Water Main Extension




The H-7 Well Site Water Main Extension is located along the west section line of Sections 1, 12 and 13, Township 2 South, Range 1 West of the current terminus of Estrella Parkway at Pecos Road Alignment, south of Well H-7 located in the southwest $\frac{1}{4}$ section of Section 13. The construction of the H-7 Well Site Water Main Extension began in October 2005 and was completed in June 2007. The following map shows the area of benefit.

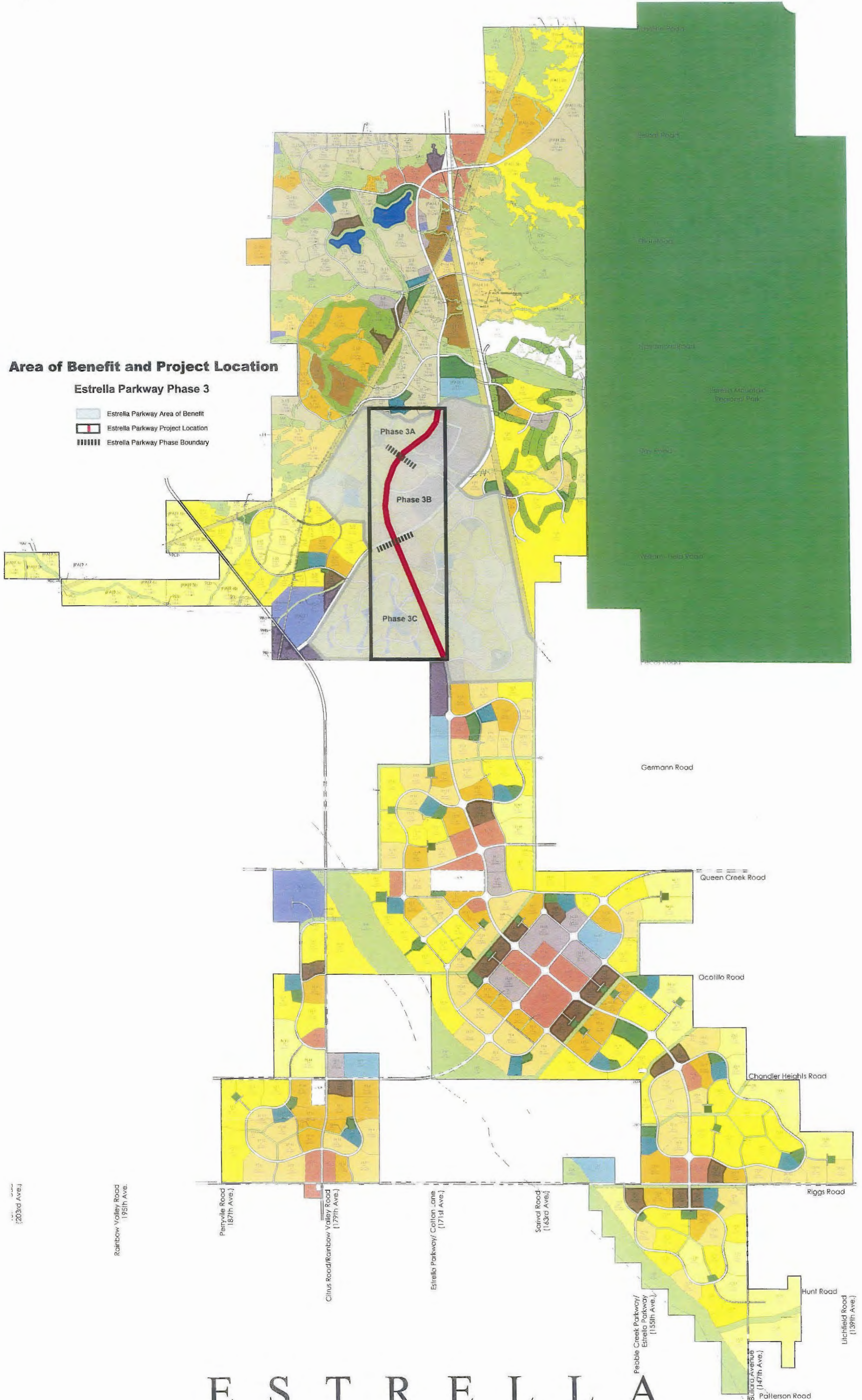
H-10 Well Site Water Main Extension

The H-10 Well Site Water Main Extension is located along the west section line of Sections 13 and 24, Township 1 South, Range 2 West, and is an extension of the H-7 Water Line connection from Well H-7 to Well H-10. The construction of the H-10 Well Site Water Main Extension began in October 2005 and was completed in February 2007. The following map shows the area of benefit.

Area of Benefit and Project Location

Estrella Parkway Phase 3

-  Estrella Parkway Area of Benefit
-  Estrella Parkway Project Location
-  Estrella Parkway Phase Boundary



ESTRELLA
MOUNTAIN RANCH
MASTER PLAN

203rd Ave.

Rainbow Valley Road
192th Ave.

Pennyville Road
187th Ave.

Citrus Road/Rainbow Valley Road
179th Ave.

Estrella Parkway/ Cotton Lane
171st Ave.

Sorrel Road
163rd Ave.

Pebble Creek Parkway/
Estrella Parkway
155th Ave.

Bullard Avenue
147th Ave.

Patterson Road

Hunt Road

Litchfield Road
139th Ave.

Riggs Road

Chandler Heights Road

Ocoillo Road

Queen Creek Road

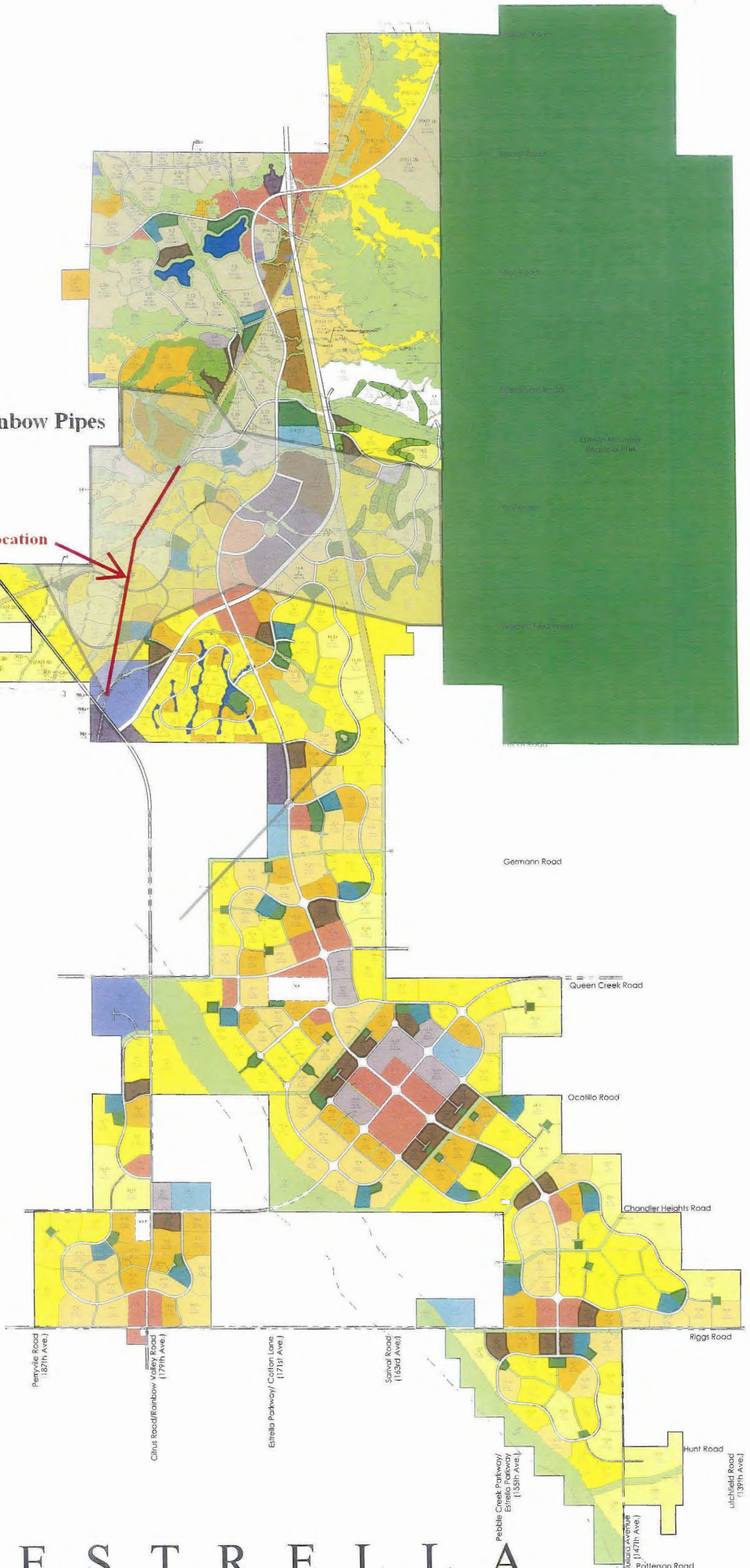
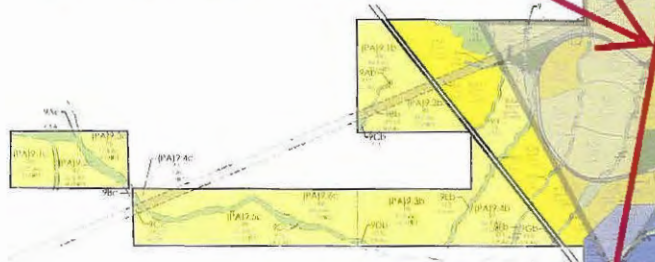
Gemann Road



Area of Benefit: Rainbow Pipes

□ Area of Benefit: Rainbow Pipes

Rainbow Pipes Project Location



ESTRELLA

MOUNTAIN RANCH

MASTER PLAN

203rd Ave.

Rainbow Valley Road
195th Ave.

Pennyville Road
187th Ave.

Citrus Road/Rainbow Valley Road
179th Ave.

Estrella Parkway/ Colton Lane
171st Ave.

Survival Road
1163rd Ave.

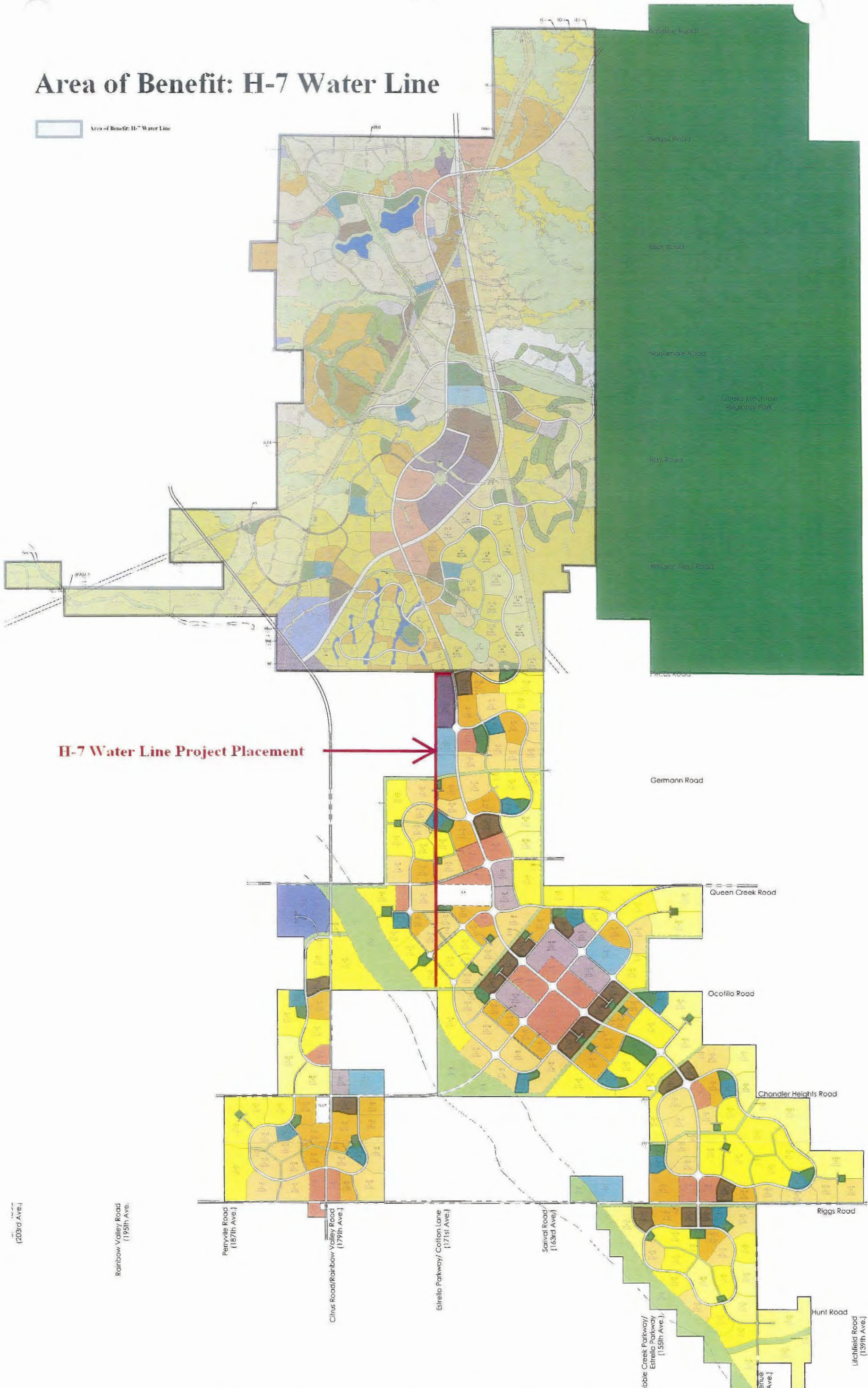
Pebble Creek Parkway/
Estrella Parkway
1155th Ave.

Bullock Avenue
1147th Ave.

Hunt Road
1139th Ave.

Area of Benefit: H-7 Water Line

 Area of Benefit: H-7 Water Line



H-7 Water Line Project Placement

ESTRELLA MOUNTAIN RANCH MASTER PLAN

(203rd Ave.)

Rainbow Valley Road (195th Ave.)

Perryville Road (187th Ave.)

Citrus Road/Rainbow Valley Road (179th Ave.)

Estrella Parkway/Colton Lane (171st Ave.)

Sanval Road (163rd Ave.)

Pebble Creek Parkway/Estrella Parkway (158th Ave.)

Bullard Avenue (147th Ave.)

Patterson Road

Hunt Road (139th Ave.)

Riggs Road

Chandler Heights Road

Ocotillo Road

Queen Creek Road

Germann Road

Willow Bend Road

Roy Road

Carroll Mountain Regional Park


Nantua Road

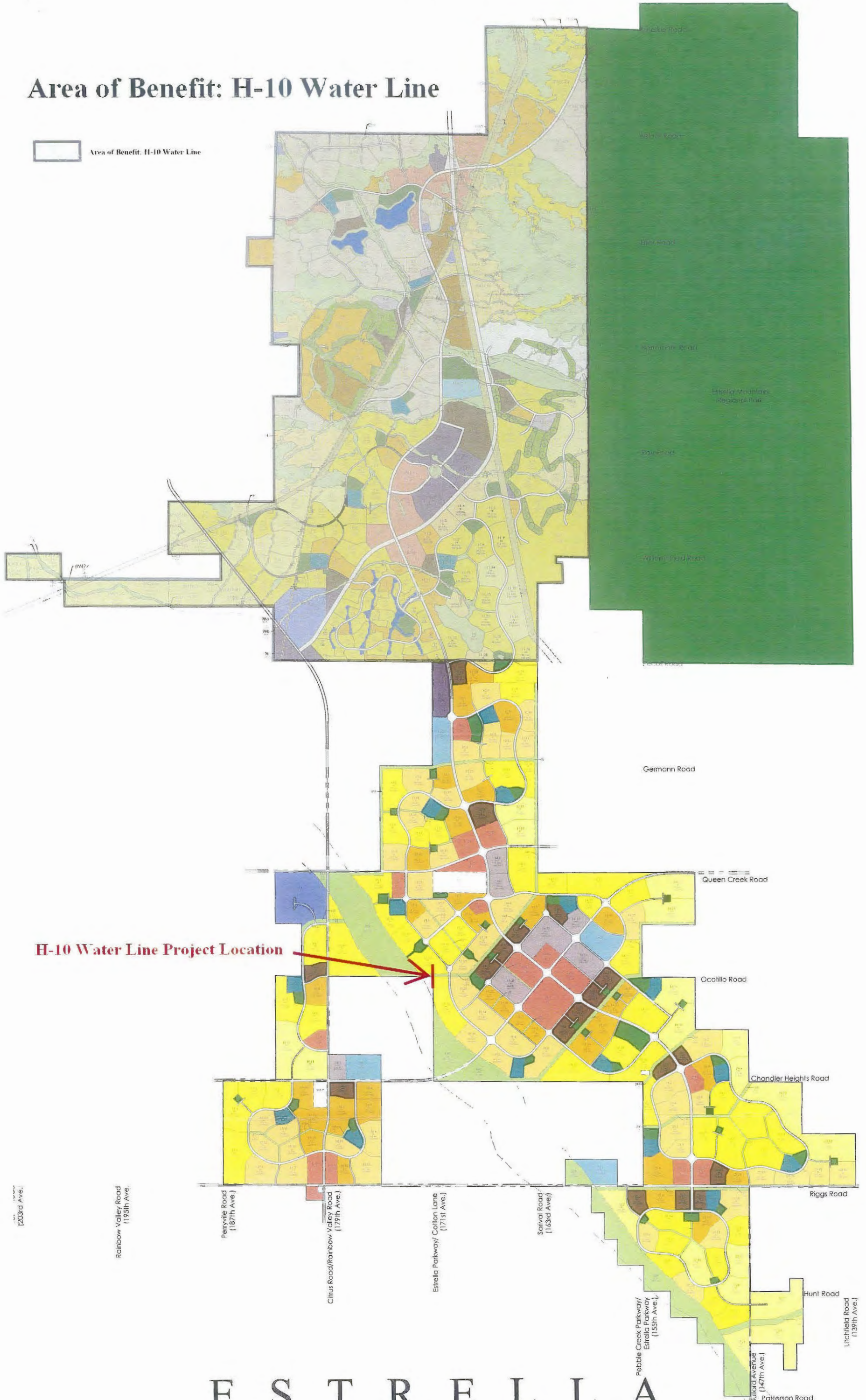
East Road

Beluga Road

Abalone Road

Area of Benefit: H-10 Water Line

 Area of Benefit: H-10 Water Line



H-10 Water Line Project Location

ESTRELLA
MOUNTAIN RANCH
MASTER PLAN

203rd Ave.

Rainbow Valley Road
(175th Ave.)

Perryville Road
(187th Ave.)

Citrus Road/Rainbow Valley Road
(179th Ave.)

Estrella Parkway/ Colton Lane
(171st Ave.)

Survival Road
(163rd Ave.)

Riggs Road

Hunt Road

Litchfield Road
(139th Ave.)

Pebble Creek Parkway/
Estrella Parkway
(155th Ave.)

Bulard Avenue
(147th Ave.)

Patterson Road

Gemann Road

Queen Creek Road

Ocotillo Road

Chandler Heights Road

Winn Road

Estrella Mountain
Regional Park

Stonewood

Belton Road

Palme Road

SECTION SIX
PLAN OF FINANCE

PLAN OF FINANCE

The Projects have all been completed and are to be acquired by the District by way of a Plan of Finance herein described. This Plan of Finance is subject to change based on market conditions and requirements necessary to comply with Federal and State Law.

- (1) The City Council, in response to a petition from SunChase as owner of all of the property within the District, adopted a resolution forming the District on November 22, 1999. The District also adopted a General Plan describing the public infrastructure to be financed by the District.
- (2) No residents were living in the District at the time, so the SunChase and Residential Funding Corporation voted on December 13, 1999 to authorize an amount not to exceed \$200,000,000 of general obligation bonds to be issued in series over time by the District.
- (3) The Series 2007 Bonds are the third general obligation bond issuance for Estrella Mountain Ranch Community Facilities District. The first general obligation bond issuance was the Series 2001 Bond in the amount of \$200,000, which financed enhanced landscaping along Estrella Parkway between Elliot Road and San Miguel. The Series 2001 Bond was called and retired by the District on July 15, 2005. The second general obligation bond issuance was the Series 2005 Bond in the amount of \$5,005,000, which financed a 16" Water Line, 24" Effluent Line, Lum Lift Station, and a portion of Estrella Parkway Phase 3A. As of July 15, 2007, the Series 2005 Bond had a principal balance of \$4,775,000.
- (4) The Series 2007 Bond proceeds will be utilized to acquire discernable segments of the eligible Projects (i.e. Estrella Parkway Phase 3A, Phase 3B, Phase 3C Extensions, Rainbow Valley Force Mains, H-7 Well Site Water Main Extension, and H-10 Well Site Water Main Extension) pursuant to the terms of the CFD Development Agreement. Any costs necessary to complete the Projects in excess of the Series 2007 Bond proceeds have been paid by the Applicant who will look to be reimbursed for such shortfalls from future bond issues, if any such bonds are issued at the sole discretion of the District.
- (5) The construction contracts for the Projects were bid and awarded pursuant to the public bid process of Title 34 of the Arizona Revised Statutes and administered in conformance to applicable law.
- (6) The maximum secondary property tax levy applied to the secondary assessed valuation ("SAV") of the District is \$1.00 per \$100 of SAV ("Target Tax Rate") pursuant to the CFD Development Agreement. The Applicant and District will enter into a Standby Contribution Agreement ("Standby Agreement") pursuant to Section 4.4 of the Guidelines to allow for the Bonds to be sized at an equivalent CFD tax

rate of \$2.00 per \$100 of SAV. Under the terms of the Standby Agreement, until such time as the CFD tax rate is equal to, or less than, the Target Tax Rate, the Applicant shall guarantee and make annual debt service payments required to reduce the actual CFD tax rate to the Target Tax Rate. The Standby Agreement will be in effect for the life of the Bonds or until the Target Tax Rate (at a collection rate equal to the lesser of 95% or the actual historical collection rate of the District) produces 100% of the maximum annual debt service on all outstanding District general obligation bonds and the District agrees to release the Applicant from such obligation.

- (7) The following table estimates the maximum annual debt service payment required under the terms of the Standby Agreement.

**Estrella Mountain Ranch
Community Facilities District
Maximum Annual Debt Service Payment**

<u>Description</u>		<u>Bond Sizing</u>
Assessed Value Subject to Tax (1)	(A)	\$ <u>72,745,981</u>
Assessed Value per \$100	(A)/\$100=(B)	\$ <u>727,460</u>
Target GO Tax Rate (2)	(C)	\$ <u>1.00</u>
Total GO Tax Levy at Target Tax Rate	(B)*(C)=(D)	\$ <u>727,460</u>
GO Tax Levy Available for Debt Service at the Target Tax Rate	(D)*95%=(E)	\$ <u>691,087</u>
Combined Maximum Series 2005 and Series 2007 Bonds Debt Service (3)	(F)	\$ <u>1,379,383</u>
Maximum Estimated Debt Service in Excess of Target Tax Rate Collections	(F)-(E)=(G)	\$ <u>688,296</u>

Footnotes:

- (1) Source: 2007 Certified Assessed Valuation provided by the Maricopa County 2007 Tax Levy on August 30, 2007.
 (2) The Applicant will fund the total GO debt service which is in excess of that supportable by the Target Tax Rate until the secondary assessed value of the District increases to the amount necessary to service the total GO payments at the Target Tax Rate.
 (3) The largest debt service required for the combined debt of the outstanding Series 2005 Bond and the Series 2007 Bonds as estimated by Stone and Youngberg, LLC, included hereto in column 11 of Appendix E.

- (8) The largest annual combined debt service payment amount for the Series 2005 Bond and the Series 2007 Bonds is estimated to be \$1,379,383, as provided by Stone and Youngberg, LLC, included hereto under [Appendix E]. The estimated supportable debt service of the District at the Target Tax Rate is estimated to be \$691,087 assuming a 95% collection rate, resulting in remaining debt service in excess of the Target Tax Rate collections (“Excess Debt Service”) of \$688,296, as shown above. The Applicant will fund the Excess Debt Service until the SAV of the District increases to an amount which supports the total debt service of the Series 2005 Bond as well as the Series 2007 Bonds at the Target Tax Rate as outlined in the Standby

Agreement. This obligation will continue until the District agrees to release the Applicant from such obligation.

- (9) The Applicant, pursuant to the Standby Agreement, is required to meet three net worth liquidity requirements prior to entering into a Standby Agreement. The three requirements include: (i) Maintain an audited net worth at all times during the term of the Standby Agreement, of at least five (5) times the principal amount of the bonds that are supported by the then Standby Agreement, (ii) maintain a net worth of twenty-five (25) times the maximum annual standby liability in the next bond year, and (iii) maintain a quick ratio of two (2) times the maximum annual standby liability. According to the Applicant's balance sheet as of December 31, 2006 included hereto under [Appendix G], all three liquidity requirements have been met.
- (10) The schedule of overlapping general obligation bonded indebtedness for the District is shown in the following table and includes a breakdown of each overlapping jurisdiction's applicable general obligation bonded indebtedness, net assessed valuation and combined tax rate per \$100 assessed valuation.

**Estrella Mountain Ranch Community Facilities District
District Overlapping Tax Debts
Including Series 2007 Issue**

<u>Overlapping Jurisdiction</u>		2007-2008 Net Secondary Assessed Valuation		Net Outstanding Bonded Debt ⁽¹⁾	Proportion Applicable to the District	
					Approx. Percent ⁽⁸⁾	Amount
State of Arizona	(2)	\$ 71,852,630,420	(4)	\$ -	0.07%	\$ -
Maricopa County	(2)	36,294,693,601	(5)	-	0.14%	-
Maricopa County Community College District	(2)	49,534,573,826	(2)	8,305,568	0.10%	8,289
City of Goodyear	(2)	764,237,138	(2)	6,632,500	6.47%	429,036
Liberty ESD No. 25	(2)	270,369,303	(2)	3,630,710	18.28%	663,863
Buckeye Union No. 201	(2)	795,517,574	(2)	8,305,568	6.21%	516,135
Flood Control District of Maricopa County	(2)	45,937,944,910	(2)	70,422,870	0.11%	75,786
Estrella Mountain Ranch CFD (Series 2005)	(3)	49,436,091	(6)	4,775,000	100.00%	4,775,000
Estrella Mountain Ranch CFD (Series 2007)	(3)	72,745,981	(7)	12,760,000	100.00%	12,760,000
Total						<u>\$ 19,228,108</u>

Footnotes:

- (1) Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale.
(2) Maricopa County 2007 Tax Levy.
(3) Maricopa County Assessor's Office.
(4) AZ Department of Revenue, 2005/06 Report of Indebtedness.
(5) No existing levies based on secondary assessed value.
(6) Estrella Mountain Ranch Series 2005 General Obligation Bonds outstanding.
(7) Represents the anticipated bond issue, at par, of the 2007 Series Bond.
(8) Proportion is the CFD's assessed valuation (AV) as a portion of the overlapping jurisdiction's AV as a percent.

The District's financing is not expected to adversely affect the City's general financing abilities. The City is under no legal requirement to secure any portion of the District's debt service payments.

- (11) The District is requested to issue the Series 2007 Bonds in a par amount not to exceed \$12,760,000 to finance eligible costs of the Projects as described in Section Four. The Bonds are expected to be issued in the fourth quarter of 2007.

- (12) The estimated Sources and Uses of Funds from the sale of the Series 2007 Bonds is shown in the following table.

**Estrella Mountain Ranch
Community Facilities District
Series 2007 General Obligation Bonds
Estimated Sources and Uses of Funds (1)**

Sources:

Series 2007 Bond Issue	\$ 12,760,000	
Applicant Cash Contribution To Issuance Costs (1)	505,200	
Total Sources of Funds		<u>\$ 13,265,200</u>

Uses:

Public Infrastructure Improvements	\$ 12,760,000	
Issuance Costs (1)	250,000	
Underwriters' Discount (1)	255,200	
Total Uses of Funds		<u>\$ 13,265,200</u>

Footnote:

(1) Preliminary, subject to change. The Applicant Contribution includes the amount to pay all underwriting fees and issuance costs of the Bonds. The amount of the Series 2007 Bonds will not exceed a principal amount of \$12,760,000.

- (13) The following table is a breakdown of the estimated issuance costs to be paid by the Applicant:

**Estrella Mountain Ranch
Community Facilities District
Issuance Costs (1)**

Description	Amount
Bond Counsel	\$ 80,000
Underwriters' Counsel	\$ 45,000
CFD Financial Advisor	\$ 15,000
Bond Registrar, Paying Agent, Trustee	\$ 15,000
Printing Fees	\$ 20,000
Miscellaneous	\$ 75,000
Total Issuance Costs	\$250,000

Footnotes

(1) All figures have been rounded. Certain of these individual amounts are estimates and may change when the final bond amount is determined. In no case will the final bond amount exceed \$12,760,000.

- (14) The Series 2007 Bonds will have a 25 year maturity and the principal will be amortized over a 25 year period. The Bonds will be unrated and will not be credit-

enhanced and/or subsidized in any manner other than by payments made pursuant to a Standby Agreement from the Applicant. The Bonds will not be sold in a public offering for purposes of A.R.S. 48-719.

- (15) At the discretion of the Applicant, additional security instruments may be provided to allow for the Bonds to be rated by a national rating agency acceptable to the Board. The cost of such security instruments may be eligible for reimbursement from Bond proceeds at the discretion of the Board.
- (16) At the \$1.30 level (\$1.00 Target Tax Rate for debt service and \$0.30 for operations and maintenance), assuming an average home price of \$400,000 and other assumptions as shown herein, the estimated tax bill for a homeowner would equal approximately \$36 per month or approximately \$426 annually.
- (17) An estimated Sources and Uses of Funds and Bond Debt Service Schedule prepared by the underwriter, Stone and Youngberg, LLC, have been included under [Appendix F] to this Report.

Appendix A

**Legal Description for the
Estrella Mountain Ranch
Community Facilities District**

February 27, 1997

LEGAL DESCRIPTION
ESTRELLA - LEGAL 5

PARCEL 1

That part of Sections 1, 10, 11, 12, 13, 14, 15, 22, 23, 24, 25, 26, 27, 28, 31, 32, 33, 34, 35 and 36, Township 1 South, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the Northeast Corner of said Section 1, as shown on the "Estrella Phase One, Map of Dedication", as recorded in Book 318 of Maps, Page 38, Maricopa County Records;

Thence South $00^{\circ}20'21''$ West (measured), South $00^{\circ}20'03''$ West (record), along the East line of said Section 1, a distance of 2,710.50 feet (measured), 2708.61 feet (record) to the East Quarter Corner of said Section 1;

Thence South $00^{\circ}13'59''$ West (measured), South $00^{\circ}14'18''$ West (record), continuing along the East line of said Section 1, a distance of 2,640.94 feet (measured), 2641.11 feet (record) to the Northeast Corner of said Section 12;

Thence South $00^{\circ}28'03''$ West (measured), South $00^{\circ}28'10''$ West (record), along the East line of said Section 12, a distance of 2,641.29 feet (measured) 2641.01 feet (record) to the East Quarter Corner of said Section 12;

Thence South $00^{\circ}13'23''$ West (measured), South $00^{\circ}13'30''$ West (record), continuing along the East line of said Section 12, a distance of 2,646.70 feet to the Northeast Corner of said Section 13;

Thence South $00^{\circ}07'53''$ West, along the East line of said Section 13, a distance of 2,644.87 feet to the East Quarter Corner of said Section 13;

Thence South $00^{\circ}13'33''$ West, continuing along the East line of said Section 13, a distance of 2,617.62 feet to the Northeast Corner of said Section 24;

Thence South $00^{\circ}13'33''$ West, along the East line of said Section 24, a distance of 2,653.28 feet to the East Quarter Corner of said Section 24;

Thence South $00^{\circ}17'47''$ West, continuing along the East line of said Section 24, a distance of 2,643.64 feet to the Northeast Corner of said Section 25;

Thence South $00^{\circ}08'16''$ West, along the East line of said Section 25, a distance of 2,640.90 feet to the East Quarter Corner of said Section 25;

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Thence South $00^{\circ}12'04''$ West, continuing along the East line of said Section 25, a distance of 2,633.25 feet to the Northeast Corner of said Section 36;

Thence North $89^{\circ}13'00''$ West, along the North line of said Section 36, a distance of 1,624.40 feet to the Northwest Corner of the Northeast Quarter of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 36;

Thence South $00^{\circ}31'11''$ West, along the West line of the Northeast Quarter of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 36, a distance of 332.14 feet to the Southwest Corner thereof;

Thence South $89^{\circ}15'58''$ East, along the South line of the Northeast Quarter of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 36, a distance of 325.17 feet to a point on the East line of the Northwest Quarter of the Northeast Quarter of said Section 36;

Thence South $00^{\circ}28'07''$ West, along said East line, a distance of 995.59 feet to the Southeast Corner of the Northwest Quarter of the Northeast Quarter of said Section 36;

Thence North $89^{\circ}24'51''$ West, along the South line of the Northwest Quarter of the Northeast Quarter of said Section 36, a distance of 1,304.25 feet to a point on the North-South mid-section line of said Section 36;

Thence South $00^{\circ}40'22''$ West, along said North-South mid-section line, a distance of 3,968.88 feet to the South Quarter Corner of said Section 36;

Thence North $89^{\circ}36'54''$ West, along the South line of said Section 36, a distance of 2,638.53 feet to the Southeast Corner of said Section 35;

Thence North $89^{\circ}36'09''$ West, along the South line of said Section 35, a distance of 2,633.38 feet to the South Quarter Corner of said Section 35;

Thence North $89^{\circ}34'19''$ West, continuing along the South line of said Section 35, a distance of 2,644.84 feet to the Southeast Corner of said Section 34;

Thence North $89^{\circ}29'43''$ West, along the South line of said Section 34, a distance of 2,637.81 feet to the South Quarter Corner of said Section 34;

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Thence North $89^{\circ}29'43''$ West, continuing along the South line of said Section 34, a distance of 964.18 feet to a point on the Northeasterly right-of-way line of "Rainbow Valley Road," as recorded in Book 10 of Road Maps, Page 25 & 26, Maricopa County Records;

Thence North $37^{\circ}50'26''$ West, along the Northeasterly right-of-way line of said "Rainbow Valley Road," a distance of 2,704.64 feet to a point on the East line of said Section 33;

Thence North $00^{\circ}21'07''$ East, along said East line, a distance of 564.43 feet to the East Quarter Corner of said Section 33;

Thence North $89^{\circ}49'56''$ West, along the East-West mid-section line of said Section 33, a distance of 442.93 feet to a point on the Northeasterly right-of-way line of said "Rainbow Valley Road";

Thence North $37^{\circ}50'26''$ West, along said Northeasterly right-of-way line of "Rainbow Valley Road," a distance of 6,709.50 feet to a point on the East-West mid-section line of said Section 28;

Thence South $89^{\circ}27'48''$ East, along said East-West mid-section line, a distance of 4,600.62 feet to the West Quarter Corner of said Section 27;

Thence North $00^{\circ}28'09''$ East, along the West line of said Section 27, a distance of 2,657.12 feet to the Southwest Corner of said Section 22;

Thence North $00^{\circ}14'06''$ East, along the West line of said Section 22, a distance of 2,630.12 feet to the West Quarter Corner of said Section 22;

Thence South $89^{\circ}51'29''$ East, along the East-West mid-section line of said Section 22, a distance of 1,319.81 feet to the Southeast Corner of the West Half of the Northwest Quarter of said Section 22;

Thence North $00^{\circ}11'40''$ East, along the East line of the West Half of the Northwest Quarter of said Section 22, a distance of 2,641.50 feet to the Northeast Corner of the West Half of the Northwest Quarter of said Section 22;

Thence North $89^{\circ}24'39''$ West, along the North line of the West Half of the Northwest Quarter of said Section 22, a distance of 1,321.54 feet to the Southwest Corner of said Section 15;

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Thence North $00^{\circ}03'52''$ East, along the West line of said Section 15, a distance of 2,651.85 feet to the West Quarter Corner of said Section 15, said point also being the Southwesterly Boundary Corner of said "Estrella Phase One, Map of Dedication;"

Thence North $01^{\circ}27'57''$ East (measured), North $01^{\circ}27'59''$ East (record), continuing along the West line of said Section 15, a distance of 2,614.84 feet (measured), 2,614.86 feet (record) to the Southwest Corner of said Section 10;

Thence North $02^{\circ}27'13''$ East (measured), North $02^{\circ}27'17''$ East (record), along the West line of said Section 10, a distance of 2,633.92 feet (measured), 2,633.92 feet (record) to the West Quarter Corner of said Section 10;

Thence North $02^{\circ}22'18''$ East (measured), North $02^{\circ}22'31''$ East (record), continuing along the West line of said Section 10, a distance of 2,635.09 feet (measured), 2,635.54 feet (record) to the Northwest Corner of said Section 10;

Thence South $89^{\circ}13'00''$ East (measured), South $89^{\circ}12'35''$ East (record), along the North line of said Section 10, a distance of 2,650.33 feet (measured), 2,650.49 feet (record) to the North Quarter Corner of said Section 10;

Thence South $89^{\circ}22'02''$ East (measured), South $89^{\circ}21'52''$ East (record), continuing along the North line of said Section 10, a distance of 2,638.74 feet (measured), 2,639.03 feet (record) to the Northwest Corner of said Section 11;

Thence South $89^{\circ}31'04''$ East (measured), South $89^{\circ}31'03''$ East (record), along the North line of said Section 11, a distance of 2,649.70 feet (measured), 2,649.92 feet (record) to the North Quarter Corner of said Section 11;

Thence South $89^{\circ}39'41''$ East (measured), South $89^{\circ}39'05''$ East (record); continuing along the North line of said Section 11, a distance of 2,649.36 feet (measured), 2,649.51 feet (record) to the Southwest Corner of said Section 11;

Thence North $00^{\circ}39'36''$ East (measured), North $00^{\circ}39'46''$ East (record), along the West line of said Section 1, a distance of 2,606.21 feet (measured), 2,606.59 feet (record) to the West Quarter Corner of said Section 1;

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Thence North $02^{\circ}11'20''$ West (measured), North $02^{\circ}10'59''$ West (record), continuing along the West line of said Section 1, a distance of 2,694.65 feet (measured), 2,694.49 feet (record) to the Northwest Corner of said Section 1;

Thence North $89^{\circ}37'33''$ East (measured), North $89^{\circ}37'44''$ East (record), along the North line of said Section 1, a distance of 2,470.13 feet (measured) to the Southeast Corner of Section 36, Township 1 North, Range 2 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

Thence North $89^{\circ}43'37''$ East (measured), North $89^{\circ}37'44''$ East (record), continuing along the North line of said Section 1, a distance of 70.26 feet (measured) to the North Quarter Corner of said Section 1;

Thence North $89^{\circ}43'37''$ East (measured), North $89^{\circ}46'12''$ East (record), continuing along the North line of said Section 1, a distance of 2,521.98 feet (measured), 2,521.62 feet (record) to the Point of Beginning.

Containing 10,067.869 Acres more or less.

PARCEL 2

That part of the Southwest Quarter of Section 34, Township 1 South, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the Southwest Corner of said Section 34;

Thence North $00^{\circ}21'07''$ East, along the West line of said Section 34, a distance of 1,991.83 feet to a point on the Southwesterly right-of-way line of "Rainbow Valley Road," as recorded in Book 10 of Road Maps, Page 25 & 26, Maricopa County Records;

Thence South $37^{\circ}50'26''$ East, along the Southwesterly right-of-way line of "Rainbow Valley Road," a distance of 2,539.67 feet to a point on the South line of said Section 34;

Thence North $89^{\circ}29'43''$ West, along said South line, a distance of 1,570.30 feet to the Point of Beginning.

Containing 35.902 Acres more or less.

PARCEL 3

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That part of the Southwest Quarter of Section 28, Township 1 South, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the Southwest Corner of said Section 28;

Thence North $00^{\circ}08'04''$ East, along the West line of said Section 28, a distance of 2,641.56 feet to the West Quarter Corner of said Section 28;

Thence South $89^{\circ}27'48''$ East, along the East-West mid-section line of said Section 28, a distance of 583.08 feet to a point on the Southwesterly right-of-way line of "Rainbow Valley Road," as recorded in Book 10 of Road Maps, Page 25 & 26, Maricopa County Records;

Thence South $37^{\circ}50'26''$ East, along the Southwesterly right-of-way line of said "Rainbow Valley Road," a distance of 3,329.90 feet to a point on the South line of said Section 28;

Thence South $89^{\circ}51'39''$ West, along the South line of said Section 28, a distance of 2,632.04 feet to the Point of Beginning.

Containing 97.276 Acres more or less.

PARCEL 4

That part of the North Half of Section 33 and the South Half of the North Half of Section 32, Township 1 South, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the East Quarter Corner of said Section 32;

Thence North $89^{\circ}48'26''$ West, along the East-West mid-section line of said Section 32, a distance of 5,208.80 feet to a point on the Easterly right-of-way line of "Tuthill Road," as recorded in Book 33 of Road Maps, Page 39 and Instrument #92-109925, Maricopa County Records, said line being parallel with and 40.00 feet Easterly, as measured at right angles, from the West line of said Section 32;

Thence North $01^{\circ}01'17''$ West, along the Easterly right-of-way line of said "Tuthill Road," a distance of 1,338.76 feet to point on the North line of the South Half of the North Half of said Section 32;

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Thence South $89^{\circ}39'25''$ East, along the North line of the South Half of the North Half of said Section 32, a distance of 5,241.38 feet to the Northwest Corner of the South Half of the Northwest Quarter of said Section 33;

Thence South $89^{\circ}59'09''$ East, along the North line of the South Half of the Northwest Quarter of said Section 33, a distance of 2,644.85 feet to a point on the North-South mid-section line of said Section 33;

Thence North $00^{\circ}31'52''$ East, along said North-South mid-section line, a distance of 1,310.78 feet to a point on the Southwesterly right-of-way line of "Rainbow Valley Road";

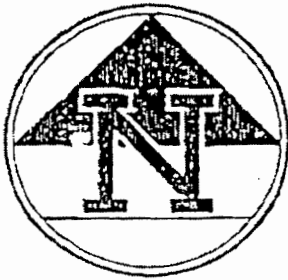
Thence South $37^{\circ}50'26''$ East, along the Southwesterly right-of-way line of said "Rainbow Valley Road", a distance of 3,353.83 feet to a point on the East-West mid-section line of said Section 33;

Thence North $89^{\circ}49'56''$ West, along said East-West mid-section line, a distance of 4,723.13 feet to the Point of Beginning.

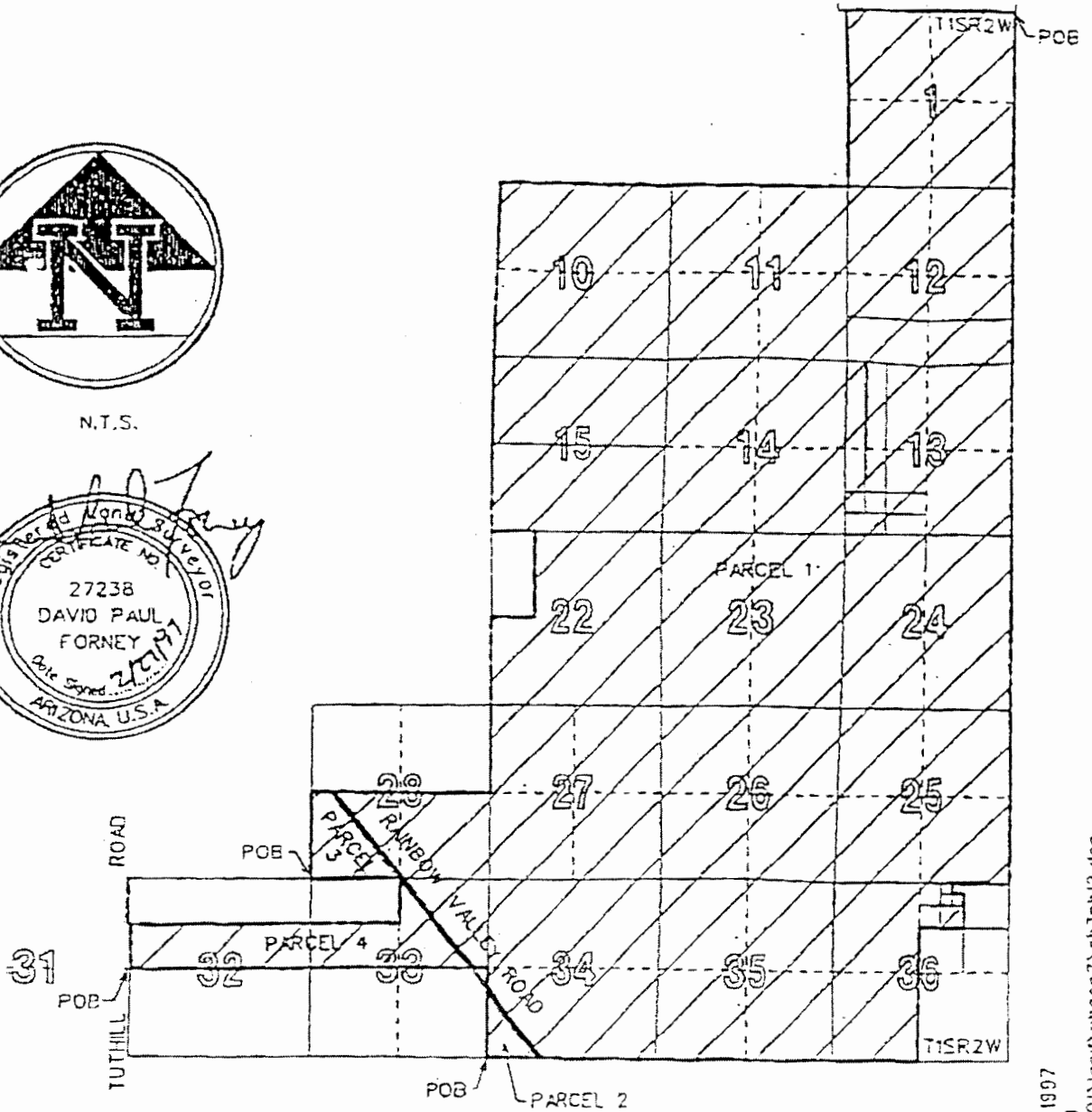
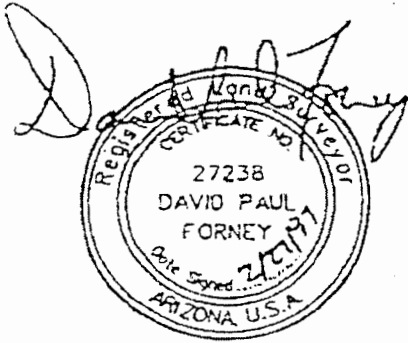
Containing 303.465 acres more or less.

Containing 10,504.512 acres total more or less.

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EXHIBIT

ESTRELLA - LEGAL 3

JOB NO

46002501

4550 NORTH 12TH STREET

SHEET

EXCEPT the following parcels, legally described as follows:

- a) Estrella Parcel 8, according to Book 318 of Maps, Page 39, Records of Maricopa County, Arizona.
- b) Lots 22, 23, 24, 28 - 32, 38, 39, 75, and Tracts A, B, C and D of Estrella Parcel 9, according to Book 318 of Maps, Page 40, Records of Maricopa County, Arizona.
- c) Surchase at Estrella Parcel 33, according to 451 of Maps, Page 21, Instrument No. 97-0697454 Records of Maricopa County, Arizona.
- d) Estrella Parcel 34, according to Book 329 of Maps, Page 34, Records of Maricopa County, Arizona.
- e) Estrella Mountain Ranch Parcel 43, according to Book 482 of Maps, Page 50, Instrument No. 98-0938131 Records of Maricopa County, Arizona.
- f) Estrella Parcel 51, according to Book 325 of Maps, Page 41; and Affidavit of Correction recorded in Instrument No. 90-387749 Records of Maricopa County, Arizona.
- g) Estrella Parcel 55, according to Book 325 of Maps, Page 42, and Affidavit of Correction recorded in Instrument No. 89-475003 records of Maricopa County, Arizona.
- h) Estrella Parcel 56, according to Book 329 of Maps, Page 33, records of Maricopa County, Arizona.
- i) Estrella Parcel 56A, according to Book 419 of Maps, Page 42 in Instrument No. 96-0488725 records of Maricopa County, Arizona.
- j) Estrella Parcel 57 amended, according to Book 329 of Maps, Page 12, records of Maricopa County, Arizona.
- k) Estrella Parcel 58, according to Book 321 of Maps, Page 31; and Affidavit of Correction recorded in Instrument No. 89-303317, records of Maricopa County, Arizona.
- l) Estrella Parcel 60, according to Book 321 of Maps, Page 30; and Affidavit of Correction recorded in Instrument No. 89-336248, records of Maricopa County, Arizona.
- m) Surchase at Estrella Parcels 62-64, according to Book 438 of Maps, Page 42 in Instrument No. 97-0236401, records of Maricopa County, Arizona.
- n) Surchase at Estrella Parcel 66, according to Book 442 of Maps, Page 03 in Instrument No. 97-0339182.
- o) Parcel 30B, in Instrument No. 89-0098746 records of Maricopa County, Arizona.
- p) Parcel 30B, landscape tract in Instrument No. 94-474763, records of Maricopa County, Arizona.
- q) Parcel 38, in Instrument No. 88-571563 records of Maricopa County, Arizona.

- r) Parcel 38, landscape tract in Instrument No. 94-474764, records of Maricopa County, Arizona.
- s) Parcel 53, in Instrument No. 90-387712, records of Maricopa County, Arizona.
- t) Parcel 53, landscape tract in Instrument No. 94-474765, records of Maricopa County, Arizona.
- u) North Lake and South Lake, in Instrument No. 90-538581, records of Maricopa County, Arizona.
- v) Lakes common area, in Instrument No. 94-474760, records of Maricopa County, Arizona.
- w) Lakes common area, in Instrument No. 94-481850, records of Maricopa County, Arizona.
- x) Parcel 54 (ballfield), in Instrument No. 97-0911325, records of Maricopa County, Arizona.
- y) APS sub-station, in Instrument No. 88-618019, records of Maricopa County, Arizona.
- z) Estrella Parcel 52 amended, according to Book 512 of Maps, Page 31, Instrument No. 99-0878298, records of Maricopa County, Arizona.
- aa) Parcel 26 according to Book 508 of Maps, Page 38, Instrument No. 99-072948, records of Maricopa County, Arizona.
- bb) Land described as tax parcel 400 – 03 – 022N and any other real property including rights-of-way owned by the City of Goodyear or any other governmental entity.
- cc) Land described as tax parcel 400-52-211R.

Appendix B

Form of Disclosure Pamphlet

**Estrella Mountain Ranch
Community Facilities District**

APPENDIX B

FORM OF DISCLOSURE PAMPHLET ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT

Buyer(s): _____
Lot: _____ Parcel: _____
Date of Sale: _____
Homebuilder: _____

General CFD Provisions

The home you are purchasing is within the Estrella Ranch Community Facilities District (the "CFD"). The CFD was formed on November 22, 1999 to finance the acquisition, construction and maintenance of public infrastructure benefiting Estrella Mountain Ranch Community Facilities District. The CFD issues general obligation and/or special assessment bonds to raise funds to pay for acquisition and construction of these improvements and operation and maintenance expenses. The CFD also obtains funds from an ad valorem property tax levied against all property located within the CFD to pay for operation and maintenance expenses.

Ad Valorem Taxes of the CFD

General obligation bonds and the CFD's operation and maintenance expenses are paid from ad valorem property taxes levied against all property within the CFD. Currently, \$1.30 is added to the property tax rate; however, such adjustment to the tax rate could vary depending upon factors including the amount financed with general obligation bonds, the terms of financing, and the assessed valuation (i.e., for tax purposes) of property within the CFD. Your share of general obligation bond payments and expenses are included as part of your regular Maricopa County property tax statement and are separately shown in addition to taxes levied by the City and other political subdivisions.

Special Assessments of the CFD

Special assessment bonds are paid from special assessment payments secured by an assessment lien on each benefited lot within a special assessment area. Special assessment areas are formed from time to time based on the public improvements being constructed or acquired with proceeds of the special assessment bonds. The amount of the special assessment liens may vary depending upon the size of the lot within the special assessment area, the benefits estimated to be received by each such lot, the cost of the public improvements to be acquired, and the financing terms of the applicable special assessment bonds. The special assessment payments as well as the applicable administrative charges are anticipated to be collected through your regular Maricopa County property tax bill.

INITIAL FINANCING’S COST TO HOMEOWNER

At the request of _____, a _____, the prior owner of Parcel _____, the CFD has formed a special assessment area (the “Special Assessment Area”) that includes Parcel _____ for the construction and/or acquisition of certain public improvements, i.e., construction of _____. The CFD has assessed Lot _____ within Parcel _____ in the amount of \$ _____ (the “Assessment”).

The following shows the total annual CFD taxes including the CFD operational and maintenance tax, for repayment of expected CFD general obligation bonds as well as the anticipated special assessment obligation.

	(A)	(B)	(A) + (B)
Market Value of Residence	Estimated Annual General Obligation and Expense Payment (1)	Estimated Annual Special Assessment Payment (2)	Estimated Total Annual CFD Tax Payments (3)
\$ 250,000	\$ -	\$ -	\$ -
275,000	-	-	-
300,000	-	-	-
325,000	-	-	-
350,000	-	-	-
375,000	-	-	-
400,000	-	-	-

Footnotes:

- (1) General obligation bond debt service and operations and maintenance expenses assuming a \$1.30 increase in the ad valorem property tax rate per \$100 of assessed value. The estimated annual additional tax liability will vary depending upon the final terms of the General Obligation Bonds.
- (2) Certain lots located within the boundaries of the District are anticipated to have a special assessment lien.
- (3) All of the taxes and charges described above are in addition to any taxes, fees and charges imposed by the City of Goodyear or other political subdivisions and are in addition to any assessments or fees imposed by any homeowners association.

Homeowner’s Acknowledgments

By signing this disclosure statement, you as a contract purchaser of a lot located within the CFD and the Special Assessment Area (i) acknowledge receipt of this Disclosure; (ii) agree that you have been granted an opportunity to review the material contained in this Disclosure; and (iii) agree that you accept an assessment lien estimated to be approximately \$ _____ against your lot that secures your share of the special assessments due for the Special Assessment Area. The Assessment and any applicable administrative charges will be paid by you, the owner of the assessed lot, and are anticipated to be collected through your regular Maricopa County property tax bill. **If the Assessment is not paid, the CFD has the right to institute proceedings to foreclose the assessment lien and sell your property.** Should there be any questions or concerns regarding special assessments or the District property tax, please contact the CFD Division of Finance for the City of Goodyear at (623) 932-3015.

Your signature below acknowledges that you have received, read and understood this document at the time you have signed our purchase contract and agree to its terms.

[name]

[name]

[address]

[address]

Date: _____, 200__

Date: _____, 200__

Appendix C

Overlapping Tax Rates for Nearby Master Planned Communities

Estrella Mountain Ranch Community Facilities District

**Estrella Mountain Ranch Community Facilities District
Competitive Tax Rates 2007-2008**

	Estrella Mountain Ranch (1) <i>(Goodyear)</i>	Centerra <i>(Goodyear)</i>	Cottonflower <i>(Goodyear)</i>	Community Facilities General District #1 <i>(Goodyear)</i>	Wildflower #1 <i>(Goodyear)</i>	Wildflower #2 <i>(Goodyear)</i>	Cortina <i>(Goodyear)</i>	The Village at Litchfield Park <i>(Litchfield Park)</i>	Verrado Western Overlay <i>(Buckeye)</i>	Verrado District #1 <i>(Buckeye)</i>	Sundance (2) <i>(Buckeye)</i>	Westpark (3) <i>(Buckeye)</i>	Vistancia <i>(Peoria)</i>
Primary													
Maricopa County	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046	\$ 1.1046
City / Town	0.7321	0.7321	0.7321	0.7321	0.7321	0.7321	0.7321	-	1.0481	1.0481	1.0481	1.0481	0.2400
Elementary and High School	4.3398	3.5288	3.5288	3.4411	3.5288	3.5288	3.5288	3.4411	1.0773	3.4411	6.8599	6.8599	3.8197
Community College District	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246	0.8246
Total Primary	\$ 7.0011	\$ 6.1901	\$ 6.1901	\$ 6.1024	\$ 6.1901	\$ 6.1901	\$ 6.1901	\$ 5.3703	\$ 4.0546	\$ 6.4184	\$ 9.8372	\$ 9.8372	\$ 5.9889
Secondary													
Flood Control District	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533	\$ 0.1533
CAWCD	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Overrides	0.9975	1.3062	1.3062	0.6676	1.3062	1.3062	1.3062	0.6676	0.2293	0.6676	0.8329	0.8329	0.8326
Fire	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053
Library	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391	0.0391
Health Care	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935	0.0935
City Bond	0.8679	0.8679	0.8679	0.8679	0.8679	0.8679	0.8679	-	0.0940	0.0940	0.0940	0.0940	1.2500
School Bond	1.3894	1.5948	1.5948	1.2458	1.5948	1.5948	1.5948	1.2458	0.3579	1.2458	1.8424	1.8424	1.8902
Community College Bond	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514	0.1514
Total Secondary	\$ 3.7974	\$ 4.3115	\$ 4.3115	\$ 3.3239	\$ 4.3115	\$ 4.3115	\$ 4.3115	\$ 2.4560	\$ 1.2238	\$ 2.5500	\$ 3.3119	\$ 3.3119	\$ 4.5154
Special Districts (4)													
Western Maricopa Education Center District 402	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500
Central Arizona Groundwater Replenishment District	-	-	-	-	-	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	-
Street Light Improvement Districts	-	-	-	-	-	-	-	0.2696	-	-	-	-	-
Utility District	-	-	-	1.0000	-	-	-	-	-	-	-	-	-
Exempt Equivalent Tax Saddle Mountain Unified District	-	-	-	-	-	-	-	-	0.1302	-	-	-	-
Verrado District #1	-	-	-	-	-	-	-	-	3.3000	-	-	-	-
Community Facilities District (CFD)	1.3000	3.0000	1.7639	0.8040	1.3123	1.4154	2.8500	2.5000	3.3000	3.3000	3.3000	3.3000	2.1000
Total Special Districts	\$ 1.3500	\$ 3.0500	\$ 1.8139	\$ 1.8540	\$ 1.3623	\$ 1.4654	\$ 2.9000	\$ 3.8196	\$ 7.7802	\$ 4.3500	\$ 4.3500	\$ 4.3500	\$ 2.1500
Total Tax Rate	\$ 12.1485	\$ 13.5516	\$ 12.3155	\$ 11.2803	\$ 11.8639	\$ 11.9670	\$ 13.4016	\$ 11.6459	\$ 13.0586	\$ 13.3184	\$ 17.4991	\$ 17.4991	\$ 12.6543
Annual Special Assessment (SA) Obligation	\$ 2.2207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.6760	\$ 2.5624	\$ -
Estimated Total Tax and Assessment Lien Burden	\$ 14.3692	\$ 13.5516	\$ 12.3155	\$ 11.2803	\$ 11.8639	\$ 11.9670	\$ 13.4016	\$ 11.6459	\$ 13.0586	\$ 13.3184	\$ 19.1751	\$ 20.0615	\$ 12.6543

Source: Maricopa County Treasurer's Office.

Footnotes:

- (1) Estimation of an equivalent annual SA obligation within the Montecito Assessment District assumes the following: 7.50% interest rate; 24 year amortization period; 1 year of capitalized interest; and an average home price of \$400,000.
- (2) Estimation of an equivalent annual SA obligation assumes the following: 7.50% assumed interest rate; 24 year amortization period; 1 year of capitalized interest; and an average home price of \$265,000.
- (3) District has been formed with the potential to issue both GO and SA bonds. Estimation of an annual SA obligation reflected as an increase in the ad valorem property tax assumes the following: 7.50% interest rate; 24 year amortization period; 1 year of capitalized interest; and an average home price of \$260,000.
- (4) Utility District and Community Facilities District (CFD) includes operations and maintenance up to \$0.30 per Arizona State Statute and the debt service for general obligation bond debt.

Appendix D

Actual Project Costs

Estrella Mountain Ranch Community Facilities District



**Mountain Region, Estrella Mountain Ranch
Estrella Parkway Actual Costs
As of 7/31/07**

	Job Status	Total Cost at Completion	- Back Out Dry Utilities	=	Total Cost to Bond	- Less Amount Paid from '05 Series GO Bond	-	Less Amount Contributed by Builder	=	Improvements to include in '07 Series GO Bond
Estrella Parkway Phase 3A	COMPLETE	4,286,504	N/A		4,286,504	(3,849,559)				436,945
Estrella Parkway Phase 3B	COMPLETE	5,262,153	(308,613)		4,953,539					4,953,539
Estrella Parkway Phase 3C	COMPLETE	6,408,715	(433,558)		5,975,156		(2,615,231)			3,359,926
Rainbow Valley Force Mains	COMPLETE	3,122,575	-		3,122,575					3,122,575
H-7 Well Site Water Main Extension	COMPLETE	733,350	-		733,350					733,350
H-10 Well Site Water Main Extension	COMPLETE	151,471	-		151,471					151,471
		19,964,767	(742,172)		19,222,595	(3,849,559)		(2,615,231)		12,757,805



**Mountain Region, Estrella Mountain Ranch
Actual Project Costs**

	<u>Construction Costs</u>
Estrella Parkway Phase 3A	
Total Actual Cost of Estrella Parkway Phase 3A	\$ 4,286,504
Eligible Improvements Financed by the Series 2005 Bond	(3,849,559)
Total Cost of Estrella Parkway Phase 3A Financed in the Series 2007 GO Bonds	\$ 436,945

Estrella Parkway Phase 3B	
Total Actual Cost of Estrella Parkway Phase 3B	\$ 5,262,153
Total Non-Eligible Cost of Dry Utilities	(308,613)
Total Cost of Estrella Parkway Phase 3B Financed in the Series 2007 GO Bonds	\$ 4,953,539

Estrella Parkway Phase 3C	
Total Actual Cost of Estrella Parkway Phase 3C	\$ 6,408,715
Total Non-Eligible Cost of Dry Utilities	(433,558)
Amount Not Financed in the Series 2007 Bonds	(2,615,231)
Total Cost of Estrella Parkway Phase 3C Financed in the Series 2007 GO Bonds	\$ 3,359,926

Rainbow Valley Water, Reclaimed Water, Sewer, and Sewage Force Mains	
Water, Reclaimed Water, Sewer, and Sewage Force Mains	\$ 3,122,575
Total Cost of the Rainbow Valley Force Mains Financed in the Series 2007 GO Bonds	\$ 3,122,575

H-7 Well Site Water Main Extension	
H-7 Well Site Water Main Extension	\$ 733,350
Total Cost of the H-7 Well Site Water Main Extension Financed in the Series 2007 GO Bonds	\$ 733,350

H-10 Well Site Water Main Extension	
H-10 Well Site Water Main Extension	\$ 151,471
Total Cost of the H-10 Well Site Water Main Extension Financed in the Series 2007 GO Bonds	\$ 151,471

RECAP

Total Amount to be Financed in the Series 2007 Bonds	
Estrella Parkway Phase 3A	\$ 436,945
Estrella Parkway Phase 3B	4,953,539
Estrella Parkway Phase 3C	3,359,926
Rainbow Valley Force Mains	3,122,575
H-7 Well Site Water Main Extension	733,350
H-10 Well Site Water Main Extension	151,471
Total Costs of Improvements Eligible to be Financed with Series 2007 Bonds	\$ 12,757,805

Note:

All Projects are completed as shown in Section Four of the Report.

Appendix E

Assessed Valuation and the Effect on District Tax Rate

**Estrella Mountain Ranch
Community Facilities District**

**ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT
CITY OF GOODYEAR, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2007**

Estimated District Cash Flows, Standby Contribution Payments and Standby Contribution Agreement Net Worth Calculations

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Fiscal Year	Secondary Assessed Valuation (a)	\$5,005,000 Series 2005 Bonds Dated: 9/14/05		Existing Debt Service		\$12,760,000 * Series 2007 Bonds Dated: 11/1/07		Estimated Additional Debt Service		Estimated Combined Total Debt Service	Estimated District Tax Revenues Generated by the \$1.00 Target Tax Rate (e)	Estimated Standby Payment (f)	Estimated Percentage of Debt Service Paid by the Standby Payment	Estimated Principal Amount of Bonds Supported by the Standby Payment	Estimated Minimum Net Worth to Meet the 5x Principal Test
		Principal	Interest (b)	Debt Service	Secondary Tax Rate (c)	Estimated Principal	Estimated Interest (d)	Debt Service	Secondary Tax Rate (c)						
2006/07	\$49,436,091	\$95,000	\$268,133	\$363,133	\$1.00					\$363,133					
2007/08	72,745,981	100,000	263,383	363,383	0.53		\$540,173	\$540,173	\$0.74	903,556	\$691,087	(\$212,469)	23.51%	\$4,123,314	\$20,616,568
2008/09	72,745,981	105,000	258,383	363,383	0.53	\$250,000	765,600	1,015,600	1.40	1,378,983	691,087	(687,896)	49.88%	8,697,327	43,486,633
2009/10	72,745,981	110,000	253,133	363,133	0.53	265,000	750,600	1,015,600	1.40	1,378,733	691,087	(687,646)	49.88%	8,518,685	42,593,426
2010/11	72,745,981	120,000	247,633	367,633	0.53	275,000	734,700	1,009,700	1.39	1,377,333	691,087	(686,246)	49.82%	8,323,142	41,615,710
2011/12	72,745,981	125,000	241,633	366,633	0.53	290,000	718,200	1,008,200	1.39	1,374,833	691,087	(683,746)	49.73%	8,111,455	40,557,275
2012/13	72,745,981	135,000	235,383	370,383	0.54	305,000	700,800	1,005,800	1.38	1,376,183	691,087	(683,096)	49.78%	7,912,901	39,564,505
2013/14	72,745,981	140,000	228,633	368,633	0.53	325,000	682,500	1,007,500	1.38	1,376,133	691,087	(683,046)	49.78%	7,693,577	38,467,884
2014/15	72,745,981	150,000	221,633	371,633	0.54	340,000	663,000	1,003,000	1.38	1,374,633	691,087	(683,546)	49.73%	7,453,883	37,269,415
2015/16	72,745,981	160,000	214,133	374,133	0.54	360,000	642,600	1,002,600	1.38	1,376,733	691,087	(685,646)	49.80%	7,221,346	36,106,732
2016/17	72,745,981	170,000	205,413	375,413	0.54	380,000	621,000	1,001,000	1.38	1,376,413	691,087	(685,326)	49.79%	6,960,743	34,803,713
2017/18	72,745,981	180,000	196,148	376,148	0.54	405,000	598,200	1,003,200	1.38	1,379,348	691,087	(688,261)	49.90%	6,701,242	33,506,208
2018/19	72,745,981	190,000	186,338	376,338	0.54	425,000	573,900	998,900	1.37	1,375,238	691,087	(684,151)	49.75%	6,390,108	31,950,538
2019/20	72,745,981	205,000	175,983	380,983	0.55	450,000	548,400	998,400	1.37	1,379,383	691,087	(688,296)	49.90%	6,102,626	30,513,132
2020/21	72,745,981	215,000	164,810	379,810	0.55	475,000	521,400	996,400	1.37	1,376,210	691,087	(685,123)	49.78%	5,762,421	28,812,103
2021/22	72,745,981	230,000	153,093	383,093	0.55	500,000	492,900	992,900	1.36	1,375,993	691,087	(684,966)	49.78%	5,418,052	27,090,258
2022/23	72,745,981	245,000	140,155	385,155	0.56	530,000	462,900	992,900	1.36	1,378,055	691,087	(686,968)	49.85%	5,062,325	25,311,624
2023/24	72,745,981	260,000	126,374	386,374	0.56	560,000	431,100	991,100	1.36	1,377,474	691,087	(686,387)	49.83%	4,673,998	23,369,990
2024/25	72,745,981	275,000	111,749	386,749	0.56	590,000	397,500	987,500	1.36	1,374,249	691,087	(683,162)	49.71%	4,255,319	21,276,593
2025/26	72,745,981	295,000	96,280	391,280	0.57	625,000	362,100	987,100	1.36	1,378,380	691,087	(687,293)	49.86%	3,836,911	19,184,554
2026/27	72,745,981	310,000	79,170	389,170	0.56	665,000	324,600	989,600	1.36	1,378,770	691,087	(687,687)	49.88%	3,379,138	16,895,688
2027/28	72,745,981	330,000	61,190	391,190	0.57	700,000	284,700	984,700	1.35	1,375,890	691,087	(684,803)	49.77%	2,886,756	14,433,779
2028/29	72,745,981	350,000	42,050	392,050	0.57	740,000	242,700	982,700	1.35	1,374,750	691,087	(683,663)	49.73%	2,372,121	11,860,605
2029/30	72,745,981	375,000	21,750	396,750	0.57	780,000	198,300	978,300	1.34	1,375,050	691,087	(683,963)	49.74%	1,830,468	9,152,338
2030/31	72,745,981					1,225,000	151,500	1,376,500	1.89	1,376,500	691,087	(685,413)	49.79%	1,257,296	6,286,481
2031/32	72,745,981					1,300,000	78,000	1,378,000	1.89	1,378,000	691,087	(686,913)	49.85%	648,031	3,240,157
		<u>\$4,870,000</u>				<u>\$12,760,000</u>						<u>(\$16,669,645)</u>			

- (a) 2006/07 and 2007/08 are actual.
- (b) Interest is actual.
- (c) Secondary tax rates are per \$100 of assessed valuation.
- (d) Interest is estimated at 6.00%.
- (e) Assumes a 5% delinquency in tax collections. The total tax rate will not exceed \$1.30 which includes the \$1.00 target tax rate for debt service and a \$0.30 tax rate for operation & maintenance.
- (f) Excess debt service over monies generated by the \$1.00 District property tax to be paid by the Developer per the Standby Contribution Agreement.

* Subject to change

Standby Contribution Agreement Net Worth Requirements

(1) Maintain 5x Net Worth of principal amount of bonds supported by the then applicable subsidy amount.	
	2006 Tangible Net Worth: \$153,920,892
	Maximum Estimated Principal Amount Supported: 8,697,327
	Coverage: 17.70x
(2) Maintain 25x Net Worth of Maximum Annual Standby Liability.	
	2006 Tangible Net Worth: \$153,920,892
	Maximum Estimated Standby Liability: 688,296
	Coverage: 223.63x
(3) Maintain a quick ratio of 2x, calculated as net liquid assets over maximum standby liability.	
	2006 Net Liquid Assets: \$2,355,508
	Maximum Estimated Standby Liability: 688,296
	Coverage: 3.42x

Appendix F

Financial Model

Estrella Mountain Ranch Community Facilities District

SOURCES AND USES OF FUNDS

Estrella Mountain Ranch CFD (City of Goodyear, AZ)
District General Obligation Bonds, Series 2007

Dated Date 11/01/2007
Delivery Date 11/01/2007

Sources:

Bond Proceeds:	
Par Amount	12,760,000.00
Other Sources of Funds:	
Developer Contribution	505,200.00
	<hr/> 13,265,200.00 <hr/> <hr/>

Uses:

Project Fund Deposits:	
Public Infrastructure	12,760,000.00
Delivery Date Expenses:	
Cost of Issuance	250,000.00
Underwriter's Discount	255,200.00
	<hr/> 505,200.00 <hr/> <hr/> 13,265,200.00 <hr/> <hr/>

BOND DEBT SERVICE

Estrella Mountain Ranch CFD (City of Goodyear, AZ)
District General Obligation Bonds, Series 2007

Period Ending	Principal	Coupon	Interest	Debt Service
07/15/2008			540,173.33	540,173.33
07/15/2009	250,000	6.000%	765,600.00	1,015,600.00
07/15/2010	265,000	6.000%	750,600.00	1,015,600.00
07/15/2011	275,000	6.000%	734,700.00	1,009,700.00
07/15/2012	290,000	6.000%	718,200.00	1,008,200.00
07/15/2013	305,000	6.000%	700,800.00	1,005,800.00
07/15/2014	325,000	6.000%	682,500.00	1,007,500.00
07/15/2015	340,000	6.000%	663,000.00	1,003,000.00
07/15/2016	360,000	6.000%	642,600.00	1,002,600.00
07/15/2017	380,000	6.000%	621,000.00	1,001,000.00
07/15/2018	405,000	6.000%	598,200.00	1,003,200.00
07/15/2019	425,000	6.000%	573,900.00	998,900.00
07/15/2020	450,000	6.000%	548,400.00	998,400.00
07/15/2021	475,000	6.000%	521,400.00	996,400.00
07/15/2022	500,000	6.000%	492,900.00	992,900.00
07/15/2023	530,000	6.000%	462,900.00	992,900.00
07/15/2024	560,000	6.000%	431,100.00	991,100.00
07/15/2025	590,000	6.000%	397,500.00	987,500.00
07/15/2026	625,000	6.000%	362,100.00	987,100.00
07/15/2027	665,000	6.000%	324,600.00	989,600.00
07/15/2028	700,000	6.000%	284,700.00	984,700.00
07/15/2029	740,000	6.000%	242,700.00	982,700.00
07/15/2030	780,000	6.000%	198,300.00	978,300.00
07/15/2031	1,225,000	6.000%	151,500.00	1,376,500.00
07/15/2032	1,300,000	6.000%	78,000.00	1,378,000.00
	12,760,000		12,487,373.33	25,247,373.33

Note: Interest is estimated at an average rate of 6.00%.

Appendix G

2006 Applicant Consolidated Financial Statement

**Estrella Mountain Ranch
Community Facilities District**

NNP III - Estrella, LLC
Consolidated Financial Statements
December 31, 2006 and 2005

NNP III – Estrella, LLC
Index
December 31, 2006 and 2005

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Report of Independent Auditors

To the Members of
NNP III - Estrella, LLC

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, members' capital and cash flows present fairly, in all material respects, the financial position of NNP III - Estrella, LLC (the "Company") at December 31, 2006 and 2005, and the results of their operations and their cash flows for the year ended December 31, 2006 and for the period from April 13, 2005 (inception) to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 23, 2007

NNP III – Estrella, LLC
Consolidated Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
Assets		
Real estate projects	\$ 320,394,033	\$ 199,219,094
Golf course property, net	4,086,479	4,227,860
Inventory not owned	230,000,000	295,000,000
Land option deposits	46,747,839	59,959,185
Cash and cash equivalents	2,355,508	4,933,496
Accounts and notes receivable	5,465,400	579,719
Other assets, net	256,955	198,481
Total assets	<u>\$ 609,306,214</u>	<u>\$ 564,117,835</u>
Liabilities and Members' Capital		
Note payable	\$ 198,955,150	\$ 194,843,500
Liability for inventory not owned	230,000,000	295,000,000
Deferred revenue	10,221,272	13,246,934
Accounts payable and accrued liabilities	15,206,281	16,044,682
Deposits	1,002,619	1,000,000
Total liabilities	<u>455,385,322</u>	<u>520,135,116</u>
Commitments and contingencies (Note 8)		
Members' capital	<u>153,920,892</u>	<u>43,982,719</u>
Total liabilities and members' capital	<u>\$ 609,306,214</u>	<u>\$ 564,117,835</u>

The accompanying notes are an integral part of these consolidated financial statements.

NNP III – Estrella, LLC
Consolidated Statements of Operations
Year Ended December 31, 2006 and
Period from April 13, 2005 (Inception) to December 31, 2005

	2006	2005
Real estate sales	\$ 22,354,141	\$ 32,275,800
Cost of sales	<u>(22,113,205)</u>	<u>(32,190,783)</u>
Gross profit on real estate sales	<u>240,936</u>	<u>85,017</u>
Golf course revenues	1,844,860	1,129,588
Cost of golf course operations	<u>(3,131,488)</u>	<u>(2,013,348)</u>
Loss on golf course operations	<u>(1,286,628)</u>	<u>(883,760)</u>
Selling, general and administrative	<u>(6,690,443)</u>	<u>(3,563,380)</u>
Operating loss	<u>(7,736,135)</u>	<u>(4,362,123)</u>
Other income, net	<u>2,003,739</u>	<u>578,526</u>
Net loss	<u>\$ (5,732,396)</u>	<u>\$ (3,783,597)</u>

The accompanying notes are an integral part of these consolidated financial statements.

NNP III – Estrella, LLC
Consolidated Statements of Members' Capital
Year Ended December 31, 2006 and
Period from April 13, 2005 (Inception) to December 31, 2005

	Newland National Partners III, LLC
Balance at April 13, 2005 (Inception)	\$ -
Cash contributions	133,266,316
Distributions	(85,500,000)
Net loss	<u>(3,783,597)</u>
Balance at December 31, 2005	43,982,719
Cash contributions	127,531,412
Distributions	(11,860,843)
Net loss	<u>(5,732,396)</u>
Balance at December 31, 2006	<u>\$153,920,892</u>

The accompanying notes are an integral part of these consolidated financial statements.

NNP III – Estrella, LLC
Consolidated Statements of Cash Flows
Year Ended December 31, 2006 and
Period from April 13, 2005 (Inception) to December 31, 2005

	2006	2005
Cash flows from operating activities		
Net loss	\$ (5,732,396)	\$ (3,783,597)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	141,381	102,779
Changes in operating assets and liabilities		
Real estate projects	(121,174,939)	(199,219,094)
Accounts and notes receivable	(4,885,681)	(579,719)
Land options deposits	13,211,346	(59,959,185)
Other assets, net	(58,474)	(198,481)
Accounts payable and accrued liabilities	(838,401)	16,044,682
Deferred revenue	(3,025,662)	13,246,934
Deposits	2,619	1,000,000
Net cash used in operating activities	<u>(122,360,207)</u>	<u>(233,345,681)</u>
Cash flows from investing activity		
Additions to golf course	-	(4,330,639)
Net cash used in investing activities	<u>-</u>	<u>(4,330,639)</u>
Cash flows from financing activities		
Proceeds from note payable	202,055,150	201,843,500
Principal payments on note payable	(197,943,500)	(7,000,000)
Contributions from members	127,531,412	133,266,316
Distributions to members	(11,860,843)	(85,500,000)
Net cash provided by financing activities	<u>119,782,219</u>	<u>242,609,816</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,577,988)</u>	<u>4,933,496</u>
Cash and cash equivalents		
Beginning of period	4,933,496	-
End of period	<u>\$ 2,355,508</u>	<u>\$ 4,933,496</u>
Supplemental disclosure		
Cash paid for interest	\$ 12,369,493	\$ 4,572,411
Noncash activity		
Inventory not owned and liability for inventory not owned	230,000,000	295,000,000
Assets and accrued liabilities for bond obligation (Note 6)	4,444,110	8,335,763

The accompanying notes are an integral part of these consolidated financial statements.

NNP III – Estrella, LLC

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

1. Organization and Summary of Significant Accounting Policies

Organization

On April 13, 2005, Newland National Partners III, LLC (“NNP III”) formed NNP III – Estrella, LLC (the “Company”). NNP III is the managing member. On April 27, 2005, the Company formed NNP III – Estrella Mountain Ranch, LLC (“EMR”). The purpose of EMR is to own, develop and sell residential lots and commercial acreage in Goodyear, Arizona (the “Project”). The Company will terminate on December 31, 2025, unless extended by required vote of the members.

NNP III, a Delaware limited liability company, was formed on April 13, 2005, between the State of California Public Employees’ Retirement System (“CalPERS”) as limited partner and ANC – NNP III, LLC (“ANC – NNP III”), as general partner. The purpose of NNP III is to make investments in the preparation and development of single-family residential projects located in the United States for subsequent sales of land parcels that meet certain criteria as defined by CalPERS.

Each member’s liability is limited pursuant to the Delaware Limited Liability Company Act.

Net loss, as defined, is allocated to the members, first, to the extent of previously allocated net income; second, in proportion to and to the extent of the members’ respective capital account until each member’s capital account is reduced to zero; and thereafter, in proportion to the members’ ownership interests. Net income, as defined, is allocated to the members to the extent of previously allocated net losses; thereafter, in proportion to the members’ ownership interests. Cash distributions are made to the members in accordance with their ownership interests.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and NNP III – Estrella Mountain Ranch, LLC, a wholly owned subsidiary as well as variable interest entities (Note 2). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 2006 and 2005, and revenues and expenses for the year ended December 31, 2006 and the period from April 13, 2005 (inception) to December 31, 2005. Due to uncertainties inherent in the estimation process, it is reasonably possible that actual results could differ from those estimates.

Real Estate Project

The Project consists of an 18,299 acre master planned community located within the City of Goodyear, Arizona. The Project is substantially entitled and represents a future supply of over 40,000 approved residential units. As of December 31, 2006, the Company has acquired 6,439 acres known as Phase One and Phase Two property, and has options to acquire the remaining 11,860 acres.

Completed improvements within Phase One and Phase Two include an 18 hole championship, daily fee golf course designed by Jack Nicklaus, Jr. A home finding center, two large man-made lakes and a large community park as well as retail sites are located in later phases.

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The Company records assets acquired and liabilities assumed in a business combination at their fair values using the purchase method in accordance with Statement of Financial Accounting Standards ("FAS") No. 141.

Land, land development costs, indirect project costs, developer overhead fees and commitment fees are capitalized to the real estate project under development. Interest is capitalized to that portion of the real estate project under development until it is complete or development activities have ceased. Inventory is relieved at the time of sale based on relative sales values.

At such times when events or circumstances indicate that the carrying amount of the Project may be impaired, the Company makes an assessment of its recoverability by estimating the future undiscounted cash flows of each phase of the Project. If the carrying amount exceeds the aggregate future cash flows, the Company would recognize an impairment loss to the extent the carrying amount exceeds the fair value of each individual phase of the Project, less costs to sell.

Management estimates the projected future undiscounted net cash flows of the individually owned phases of the Project based on present development plans and intentions. The estimates assume that all necessary entitlements are in place, development is completed and disposition occurs in the normal course of business. Future economic, financial, market and political conditions may affect management's development and marketing plans. In addition, management's plans and the ultimate future net cash flows of the individually owned phases of the Project may be affected by the availability of financing for development and construction and the availability of equity contributions from the members. Management believes no such impairment has occurred as of December 31, 2006.

Golf Course Property

Golf course property is carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Ground improvements	20 years
Furniture, fixtures and equipment	3 to 10 years

Land Option Deposits and Inventory Not Owned

In conjunction with the May 16, 2005 Acquisition (Note 10), the Company allocated \$59,595,185 of the total purchase price to options to purchase an additional 14,549 acres over the next five years. After recording the exercise of the first option (Note 10), \$46,747,839 remains recorded as options to purchase an additional 11,860 acres. The Company has adopted FIN 46R and consolidated all development entities in which it is a primary beneficiary (Note 2).

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

The Company maintains some of its cash in bank deposit accounts which, at times, may exceed the federally insured limits. No losses have been experienced related to such accounts. The Company believes it is not exposed to any significant concentration of credit risk on cash.

Accounts and Notes Receivable

Accounts and notes receivable consist of amounts due from homebuilders from the sale of unfinished lots.

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Deferred Revenue

At the time the Company closes on certain sales of real estate within the Project, a portion of the revenue is initially deferred since the Company is required to make significant improvements to the property. Deferred revenue also includes amounts received from homebuilders for marketing fees that are not earned until the homebuilder sells a completed residence.

Revenue Recognition

The Company sells improved lots to homebuilders. Revenue and cost of sales from the sale of real-estate, primarily improved lots, is recognized in full at the time title is conveyed to the buyer if the profit is determinable, collectibility of the sales price is reasonably assured (demonstrated by meeting minimum down payment and continuing investment requirements), and the earnings process is virtually complete, such that the seller is not obligated to perform significant activities after the sale and has transferred to the buyer the usual risks and rewards of ownership. If it is determined that all the conditions for full profit recognition have not been met, revenue and profit is deferred using the deposit, installment, cost recovery or percentage of completion method of accounting, as appropriate depending upon the specific terms of the transaction.

When the Company has an obligation to complete improvements on the property subsequent to the date of sale, it utilizes the percentage of completion method of accounting to record revenues and cost of sales. Under percentage of completion accounting, the Company recognizes revenues and cost of sales based upon the ratio of development costs completed as of the date of sale to an estimate of total development costs which will ultimately be incurred, including an estimate from common areas. Unearned revenues resulting from applying the percentage of completion accounting are reported as deferred revenue in the liabilities section of the consolidated balance sheet.

Golf Course Revenue

Revenue from green fees, cart rentals, food and beverage sales, merchandise sales, and range income are generally recognized at the time of sale.

Other Income

The Company receives marketing fees from the Project that are earned at the time the merchant homebuilders sell a completed residence. The fees are generally based on a fixed percentage of the homebuilders' sales price and are recognized upon the close of escrow by the merchant homebuilder.

Certain of the Company's lot sales agreements include provisions that entitle the Company to deferred consideration representing a portion of the profit realized by the homebuilder above a specified threshold. The Company's policy is to accrue revenue earned pursuant to these agreements when the profit has been earned by the homebuilder and the deferred consideration is payable by the homebuilder.

Income Taxes

Under provisions of the Internal Revenue Code, limited liability companies are not subject to income taxes. Accordingly, federal and state income taxes on any income or losses realized are the responsibility of the respective members.

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2. Variable Interest Entities

In January 2003, the Financial Accounting Standards Board issued FIN 46, which was subsequently revised in December 2003 ("FIN 46R"). FIN 46R requires the primary beneficiary of a variable interest entity to consolidate that entity. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the variable interest entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual, or other financial interests in the entity. The standard was effective immediately for transactions entered into or modified after January 31, 2003. For all transactions entered into prior to January 31, 2003, the standard is effective for the Company's 2005 fiscal year. As discussed below, the Company evaluates the provisions of FIN 46R as it relates to the Company's land acquisition strategy.

The intent of the Company's land acquisition strategy is to reduce the financial requirements and risks associated with direct land ownership and land development. The Company may, at its option choose for any reason and at any time, not to perform under these option agreements by delivering notice of its intent not to acquire the land under contract. The Company's sole legal obligation and economic loss for failure to perform under these option agreements is limited to the amount allocated to the value of options. The Company does not have any financial or specific performance guarantees, or completion obligations, under these option agreements. None of the creditors of any of the development entities with which the Company enters into option agreements have recourse to the general credit of the Company. Except as described below, the Company also does not share in an allocation of either the profit earned or loss incurred by any of the entities with which the Company entered into option agreements.

In connection with the Acquisition (Note 10), \$59,959,185 was allocated to the value of options to purchase 14,549 acres of land within the Project as of December 31, 2005. On May 16, 2006, the Company exercised its first option and paid \$65,000,000 for 2,689 acres known as Phase Two property. The initial value allocated to options was reduced by \$13,211,346 on that date, representing the value of the first option exercised. The option agreements utilized by the Company to acquire land, which are forward contracts, are deemed to be variable interests under FIN 46R. Therefore, the development entities with which the Company entered into option agreements after January 31, 2003 were examined under FIN 46R for possible consolidation by the Company. The Company has developed a methodology to determine whether it or the owner(s) of the applicable development entity is the primary beneficiary of a development entity. The methodology used to evaluate the Company's primary beneficiary status requires substantial management judgment and estimation. These judgments and estimates involve assigning probabilities to various estimated cash flow possibilities relative to the development entity's expected profits and losses and the cash flows associated with changes in the fair value of land under contract. Because the Company does not have any contractual or ownership interest in the development entities with which it contracts to buy land, the Company generally does not have the ability to compel these development entities to provide financial or other data to assist the Company in the performance of the primary beneficiary evaluation. This lack of direct information from the development entities may result in the Company's evaluation being conducted solely based on the aforementioned management judgments and estimates. Although management believes that its accounting policy is designed to properly assess the Company's primary beneficiary status relative to its involvement with the development entities from which the Company acquires land, changes to the probabilities and the cash flow possibilities used in the Company's evaluation could produce widely different conclusions regarding the Company's status or nonstatus as a development entity's primary beneficiary.

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As a result of the evaluation of its option agreements entered into on May 16, 2005, the Company determined that it is the primary beneficiary of certain of the development entities with which the agreements and arrangements are held. Accordingly, at December 31, 2006 and 2005, the Company has consolidated such development entities in the accompanying consolidated balance sheet based on the purchase price of the land within the option agreement. The effect of the consolidation under FIN 46R at December 31, 2005 was the inclusion on the balance sheet of approximately \$295,000,000 as Inventory not owned, with a corresponding inclusion of approximately \$295,000,000 as Liabilities related to inventory not owned. At December 31, 2006, these amounts were reduced by \$65,000,000 to \$230,000,000, representing the remaining purchase price of land to be acquired.

3. Real Estate Projects

Real estate projects at December 31, 2006 and 2005 consist of the following:

	2006	2005
Undeveloped land	\$ 234,038,682	\$ 164,439,491
Construction in progress	86,355,351	34,779,603
Total real estate projects	<u>320,394,033</u>	<u>199,219,094</u>
Inventory not owned	230,000,000	295,000,000
Golf course property, net	4,086,479	4,227,860
	<u>\$ 554,480,512</u>	<u>\$ 498,446,954</u>

Construction in progress includes all costs to turn land into saleable lots including land, excavation and infrastructure. Capitalized overhead and real estate taxes included in real estate projects, net of amounts reflected as cost of sales, at December 31, 2006 and 2005 aggregated \$6,585,055 and \$2,983,974, respectively. Capitalized interest included in real estate projects, net of amounts reflected as cost of sales, aggregated \$19,614,009 and \$6,149,456 at December 31, 2006 and 2005, respectively.

4. Note Payable

On May 12, 2005, the Company entered into a loan agreement with a financial institution for a maximum commitment of \$200,000,000. Interest accrued and was payable monthly at LIBOR plus .875%. The loan was repaid during the year ended December 31, 2006. At December 31, 2005, the balance was \$194,843,500.

On December 29, 2006, the Company entered into a revolving credit agreement with a financial institution for a maximum commitment of \$200,000,000. Interest accrues and is payable monthly at LIBOR plus 0.65%, and is due in full on December 28, 2007. The balance at December 31, 2006 was \$198,955,150. Management plans to extend this note, or obtain alternate acquisition and development financing. An indirect investor of the members (California Public Employees Retirement System or "CalPERS") has guaranteed the loan. The Company pays an annual fee of 1.5% quarterly in arrears for the guarantee based on the average outstanding balance of the revolving note payable. The note is secured by a CalPERS credit enhancement.

The revolving credit agreement contains a subjective acceleration clause that states that the creditor may accelerate the scheduled maturities of the obligation in the event of default.

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The LIBOR rate of interest was 5.33% at December 31, 2006.

5. Deferred Revenue

The activity in deferred revenue from the period April 13, 2005 (inception) to December 31, 2006 is as follows:

Deferred revenue balance at April 13, 2005 (Inception)	\$ -
Revenue deferred on date of sale	13,246,934
Deferred revenue recognized in operations	-
Deferred revenue balance at December 31, 2005	13,246,934
Revenue deferred on date of sale	3,213,493
Deferred revenue recognized in operations	(6,239,155)
Deferred revenue balance at December 31, 2006	\$ 10,221,272

Of the deferred revenue balance at December 31, 2006, \$8,317,278 has been deferred relating to the sales of real estate where the Company is required to make significant improvements to the property. As of December 31, 2006 the Company estimates it will spend approximately \$8,279,284 to complete the required improvements for the sold lots. The Company estimates these improvements will be substantially completed during 2007.

6. Bond Obligation

On August 23, 2005, The Estrella Mountain Ranch Community Facilities District (City of Goodyear, Arizona) issued a bond in the amount of \$5,005,000 to be repaid from a special assessment levied on certain land owned by the Company. In accordance with EITF 91-10 *Accounting for Special Assessments and Tax Increment Financing Entities*, the Company has recorded \$3,848,977 of the bond as its own obligation. Certain amounts will be reversed in the future as the Company's land is sold to homebuilders and the associated liability for the bond has passed to the homebuilder. The bond proceeds have been used to finance certain public infrastructure. The bonds are due in four tranches in July 2015, 2021, 2025 and 2030. This bond is included in accounts payable and accrued liabilities.

7. Related Party Transactions

Developer Overhead Fees

The Company pays to an affiliate of the managing member, developer overhead fees for its services in managing the project. Developer overhead fees are paid monthly at a rate of 2.75% of expected sales proceeds of the Project. Developer overhead fees are paid throughout the life of the Project in accordance with an agreement between the Company and the affiliate. During the year ended December 31, 2006 and the period from April 13, 2005 to December 31, 2005, the Company paid and capitalized \$2,717,763 and \$1,203,140, respectively, in developer overhead fees.

8. Commitments and Contingencies

The Company's commitments and contingencies include the usual obligations incurred in the normal course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position, operations or cash flows.

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9. Fair Value of Financial Instruments

The carrying values and fair values of the Company's financial instruments consisted of the following at December 31, 2006 and 2005:

	<u>2006</u>		<u>2005</u>	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Inventory not owned	\$ 230,000,000	\$ 230,000,000	\$ 295,000,000	\$ 295,000,000
Land option deposits	46,747,839	46,747,839	59,959,185	59,959,185
Cash and cash equivalents	2,355,508	2,355,508	4,933,496	4,933,496
Receivables	5,465,400	6,213,914	579,719	579,719
Liabilities				
Borrowings	198,955,150	198,955,150	194,843,500	194,843,500

10. Acquisition

On May 16, 2005 the Company purchased the Project for a purchase price of \$250,000,000 in addition to acquisition costs, and accounted for the acquisition in accordance with FAS 141. Included in the total purchase price is \$59,959,185 of options to purchase an additional 14,549 acres over the next five years. On May 16, 2006, the Company took down its first option for \$65,000,000 in addition to acquisition costs. The Company recorded the exercise of the first option based on the exercise price paid of \$65,000,000 in addition to the allocated option price of \$13,211,346, for a total allocated value of \$78,211,346. At December 31, 2006, the Company has remaining options with a carrying value of \$46,747,839 to purchase an additional 11,860 acres at an exercise price of \$230,000,000. The following amounts have been assigned to the major asset and liability captions at the acquisition date:

	2005
Land	\$ 188,602,203
Land options deposit	59,959,185
Golf course property	4,238,612
Total assets	<u>\$ 252,800,000</u>