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There is no substitute for experience.

Community Facilities Districts 2010 Summary

The 2010 Market for CFD Bonds

During most of 2010 the market for CFD bonds improved. Yields lowered slowly yet consistently through most of the year. CFD issues with bond sizings correlated to special tax revenues generated by developed property, exhibiting high levels of property owner diversification and moderate value to lien ratios were increasingly accepted by the market. As market acceptance grew, CFDs with strong credit characteristics were rewarded with both lower yields and incremental acceptance of lower levels of developed property revenues than earlier in the year. Improving yields continued from January to November with good quality credits seeing decreases in yield of approximately 75 to 90 basis points on a 30 year maturity during that span. Right before Thanksgiving negative economic news, reaction to headlines related to the finances of state and local government and forced portfolio sales by financial institutions reacting to money market fund draw downs caused municipal interest rates to spike. Yields needed to sell primary market CFD bonds increased dramatically within a few weeks. Essentially liquidity problems not credit concerns were the primary cause of the jump in yields in late 2010.

CFDs that sold bonds during the year had been formed several years previous to the issuance of bonds and most were located in proximity to job centers. Six of the issues were refundings of previously issued CFD bonds. Several of those issuers utilized the A/B pooled refunding structure and several others received stand alone investment grade ratings. ◆

SUMMARY OF THE 33 CFD ISSUES CLOSED IN 2010

ISSUERS		GENERAL INFORMATION	
16	Cities	9	Commercial or Commercial/Residential Mix
9	School Districts	10	Mortgage Study included
6	Special Districts	6	Refundings
2	Counties	1	Variable Rate

LOCATION		RATING	
6	Northern California	23	Non Rated
27	Southern California	10	Rated

Source: California Debt and Investment Advisory Commission (CDIAC) Underlying CFDs within Marks-Roos pools may or may not be included.

Historic CFD Issuance

The table to the left indicates 10 years of CFD bond issuance history. A graph on the other side illustrates interest rate spreads for CFD bonds issued in 2010. Rates spiked in early 2009 and trended downward until November of 2010. Both the high rates of early 2009 and the increase of rates in late 2010 were primarly based on the lack of liquidity in the market , not credit characteristics. ◆

Other News

Generally in 2010 special tax delinquencies continued their downward trend of several years. During the year three CFDs filed required reports to CDIAC indicating a draw on reserve fund or a default. Two such reports have been filed early in 2011. Most of these filings were related to reserve fund draws. ◆

Going Forward

The CFD market for 2011 is evolving. No new money CFDs sold in either January or February. The three issues sold were rated refundings. New money issues should begin to enter the market in late March and April. Again, in 2011 CFD bonds sold will have moderate to high development levels, low delinquencies and current special tax revenue based on units sold, occupied or under construction. Districts selling bonds in 2011 will most likely be located in proximity to job centers and/or have immediate freeway access. ◆

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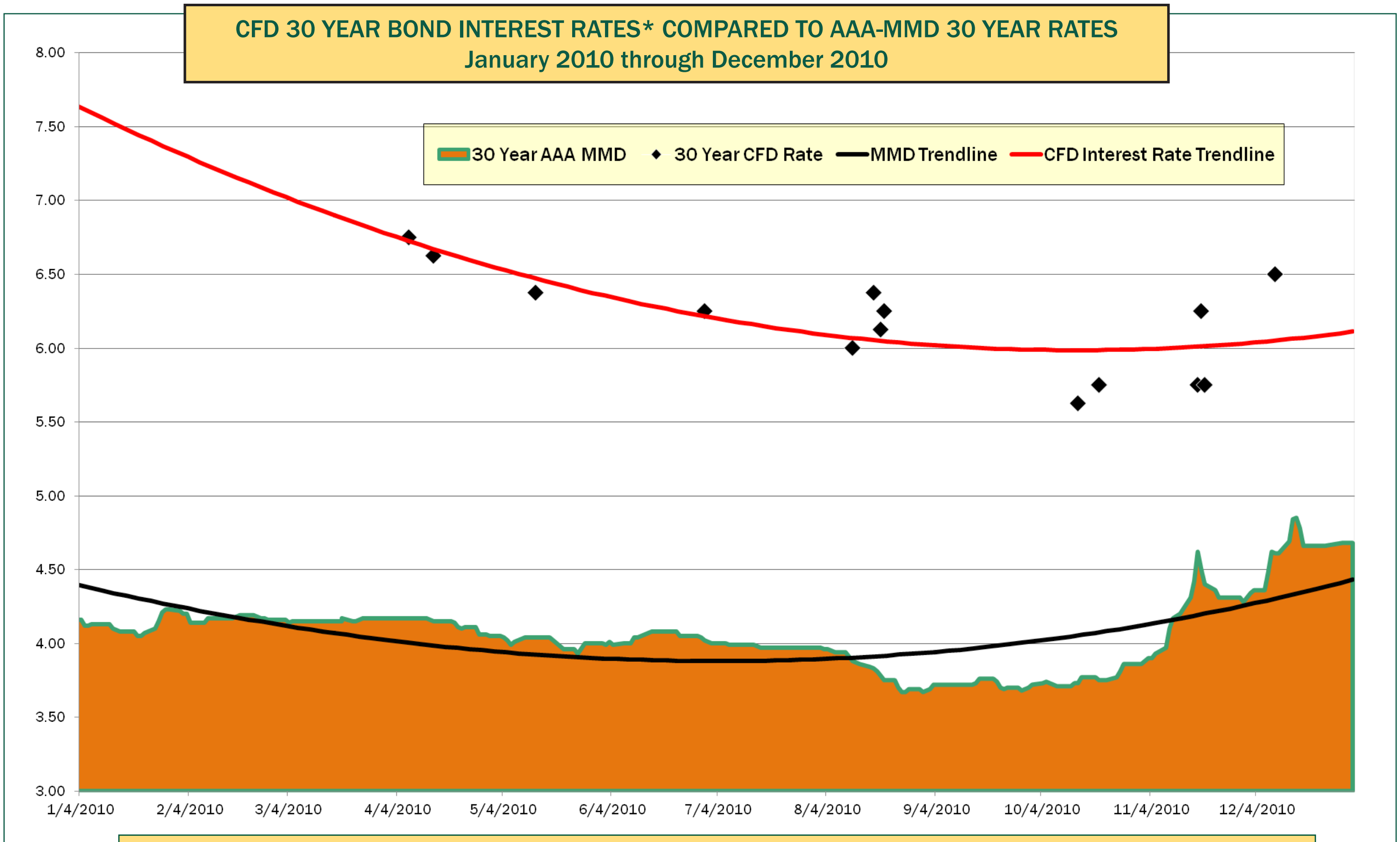

*CFD rates included based on the following criteria: 1) Non rated 2) Tax-exempt 3) 29-31 Year Maturity Rate 4) Only one issue on given date

TOP 10 FINANCIAL ADVISORS FOR COMMUNITY FACILITIES DISTRICTS
January 1, 1990 to December 31, 2010

Financial Advisor	Par Amount	Market Share (by Par Amount)	No. of Issues	Rank
Fieldman, Rolapp & Associates	$4, 827,800,000	38.0%	276	1
Firm 2	2,212,300,000	17.4%	96	2
Firm 3	517,000,000	4.1%	34	3
Firm 4	480,000,000	3.8%	42	4
Firm 5	479,400,000	3.8%	40	5
Firm 6	382,200,000	3.0%	20	6
Firm 7	316,400,000	2.5%	28	7
Firm 8	302,600,000	2.4%	26	8
Firm 9	295,200,000	2.3%	6	9
Firm 10	270,600,000	2.1%	21	10
Total Industry*	$12,696,500,000	100.0%	783	-

* Excludes private placements and preliminary issues.

Source: Securities Data Corporation, a division of Thomson Reuters

~Call Tom Johnsen at 949.660.7311 to discuss your CFD questions and needs~

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