

# **DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT**

**For the Year Ending December 31, 2007**

*\$20,000,000 Sun City Carolina Lakes  
Improvement District  
(Lancaster County, South Carolina)  
Assessment Revenue Bonds Series 2006*

Prepared by:

**MUNICAP, INC.**

May 6, 2008

## **DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT**

<b>I.</b>	<b>UPDATED INFORMATION</b>	<b>1</b>
<b>II.</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>III.</b>	<b>DEVELOPMENT ACTIVITY</b>	<b>4</b>
	<b>A. Proposed Development</b>	<b>4</b>
	<b>B. Developer and Land Owners</b>	<b>4</b>
	<b>C. Status of Development</b>	<b>4</b>
	<b>D. Proposed Public Improvements</b>	<b>7</b>
<b>IV.</b>	<b>TRUSTEE ACCOUNTS</b>	<b>10</b>
<b>V.</b>	<b>DISTRICT OPERATIONS</b>	<b>12</b>
	<b>A. Special Assessments Levied and Collected</b>	<b>12</b>
	<b>B. Delinquent Special Assessments</b>	<b>15</b>
	<b>C. Collection Efforts</b>	<b>15</b>
<b>VI.</b>	<b>DISTRICT FINANCIAL INFORMATION</b>	<b>16</b>
	<b>A. Fund Balances</b>	<b>16</b>
	<b>B. Assessed Value of Lands</b>	<b>16</b>
	<b>C. Changes to the Rate and Method of Apportionment of Assessments</b>	<b>16</b>
	<b>D. Assessments Levied and Collected</b>	<b>16</b>
	<b>E. Assessment Payment Delinquencies</b>	<b>16</b>
	<b>F. Foreclosure Proceedings</b>	<b>17</b>
	<b>G. Assessments by Property Owner</b>	<b>17</b>
	<b>H. Prepayment of Assessments and Redemption of Prepayments</b>	<b>17</b>
	<b>I. Significant Amendments to Land Use</b>	<b>17</b>
	<b>J. Changes to the Construction of the Project</b>	<b>17</b>
	<b>K. Debt Service Schedule</b>	<b>17</b>
<b>VII.</b>	<b>NOTICE EVENTS</b>	<b>19</b>
	<b>A. Developer Significant Events</b>	<b>19</b>
	<b>B. Notice Events</b>	<b>19</b>

## ***I. UPDATED INFORMATION***

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Information updated from the Annual continuing disclosure report for the period ending December 31, 2006 is as follows:

- As of December 31, 2007, the developer reports that a total of 1,245 building permits were issued and subdivision plats have been approved for Pods A, B, C, C - Villas, D (Parts 1 & 2), E, F, G-H, and I-J, C1, K, L, M, N and Q.
- As of December 31, 2007, the developer reported a plan to develop 3,668 units and utilize the remainder of the land for common areas. The total planned number of units to be developed includes the annexation of the Turkey Point property mentioned in the Limited Offering Memorandum, which is currently in progress.
- The developer also reports that the cumulative units constructed as of December 31, 2007 were 1,165 and the cumulative units sold as of December 31, 2007 were 1,236, which include 1,127 single-family units, 41 villas and 29 carriage homes. The cumulative number of units sold in 2006 includes units sold prior to the issuance of the Series 2006 Bonds.
- As of December 31, 2007, the developer reports that 1,245 building permits were issued and there were 170 homes under construction. The developer also reports that there were 241 homes under a contract for sale and 995 homes had closed and settled as of December 31, 2007.
- As of December 31, 2007, the developer reports that the average sales prices of forty, fifty, sixty-four foot single family homes, attached villas and carriage homes were \$214,898, \$307,707, \$399,043, \$231,277 and \$231,277, respectively.
- As of December 31, 2007, the developer reports that all water main installations are complete with the exception of future pods S-Z, the pod waterline of which was not included in the initial infrastructure.
- As of December 31, 2007, the developer reports that the storm work in Pods J2 and M-z was underway and the installation of power, cable and gas is complete with the exception of Pods T-Z.
- As of December 31, 2007, the developer reports that the total amount of bond proceeds expended for public improvements was \$16,054,905.
- Assessments totaling \$1,380,000 were billed for fiscal year 2007. According to Lancaster County, assessments in the amount of \$1,380,000 were collected as of April 4, 2008, representing 100 percent of the assessments to be collected for fiscal year 2007. As a result, there are no delinquent assessments for fiscal year 2007.

## ***II. INTRODUCTION***

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The Sun City Carolina Lakes Improvement District (the “District”) was created by an ordinance enacted on October 3, 2005, by the Lancaster County Council (the “Council”). The \$20,000,000 Series 2006 Assessment Revenue Bonds were issued pursuant to the ordinance enacted on November 28, 2005 (the “Bond Ordinance”), by the Council, pursuant to the authorization of the County Public Works Improvement Act (codified at Chapter 35 of Title 4., of the Code of Laws of South Carolina, 1976, as amended (the “Act”), and a Master Trust Indenture dated as of February 1, 2006, as supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2006, each by and between the County and Wells Fargo Bank, N.A., a national banking association, (the “Trustee”).

The Series 2006 Bonds are issued to finance the design, construction and/or acquisition of certain infrastructure improvements and a public library (the “Project”).

The district, which consists of approximately 976 acres in the northwestern portion of the county, is located approximately 23 miles south of downtown Charlotte, North Carolina, approximately 17 miles from Charlotte-Douglas International Airport and approximately eight miles from Interstate 485. The land within the district was planned to be developed in multiple phases over an approximately eight-year period. At build-out, the development is expected to contain approximately 200,000 square feet of commercial space on 25 acres, approximately 3,647 residential units, an 18-hole golf course, and a community library.

The land in the District was originally owned by Pulte Homes Corporation (the “Developer”). The developer is a wholly-owned subsidiary of Pulte Homes, Inc.

The information in this report regarding development activity was provided by the developer and is believed to be accurate; however, no effort has been made to independently verify the information.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

**No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2007, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.**

**SIGMON DESIGN**  
 10000 ...  
 ...

**Public Home Corporation**  
 ...

**Don Webb**  
 ...

**MASTER SCHEMATIC SITE PLAN**

Scale: 1" = 100'

DATE: ...

1.1

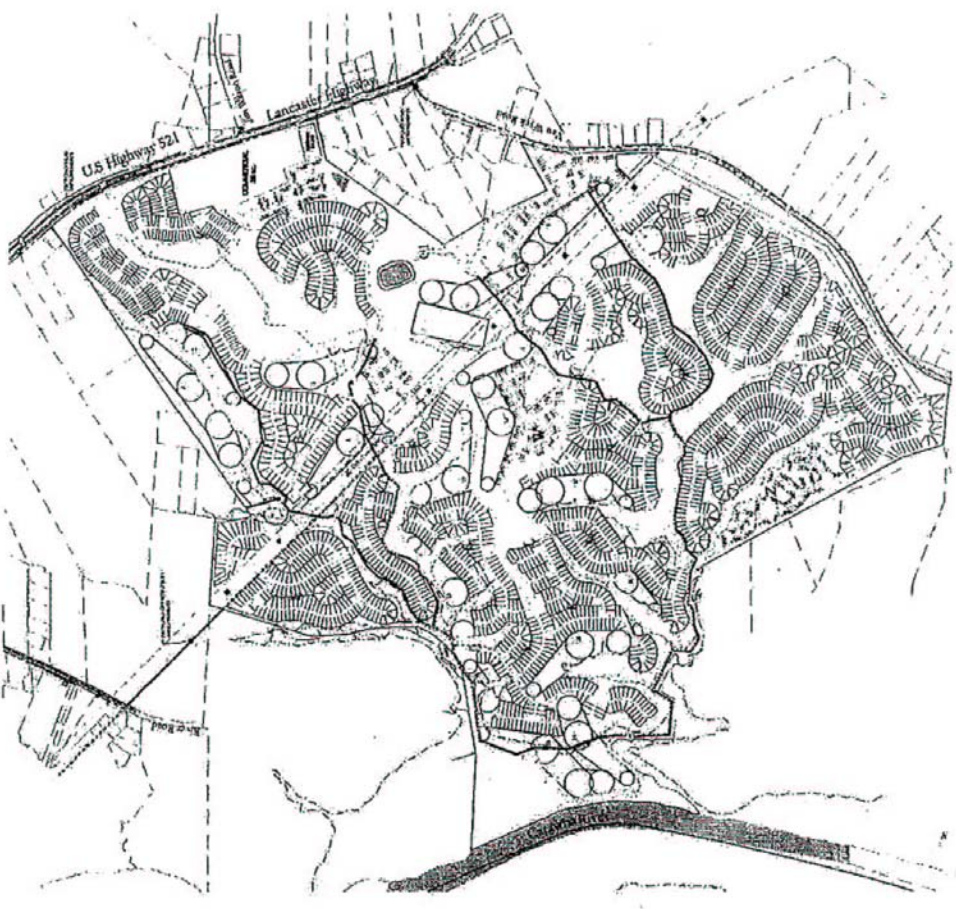
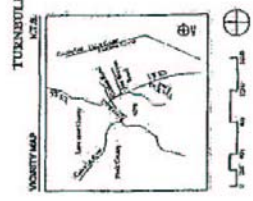


Exhibit B

### ***III. DEVELOPMENT ACTIVITY***

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#### **A. OVERVIEW**

The development is a master-planned, mixed-use, age restricted (55 and over), active adult development on approximately 1,230 acres in the northwestern portion of Lancaster County. The development is located in the Town of Indian Land, South Carolina, on the northwest corner of the intersection of U.S. Highway 521 and Van Wyck Road and extends westward to the Catawba River, southward along Van Wyck Road and northward along U.S. Highway 521 past Jim Wilson Road. The development is approximately 23 miles south of downtown Charlotte, North Carolina, approximately 17 miles from Charlotte-Douglas International Airport, and approximately eight mile from Interstate 485, the outer beltway around Charlotte.

As outlined in the Limited Offering Memorandum, the development was one of over 65 communities nationwide being developed under the “Del Webb” name, approximately 25 of which were in the pre-sale phase at the time of bond issuance and scheduled to open within two years.

At build-out, the development is planned to contain approximately 2,791 single family detached homes, 167 attached villa units, 689 carriage homes, an 18-hole golf course and other country club-style amenities. The development will also include approximately 200,000 square feet of commercial space consisting of retail, restaurant and/or support services, including a grocery store, a bank and a pharmacy for residents in the community and a Library, to be located on a two acre parcel adjacent to the commercial development. The development would offer an extensive array of amenities specifically tailored to the active adult, including fishing lakes, a kayak and canoe center at the river, lake, and golf course views, fitness centers, walking trails, tennis courts, an outdoor pool, and an outdoor pavilion.

#### **B. DEVELOPER AND LAND OWNERS**

The property in the District is currently being developed by Pulte Homes Corporation. The developer is a wholly-owned subsidiary of Pulte Homes, Inc, a publicly held corporation whose stock is listed on the New York Stock Exchange and whose subsidiaries engage in homebuilding and financial services businesses.

According to the developer, there have been no material changes in the form, organization or ownership of the Developer or any affiliate of the Developer who owns property in the District as described in the Limited Offering Memorandum.

#### **C. STATUS OF DEVELOPMENT**

##### **(i) Status of Government Permits**

According to the Limited Offering Memorandum, all major discretionary permits and approvals required for the development were received as at the time of bond issuance. These include permits for erosion control and grading, utility permitting (comprising water distribution

system extension construction permit, gravity sanitary sewer construction permit and sanitary sewer lift station and force main construction permit), South Carolina Department Of Transportation (SCDOT) encroachment permits, wetlands and stream channel impacts and zoning permits.

The administrative permits and approvals required for the development of the project include subdivision plat approvals and building permits. The developer reports that subdivision plat was approved for Pods A, B, C, C - Villas, D (Parts 1 & 2), E, F, G-H, and I-J, C1, K, L, M, N and Q and a total of 1,245 building permits were issued and as of December 31, 2007.

Table III-1 below shows the status of subdivision plat approval reported by the developer as of December 31, 2007.

**Table III-1**  
**Subdivision Plat Approval**

<b>Governmental Permit or Approval</b>	<b>Units</b>	<b>Date Submitted</b>	<b>Date Approved</b>	<b>Date Received</b>
Subdivision Plat Approval				
Pod A	130	08/26/05	10/27/05	10/27/05
Pod B	105	02/08/06	06/05/06	06/05/06
Pod C	185	08/03/06	08/04/06	08/04/06
Pod C – Villa’s	57	09/08/06	12/12/06	12/12/06
Pod D – Part 1	75	03/31/06	06/05/06	06/05/06
Pod D – Part 2	15	06/01/06	06/06/06	06/06/06
Pod E	235	06/05/06	06/07/06	06/07/06
Pod F	35	05/13/06	07/21/06	07/21/06
Pod G-H	110	08/22/06	12/18/06	12/18/06
Pod I-J	83	08/22/06	12/18/06	12/18/06
Pod C1	78	01/26/07	02/09/07	02/09/07
Pod K	72	12/15/06	02/28/07	02/28/07
Pod L	36	11/17/06	01/29/07	01/29/07
Pod M	92	01/04/07	03/15/07	03/15/07
Pod N	113	03/30/07	05/22/07	05/22/07
Pod Q	48	04/27/07	07/16/07	07/16/07

**(ii) Status of Vertical Development**

As of December 31, 2007, the developer reports that the aggregate number of units to be built would be reduced from 3,647 as shown in the Limited Offering Memorandum to 2,768. Table III-2 below shows the revised planned units to be developed as reported by the developer. According to the developer, at the time of feasibility, it was determined that the developer could develop up to 3,647 units. As of December 31, 2007, the developer reported a plan to develop 2,768 units and utilize the remainder of the land for common areas. The developer also reported

that a proposed annexation of the Turkey Point property mentioned in the Limited Offering Memorandum would subsequently increase the planned units to be built to approximately 3,668 units. The annexation of the Turkey Point property is currently underway.

**Table III-2  
Planned Units to be Developed**

<b>Phase</b>	<b>Single-family Homes</b>	<b>Villas</b>	<b>Carriage Homes</b>	<b>Planned Date of Commencement</b>	<b>Planned Date of Completion</b>
<b>Sun City Carolina Lakes</b>					
A	130	0	0	Prior to bond funding	Completed
B	105	0	0	Prior to bond funding	Completed
C	138	57	0	Prior to bond funding	Completed
C1	0	0	78	Prior to bond funding	Completed
D	90	0	0	Prior to bond funding	Completed
E	235	0	0	After bond funding	Completed
F	35	0	0	After bond funding	Completed
G-H	110	0	0	After bond funding	Completed
I-J	83	0	0	After bond funding	Completed
K	72	0	0	After bond funding	Completed
L	36	0	0	After bond funding	Completed
M	92	0	0	After bond funding	Completed
N	113	0	0	03/01/07	Completed
O	20	0	0	03/28/08	10/01/09
P	131	0	0	01/27/08	08/01/09
Q	48	0	0	04/15/07	Completed
R	203	0	0	06/04/07	Completed
S	40	0	0	05/21/07	Completed
T	221	0	0	08/28/07	08/01/08
U	89	0	0	08/28/07	10/01/08
V	0	0	212	03/28/08	08/25/09
W	0	0	132	03/28/08	12/01/08
X	0	10	80	03/28/08	8/25/09
Y	0	95	0	07/02/07	12/15/07
Z	0	113	0	08/28/07	10/1/08
<b>Subtotal</b>	<b>1,991</b>	<b>275</b>	<b>502</b>		
<b>Turkey Point</b>					
TP 40s	120	0	0	7/28/08	12/25/08
TP 40s E	140	0	0	6/29/08	12/15/08
TP 50s	495	0	0	7/28/08	12/25/08
TP Villas	0	145	0	7/28/08	12/25/08
<b>Subtotal</b>	<b>755</b>	<b>145</b>	<b>0</b>		
<b>Total</b>	<b>2,746</b>	<b>420</b>	<b>502</b>		



**a) Status of Home Construction and Sales**

According to the developer, development and absorption of homes in the district is anticipated to be completed by June 2013. The developer also reports that the cumulative units constructed as of December 31, 2007 were 1,165 and the cumulative units sold as of December 31, 2007 were 1,236, which include 1,127 single-family units, 41 villas and 29 carriage homes. The cumulative units sold include units sold prior to the issuance of the Series 2006 Bonds.

Table III-3 below shows the product type, cumulative units constructed and cumulative units sold reported by the developer as of December 31, 2007.

**Table III-3**  
**Cumulative Units Constructed and Units Sold**

<b>Product Type</b>	<b>Cumulative Units Constructed as of 12/31/07</b>	<b>Cumulative Units Sold as of 12/31/07</b>
Single Family	1,066	1,127
Villas	63	80
Carriage Homes	36	29
<b>Total</b>	1,165	1,236

**b) Status of Home Sales and Closings**

As of December 31, 2007, the developer reports that 1,245 building permits were issued and there were 170 homes under construction. The developer also reports that there were 241 homes under a contract for sale and 995 homes had closed and settled as of December 31, 2007. The developer also reported that the average sales prices of forty, fifty, sixty-four foot single family homes, attached villas and carriage homes were \$214,898, \$307,707, \$399,043, \$231,277 and \$231,277, respectively, as of December 31, 2007.

Table III-4 below shows the number of units, building permits issued, homes under construction, homes under contract of sale, homes closed and settled and the average sales price by product type as of December 31, 2007.

**Table III-4**  
**Status of Sales and Closings**

<b>Product Type</b>	<b>No. of Units</b>	<b>Building Permits Issued</b>	<b>Homes Under Construction</b>	<b>Units Under Contract</b>	<b>Units Closed</b>	<b>Average Sales Price</b>
40' Single Family	625	334	18	11	304	\$214,898
50' Single Family	1,639	507	84	124	376	\$307,707
64' Single Family	482	290	45	73	239	\$399,043
Attached Villas	420	68	6	23	57	\$231,277
Carriage Homes	502	46	17	10	19	\$231,277
<b>Total:</b>	3,668	1,245	170	241	995	\$292,751

## **D. PROPOSED PUBLIC IMPROVEMENTS**

According to the Limited Offering Memorandum, the infrastructure improvements to be designed, constructed and/or acquired by the developer primarily consist of on-site and off-site roadway, water and sewer lines, and stormwater management. In addition, the county would use a portion of the proceeds of the Series 2006 Bonds to construct and furnish a public library.

As outlined in the Limited Offering Memorandum, the developer planned to build the development in a series of phases over an approximately eight year period and that the infrastructure improvements would be installed in distinct phases corresponding with the phases of the development. The first phase of the project was expected to include grading, earthwork, construction of one of the major spine roads known as Dell Webb Boulevard, secondary roads for the initial pods, water and sewer lines, a pump station and a sewer lift station to develop the initial residential pods. Thereafter, subsequent phases of the project would consist of the roads and utility projects that will position the developer to develop the remaining residential pods and would be scheduled to match the general absorption of the development.

### **Status of Construction of the Public Improvements**

According to the Limited Offering Memorandum, initial site work on the first phase of the infrastructure improvements began in the third quarter of 2005. Site work prior to the issuance of the Series 2006 Bonds included clearing, construction of roadway segments, water, sewer and stormwater management facilities and landscaping.

As of December 31, 2007, the developer reports that all widening of Hwy 521 and Van Wyck Road is complete. The developer also reports that water main installations and all sewer infrastructures including the force main/pump station are complete with the exception of future pods S-Z, which were not included in the initial infrastructure. The developer also reports that the storm work in Pods J2 and M-Z was underway and the installation of power, cable and gas is complete with exception of Pods T-Z.

Table III-5 in the following page shows the public improvements, original budget, budget changes, revised budget and amount spent reported by the developer as of December 31, 2007.

**Table III – 5**  
**Status of Completion of the Public Improvements**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Final engineering / design	\$850,873	\$2,404,818	\$3,255,691	\$2,806,578	86%
Surveying	\$927,810	\$2,023,756	\$2,951,566	\$1,510,520	51%
Compaction / const testing	\$533,750	\$1,515,731	\$2,049,481	\$1,200,216	59%
Clearing and brushing	\$1,064,684	\$1,625,637	\$2,690,321	\$1,254,170	47%
Earth balancing	\$2,950,441	\$13,022,673	\$15,973,114	\$8,706,708	55%
Sanitary sewer	\$2,293,800	\$8,296,010	\$10,589,810	\$5,494,277	52%
Storm water	\$2,267,950	\$7,129,588	\$9,397,538	\$4,791,629	51%
Water mains	\$1,428,364	\$5,242,958	\$6,671,322	\$3,327,101	50%
Paving	\$1,240,411	\$3,915,780	\$5,156,191	\$2,164,947	42%
Paving 2 (surface course)	\$362,764	\$1,380,685	\$1,743,449	\$192,249	11%
Curb & gutter	\$856,657	\$1,754,945	\$2,611,602	\$1,215,472	47%
Sidewalks	\$944,416	(\$238,018)	\$706,398	\$11,149	2%
Street lights	\$403,650	\$336,908	\$740,558	\$266,056	36%
Street signs	\$219,100	\$241,797	\$460,897	\$241,395	52%
Special structures	\$2,370,233	\$13,541,863	\$15,912,096	\$11,167,134	70%
Off-site sanitary	\$5,238,348	\$2,562,874	\$7,801,222	\$7,030,913	90%
Off-site water	\$277,770	\$952,981	\$1,230,751	\$756,393	61%
Off-site paving	\$750,000	(\$302,525)	\$447,475	\$341,225	76%
Off-site traffic signals	\$300,000	(\$155,289)	\$144,711	\$144,711	100%
Public library	\$1,500,000	\$119,051	\$1,619,051	\$87,212	5%
<b>Total Public Improvements:</b>	<b>\$26,781,021</b>	<b>\$65,372,222</b>	<b>\$92,153,243</b>	<b>\$52,710,054</b>	<b>57%</b>
Less: Other Funds	\$9,490,384	\$64,950,922	\$74,441,306	\$36,655,149	49%
<b>Total Bond Funded Costs</b>	<b>\$17,290,637</b>	<b>*\$421,300</b>	<b>\$17,711,937</b>	<b>\$16,054,905</b>	<b>91%</b>

\* Budget change amount represents interest earned on bond proceeds from acquisition & construction, and library balances.

According to the Limited Offering Memorandum, infrastructure improvements and related facilities not funded by the proceeds of the 2006 Bonds were planned to be funded by the developer through equity or other sources. According to the developer, developer, infrastructure improvements and related facilities not funded by the proceeds of the 2006 Bonds are being funded by the developer through equity.

#### **IV. TRUSTEE ACCOUNTS**

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The trustee for the Series 2006 Bonds is Wells Fargo Bank, N.A. The following table shows the account balances as of December 31, 2006, interest paid, additional proceeds, disbursements and account balances as of December 31, 2007:

**Table IV - 1  
Fund Balances**

	<b>Balance 12/31/06</b>	<b>Interest Paid</b>	<b>Additional Proceeds</b>	<b>Disbursements</b>	<b>Balance 12/31/07</b>
Revenue Fund	\$0	\$27,646	\$1,075,548	\$1,090,000	\$13,194
Acquisition & Construction Fund	\$134,929	\$7,909	\$32,426	\$0	\$175,264
Administrative Expense Fund	\$42,807	\$1,506	\$0	\$29,961	\$14,352
Principal Account	\$0	\$62	\$1,451	\$0	\$1,513
Interest Account	\$34	\$65	\$1,635,000	\$1,635,000	\$99
Debt Service Reserve Fund	\$1,402,666	\$65,483	\$0	\$32,426	\$1,435,723
Library Sub-Account	\$1,552,936	\$73,726	\$0	\$94,823	\$1,531,839
Capitalized Interest	\$7,759	\$373	\$0	\$0	\$8,133
Cost of Issuance	\$77,547	\$3,751	\$0	\$0	\$81,299
<b>Total</b>	<b>\$3,218,678</b>	<b>\$180,520</b>	<b>\$2,744,426</b>	<b>\$2,882,210</b>	<b>\$3,261,414</b>

The additional proceeds to the Revenue Fund were transfers of special assessments collected by the county. The additional proceeds to the Acquisition & Construction Fund represent transfers of Debt Service Reserve Fund investment income per Section 4.01 of the First Supplemental Trust Indenture. The additional proceeds to the Interest Account are transfers from the Revenue Fund for the payment of debt service. Disbursements from the Administrative Expense Fund are payment for administrative expenses. Disbursements from the Library Sub-Account are payments for the cost of library improvements.

The interest paid through December 31, 2007 does not include interest accrued but not yet paid. Bond proceeds in the Series 2006 Debt Service Reserve Fund are invested in a Rabobank International Municipal Guaranteed Investment Contract (GIC) earning 4.715 percent per year and maturing on December 1, 2009. The remaining funds are invested in government money market obligations currently earning between approximately 3.93 and 4.18 percent per year. Table IV-2 shows the approximate rate of return on the investments.

According to Section 6.05 of the Trust dated March 1, 2006, as long as there exists no default under the Indenture and the amount in the Series Account of the Debt Service Reserve Fund is not reduced below the then applicable Debt Service Reserve Requirement with respect to such Series of Bonds, earnings on investments in the Series Account of the Debt Service Reserve Fund shall, prior to the completion date of a project, be transferred to the Series Interest Account of the Debt Service Fund relating thereto, and after the completion date, to the related Series Account of the Revenue Fund.

**Table IV – 2**

<b>Account</b>	<b>Rate of Return</b>
Revenue Fund	3.93%
Acquisition & Construction Fund	4.18%
Admin Expense Fund	4.18%
Debt Service Reserve Fund	4.72%
Library Sub-Account	4.18%
Capitalized I Account	4.18%
Cost of Issuance Account	4.18%

## V. *DISTRICT OPERATIONS*

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### A. **SPECIAL ASSESSMENTS LEVIED AND COLLECTED**

The Assessments have been imposed on the assessed property within the Sun City Carolina Lakes Improvement District pursuant to the Assessment Ordinance. The Assessments are equal to the interest and principal on the bonds and estimated administrative expenses related to the bonds. The Assessments are due and payable each year as the Annual Assessment. An Annual Credit may be applied to the Annual Assessment each year. The resulting amount is equal to the Annual Payment, which is to be collected from each of the assessed parcels in the District.

#### **Annual Revenue Requirement**

The Annual Revenue Requirement is defined as follows:

For any given year, the sum of the following, (1) regularly scheduled debt service on the bonds to be paid from the Annual Payments; (2) periodic costs associated with such bonds, including but not limited to rebate payments and credit enhancements on the bonds; and (3) administrative expenses; less (a) any credits applied under the bond indenture, such as interest earnings on any account balances, and (b) any other funds available to the district that may be applied to the Annual Revenue Requirement.

Table A provides a summary of the Annual Revenue Requirement for fiscal year 2007. Each of these numbers is explained in the following sections.

**Table V-1**  
**FY2007 Annual Revenue Requirement**

	<b>Total</b>
Interest payment on June 1, 2008	\$545,000
Interest payment on December 1, 2008	\$545,000
Principal payment on December 1, 2008	\$280,000
Subtotal Annual Payments	\$1,370,000
Administrative Expenses	\$34,000
Contingency	\$70,139
<i>Subtotal Expenses</i>	\$1,474,139
Available Revenue Fund Balance	( <b>\$2,600</b> )
Available Reserve Fund Interest Income	( <b>\$91,539</b> )
<i>Subtotal Funds Available</i>	( <b>\$94,139</b> )
<b>Annual Revenue Requirement</b>	<b>\$1,380,000</b>

### *Debt Service*

Debt service includes the semi-annual interest payments due on the Series 2006 Bonds on June 1, 2008 and December 1, 2008. The semi-annual interest payment on the Series 2006 Bonds is \$545,000 and represents an annual coupon of 5.450% on the outstanding bonds of \$20,000,000. There is a principal payment of \$280,000 on the bonds on December 1, 2008. Accordingly, total annual debt service payment is equal to \$1,370,000.

### *Administrative Expenses*

Administrative expenses include the trustee, the administrator, the county and the fees for the district counsel for services related to the district. The annual charges of the trustee are estimated to be \$6,500. The annual fee and expenses of the administrator and counsel are estimated at \$17,500, and \$5,000, respectively. The district administrative costs of the county are estimated to be \$5,000. Accordingly, the total administrative expenses for 2007 are estimated to be \$34,000.00.

### *Contingency*

A contingency equal to approximately five percent of annual debt service has been added in the event of special assessment delinquencies, unanticipated expenses or if investment income is less than estimated.

### *Available Revenue Fund Balance*

As of June 30, 2006, the balance on the Series 2006 Revenue Fund was \$528,886.09. At the current yield rate of 4.9%, the estimated Revenue Fund investment income through November 30, 2007 is \$10,800.30. The estimated Revenue Fund balance as of December 1, 2007 is \$539,686.39, which will be made available to pay debt service on the Series 2006 Bonds on December 1, 2007 together with an the Capitalized Interest Account balance of 7,913.66. As a result, the Revenue Fund balance available for the payment of debt service and administrative expenses in 2008 is estimated to be \$2,600.05, as shown in Table B below.

**Table V-1**  
**Available Revenue Fund Balance**

Revenue fund balance @ June 30, 2007	\$528,886.09
Estimated interest income through December 1, 2007	\$10,800.30
Estimated revenue fund balance @ December 1, 2007	\$539,686.39
Capitalized interest to be used for debt service payment in 2007	\$7,913.66
Less debt service payment on December 1, 2007	(\$545,000.00)
<b>Available Revenue Fund Balance</b>	<b>\$2,600.05</b>

*Reserve Fund Interest Income*

As of June 30, 2007, the balance on the Series 2006 Reserve Fund was \$1,370,364.38, which is equal to the reserve requirement for the Series 2006 Bonds and interest income posted to the fund in the amount of \$4.38. The reserve requirement for Series 2006 Bonds is equal to \$1,376,360.00. The reserve requirement represents the maximum annual Debt Service Requirement. The reserve requirement is invested in a Rabobank International Municipal Guaranteed Investment Contract (GIC) earning 4.715 percent per annum that matures on December 1, 2009. The yield on the bond proceeds invested in the GIC will result in an estimated Reserve Fund investment income of \$26,921.95 through November 30, 2007 and an additional \$64,612.47 in Reserve Fund interest income through November 1, 2008, which will be made available to pay debt service on the Series 2006 Bonds in 2008.

**Table V-2**  
**Debt Service Reserve Fund Account**

Reserve fund balance as of June 30, 2007	\$1,370,364.38
Reserve fund requirement	(\$1,370,360.00)
Interest income as of June 30, 2007	\$4.38
Estimated interest from July 1, 2007 to November 30, 2007	\$26,921.95
Estimated interest from December 1, 2007 to November 30, 2008	\$64,612.47
<b>Available reserve fund investment income</b>	<b>\$91,538.80</b>

*Available Capitalized Interest*

The balance in the Series 2006 Capitalized Interest Account as of May 31, 2007 was \$7,913.66, which will be used for the payment of debt service on December 1, 2007. As result there will be no funds from Capitalized Interest Account will be made available to pay debt service in 2008.

**SUMMARY ANNUAL CREDIT**

The Annual Credit for each year is equal to the Annual Assessment less the Annual Revenue Requirement. A summary of the Annual Credit is shown below:

**Summary Annual Credit**

	<b>Annual Assessment</b>
Annual Assessment	\$1,464,000
Annual Revenue Requirement	(\$1,380,000)
<b>Annual Credit</b>	<b>\$84,000</b>



**SUMMARY ANNUAL PAYMENT**

The Annual Payment each year is equal to the Annual Assessment less the Annual Credit. A summary of the Annual Payment is shown below:

**Summary Annual Payment**

	<b>Annual Assessment</b>
Annual Assessment	\$1,464,000
Annual Credit	(\$84,000)
<b>Annual Payment</b>	<b>\$1,380,000</b>

*Summary*

The estimated expenses of the District for fiscal year 2007 are \$1,474,439. The estimated funds available to pay these expenses are \$94,139, resulting in an annual revenue requirement of \$1,380,000. Accordingly, special assessments in the amount of \$1,380,000 were billed fiscal year 2007.

**B. DELINQUENT ASSESSMENTS**

There were no delinquent assessments for fiscal year 2006. Assessments totaling \$1,380,000 were levied in fiscal year 2007. According to the Lancaster County, as of April 4, 2008, assessments in the amount of \$1,380,000 were collected, representing 100 percent of the assessments billed for collection for fiscal year 2007.

As a result, there are no delinquent annual special assessments for fiscal year 2007.

**C. COLLECTION EFFORTS**

There are no collection efforts underway at this time.

## **VI. DISTRICT FINANCIAL INFORMATION**

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The information provided in this section is to meet the requirements for the annual report as provided for in Section 3(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of December 31, 2007, unless otherwise stated.

### **A. FUND BALANCES**

The fund balances as of December 31, 2007 for all of the funds and accounts provided for in the Indenture are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

### **B. ASSESSED VALUE OF LANDS**

Table VI-1 below shows the property classification, appraised and assessed values in the District as of January 1, 2007.

**Table VI-1**  
**Appraised and Assessed Values**

<b>Tax Parcel Number</b>	<b>Property Classification</b>	<b>Appraised Value</b>	<b>Assessed Value</b>	<b>Percent</b>
Various	Developed	\$53,095,000	\$3,185,700	80%
0016-00-001.00	Undeveloped	\$13,114,800	\$786,888	20%
	Total	\$66,209,800	\$3,972,588	100%

### **C. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF ASSESSMENTS**

There have been no changes to the Rate and Method of Apportionment of Assessments.

### **D. ASSESSMENTS BILLED AND COLLECTED**

Assessments totaling \$1,380,000 were billed for fiscal year 2007. According to Lancaster County, as of April 4, 2008, assessments in the amount of \$1,380,000 were collected representing 100 percent of the assessments billed for fiscal year 2007. Information regarding Assessments for the district is provided in detail in Section V of this report, "District Operations."

### **E. ASSESSMENT PAYMENT DELINQUENCIES**

Assessments totaling \$1,060,000 were billed and collected in full for fiscal year 2006. As a result, there are no delinquent special assessments for fiscal year 2006.

Assessments totaling \$1,380,000 were billed and collected in full for fiscal year 2007. As a result, there are no delinquent special assessments for fiscal year 2007.

**F. FORECLOSURE PROCEEDINGS**

There are no Assessment amounts currently subject to foreclosure proceedings that (1) have not been instituted; (2) have not been concluded; (3) have not been reduced to judgment but not collected; and (4) have been reduced to judgment and collected.

**G. ASSESSMENTS BY PROPERTY OWNER**

The following table shows the list of property owners responsible for payment of more than five percent of the assessments as of December 31, 2007. The development owner, Pulte Homes, was the only property owner responsible for more than five percent of assessments in 2007. The remaining assessments were paid by individual homeowners.

**Table VI-2**  
**Assessments Levied with Landowner**

Owner	Total Assessments	Principal Portion of Assessment	Annual Assessment Billed	Percentage
Pulte Homes Corporation	\$45,115,004	\$19,994,525	\$1,162,404	84%
<b>Total</b>	\$45,127,358	\$20,000,000	\$1,380,000	100%

**H. PREPAYMENT OF ASSESSMENTS AND REDEMPTION BY PREPAYMENTS**

There were no prepayments received during 2007. Accordingly, there were no bonds redeemed as a result of prepayments

**I. SIGNIFICANT AMENDMENTS TO LAND USE OR LEGAL CHALLENGES TO CONSTRUCTION OF THE DEVELOPMENT OR THE DISTRICT**

As of December 31, 2007, the developer reports that there have been no significant amendments to land use entitlement or legal challenges to the construction.

**J. CHANGES TO THE CONSTRUCTION OF THE PROJECT**

As of December 31, 2007, the developer reports that there have been no changes approved by the county to the project to be constructed from those stated in the Limited Offering Memorandum.

**K. DEBT SERVICE SCHEDULE**

Table IV-3 in the following page shows that debt service schedule for the Series 2006 Bonds as of December 31, 2007.

**Table VI-3  
Debt Service Schedule**

<b>Year Ending December 31</b>	<b>Amortization Installment</b>	<b>Interest</b>	<b>Total Debt Service</b>
2008	\$280,000.00	\$1,090,000.00	\$1,370,000.00
2009	\$295,000.00	\$1,074,740.00	\$1,369,740.00
2010	\$310,000.00	\$1,058,662.50	\$1,368,662.50
2011	\$325,000.00	\$1,041,767.50	\$1,366,767.50
2012	\$345,000.00	\$1,024,055.00	\$1,369,055.00
2013	\$365,000.00	\$1,005,252.50	\$1,370,252.50
2014	\$385,000.00	\$985,360.00	\$1,370,360.00
2015	\$405,000.00	\$964,377.50	\$1,369,377.50
2016	\$425,000.00	\$942,305.00	\$1,367,305.00
2017	\$450,000.00	\$919,142.50	\$1,369,142.50
2018	\$475,000.00	\$894,617.50	\$1,369,617.50
2019	\$500,000.00	\$868,730.00	\$1,368,730.00
2020	\$525,000.00	\$841,480.00	\$1,366,480.00
2021	\$555,000.00	\$812,867.50	\$1,367,867.50
2022	\$585,000.00	\$782,620.00	\$1,367,620.00
2023	\$615,000.00	\$750,737.50	\$1,365,737.50
2024	\$650,000.00	\$717,220.00	\$1,367,220.00
2025	\$685,000.00	\$681,795.00	\$1,366,795.00
2026	\$725,000.00	\$644,462.50	\$1,369,462.50
2027	\$765,000.00	\$604,950.00	\$1,369,950.00
2028	\$805,000.00	\$563,257.50	\$1,368,257.50
2029	\$850,000.00	\$519,385.00	\$1,369,385.00
2030	\$895,000.00	\$473,060.00	\$1,368,060.00
2031	\$945,000.00	\$424,282.50	\$1,369,282.50
2032	\$995,000.00	\$372,780.00	\$1,367,780.00
2033	\$1,050,000.00	\$318,552.50	\$1,368,552.50
2034	\$1,105,000.00	\$261,327.50	\$1,366,327.50
2035	\$1,165,000.00	\$201,105.00	\$1,366,105.00
2036	\$1,230,000.00	\$137,612.50	\$1,367,612.50
2037	\$1,295,000.00	\$70,577.50	\$1,365,577.50
<b>Total</b>	<b>\$20,000,000.00</b>	<b>\$21,047,082.50</b>	<b>\$41,047,082.50</b>

## ***VII. NOTICE EVENTS***

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### **A. DEVELOPER SIGNIFICANT EVENTS**

Developer's significant events generally include the following:

- (i.) failure to pay any real property taxes (including the Assessments) levied within the District on a parcel owned by the developer or any affiliate thereof
- (ii.) material damage to or destruction of any development or improvements within the development;
- (iii.) material default by the development owner, the developer, or any affiliate thereof on any loan secured by property within the development owned or leased by the development owner and the developer or any affiliate thereof;
- (iv.) the filing in bankruptcy by the development owner, the developer or any affiliate thereof, or by any owner of more than 25% in interest in the development owner or the developer, or any determination that the development owner, the developer or any affiliate thereof, or an owner of more than 25% in interest in the development owner or the developer is unable to pay its debts as they become due;
- (v.) material default by the development owner, the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development;
- (vi.) the filing of any lawsuit with claim for damages in excess of \$1,000,000 against the development owner, the developer or the landowner which may adversely affect the completion of the development or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the development owner, the developer or the landowner;
- (vii.) to the extent that the developer is obligated to pay assessments, failure by the developer to pay such assessments in full when due; or
- (viii.) a default or event of default occurs under any agreement or instrument evidencing indebtedness of the developer or Pulte Homes Corporation.

Inquiries have been made with the developer regarding the occurrence of any significant event and they have reported that no significant events have occurred as of December 31, 2007.

### **B. NOTICE EVENTS**

The administrator is required to file a notice to the State Depository (if any), each National Repository, or the Municipal Securities Rulemaking Board to report the occurrence of a Notice Event if it is instructed by the County to do so, as prescribed in Section 4 of the Proposed Form of Continuing Disclosure Reports in the Limited Offering Memorandum.

Notice events generally include the following:

- (i) Principal of or interest payment delinquencies;
- (ii) Non-payment related defaults
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of Bond holders;
- (viii) Unscheduled Bond Calls (other than pursuant to an extraordinary redemption under the terms of the Indenture);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of Bonds;
- (xi) Rating changes on the Bonds; and
- (xii) Failure to provide annual financial information as required.

The administrator does not have knowledge of any listed events as of the date of this report.

Additionally, the administrator does not have knowledge of any of the following: (i) changes to the “Rate and Method of Apportionment of Special Taxes,” (ii) significant amendments to land use entitlements or legal challenges to the construction of the development, or (iii) changes approved by the authority in the type of public facilities to be constructed from those described the Limited Offering Memorandum.