

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2006

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

Prepared by:

MUNICAP, INC.

June 29, 2007

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

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I. UPDATED INFORMATION

Information updated from the Limited Offering Memorandum dated February 1, 2006 is as follows:

- The developer reports that as of December 31, 2006, a total of 545 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.
- As of December 31, 2006, the developer reported a plan to develop 2,934 units and utilize the remainder of the land for common areas. The developer later reported that a proposed annexation of the Turkey Point property mentioned in the Limited Offering Memorandum would subsequently increase the planned units to be developed beyond the originally planned 3,647 units. The annexation of the Turkey Point property is expected to take place in 2007.
- The developer reports that the cumulative number of units constructed in 2006 were 309 and the cumulative units sold in 2006 were 784, which include 743 single family units and 41 villas. The cumulative number of units sold in 2006 includes units sold prior to the issuance of the Series 2006 Bonds.
- As of December 31, 2006, the developer reports that 545 building permits were issued and there were 209 homes under construction. The developer also reports that there were 488 homes under a contract for sale and 296 homes had closed and settled as of December 31, 2006.
- As of December 31, 2006, the developer reports that the average sales prices of forty, fifty and sixty-four foot single family homes were \$205,774, \$293,538 and \$357,509, respectively.
- As of December 31, 2006, the developer reports that the widening of Highway 521 and Van Wyck Road and signal installation on Highway 521 are complete. The developer also reports that the storm work in Pods C1 and G-M was underway and the installation of power, cable and gas is complete with the exception of Pods C1 and G-Z.
- As of December 31, 2006, the developer reports that all water main installations and all sewer infrastructures, including the force main/pump station, are complete with the exception of future pods C1 and G-Z, which were not included in the initial infrastructure.
- As of December 31, 2006, the developer reports that the storm work in Pods C1 and G-M was underway and the installation of power, cable and gas is complete with exception of Pods C1 and G-Z.
- As of December 31, 2006, the developer reports that the total amount of bond

proceeds expended for public improvements was \$15,967,693.

- Assessments totaling \$1,060,000 were billed for collection in fiscal year 2006. According to Lancaster County, assessments in the amount of \$1,060,000 were collected as of February 13, 2007, representing 100 percent of the assessments to be collected for fiscal year 2006. According to the trustee, assessments in the amount of 1,058,548.83 were transferred to the trustee on February 09, 2006. As a result, there are no delinquent assessments for fiscal year 2006.

II. INTRODUCTION

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.

SIGMON DESIGN
 1000 ...
 ...

Public Home Corporation
 ...

Don Webb
 ...

MASTER SCHEMATIC SITE PLAN

DATE: ...
 SCALE: ...

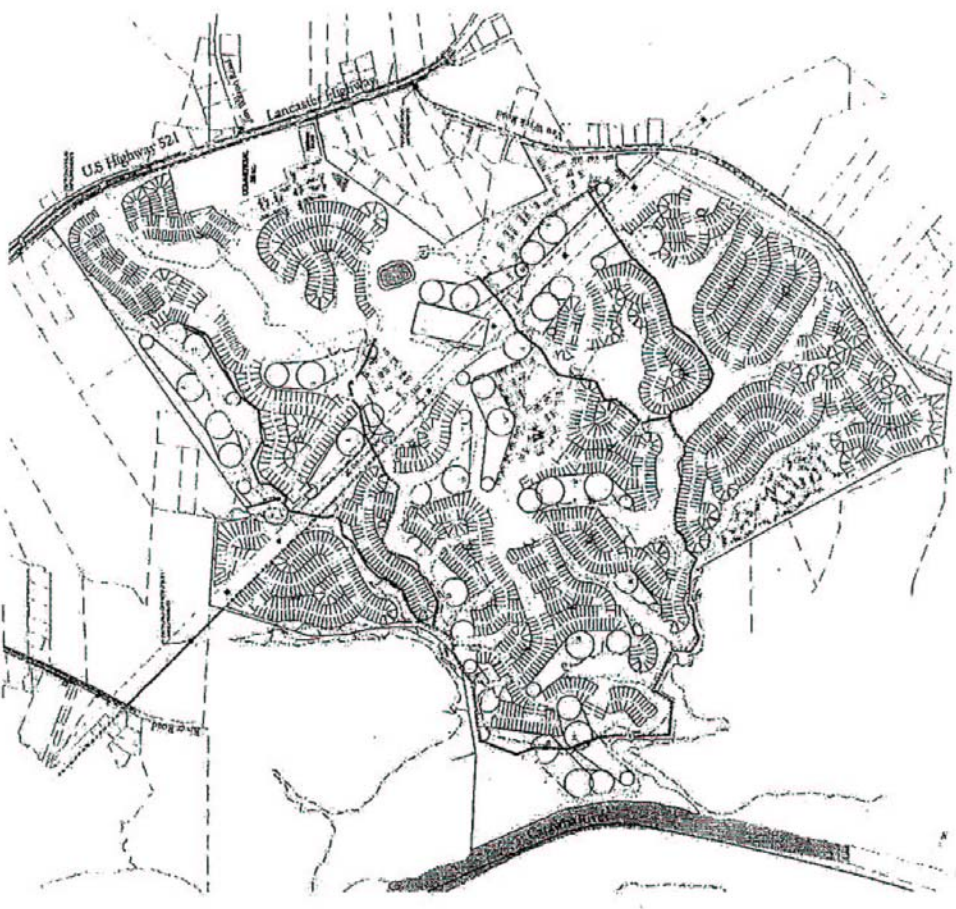
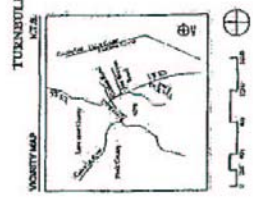


Exhibit B

III. DEVELOPMENT ACTIVITY

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 and a total of 545 building permits were issued and as of December 31, 2006.

Table III-1 below shows the status of subdivision plat approval reported by the developer as of December 31, 2006.

Table III-1
Subdivision Plat Approval

Governmental Permit or Approval	Units	Date Submitted	Date Approved	Date Received
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	180	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	108	08/22/06	12/18/06	12/18/06
Pod I-J	90	08/22/06	12/18/06	12/18/06

(ii) Status of Vertical Development

As of December 31, 2006, 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 2,934. 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, 2006, the developer reported a plan to develop 2,934 units and utilize the remainder of the land for common areas. The developer later 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 beyond the originally planned 3,647 units. The annexation of the Turkey Point property is expected to take place in 2007.

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

Phase	Single-family Homes	Villas	Carriage Homes	Planned Date of Commencement	Planned Date of Completion
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	42	Prior to bond funding	02/15/07
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	108	0	0	After bond funding	04/01/07
I-J	90	0	0	After bond funding	01/01/07
K	76	0	0	After bond funding	03/01/07
L	37	0	0	After bond funding	02/01/07
M	94	0	0	After bond funding	04/01/07
N	119	0	0	02/01/07	07/01/07
O	25	0	0	07/17/07	10/01/07
P	131	0	0	01/27/08	08/01/08
Q	43	0	0	02/21/07	02/01/07
R	307	0	0	06/04/07	12/01/07
S	42	0	0	05/21/07	11/01/07
T	185	0	0	08/28/07	04/01/08
U	107	0	0	06/29/07	04/01/08
V	0	0	273	10/15/07	06/15/08
W	0	0	224	06/29/07	04/01/08
X	0	114	0	10/15/07	06/15/08
Y	32	0	0	07/02/07	09/15/07
Z	0	95	0	08/27/07	06/15/08
Total	2,129	266	539		

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 reports that the cumulative number of units constructed in 2006 were 309 and the cumulative units sold in 2006 were 784, which include 743 single family units and 41 villas. The cumulative units sold in 2006 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, 2006.

Table III-3
Cumulative Units Constructed and Units Sold

Product Type	Cumulative Units Constructed in 2006	Cumulative Units Sold in 2006
Single Family	309	743
Villas	0	41
Carriage Homes	0	0
Total	309	784

b) Status of Home Sales and Closings

As of December 31, 2006, the developer reports that 545 building permits were issued and there were 209 homes under construction. The developer also reports that there were 488 homes under a contract for sale and 296 homes had closed and settled as of December 31, 2006. The developer also reported that the average sales prices of forty, fifty and sixty-four foot single family homes were \$205,774, \$293,538 and \$357,509, respectively as of December 31, 2006.

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, 2006.

Table III-4
Status of Sales and Closings

Product Type	No. of Units	Building Permits Issued	Homes Under Construction	Units Sold	Units Closed	Average Sales Price
40' Single Family	803	225	70	120	117	\$205,774
50' Single Family	758	166	77	250	89	\$293,538
64' Single Family	568	137	45	77	90	\$357,509
Attached Villas	266	17	17	41	0	0
Carriage Homes	539	0	0	0	0	0
Total:	2,934	545	209	488	296	\$278,298

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, 2006, the developer reports that all water main installations and all sewer infrastructures including the force main/pump station are complete with the exception of future pods C1 and G-Z, which were not included in the initial infrastructure. The developer also reports that the storm work in Pods C1 and G-M was underway and the installation of power, cable and gas is complete with exception of Pods C1 and G-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, 2006.

Table III – 5
Status of Completion of the Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Final engineering / design	\$850,873	\$498,841	\$1,349,714	\$1,349,714	100%
Surveying	\$927,810	(\$96,216)	\$831,594	\$831,594	100%
Compaction / const testing	\$533,750	\$125,848	\$659,598	\$659,598	100%
Clearing and brushing	\$1,064,684	(\$147,681)	\$917,003	\$917,003	100%
Earth balancing	\$2,950,441	\$1,639,661	\$4,590,102	\$4,590,102	100%
Sanitary sewer	\$2,293,800	\$892,215	\$3,186,015	\$3,186,015	100%
Storm water	\$2,267,950	\$288,812	\$2,556,762	\$2,556,762	100%
Water mains	\$1,428,364	\$5,416	\$1,433,780	\$1,433,780	100%
Paving	\$1,240,411	(\$137,778)	\$1,102,633	\$1,102,633	100%
Paving 2 (surface course)	\$362,764	(\$349,399)	\$13,365	\$13,365	100%
Curb & gutter	\$856,657	(\$261,279)	\$595,378	\$595,378	100%
Sidewalks	\$944,416	(\$933,805)	\$10,611	\$10,611	100%
Street lights	\$403,650	(\$156,983)	\$246,667	\$246,667	100%
Street signs	\$219,100	(\$94,677)	\$124,423	\$124,423	100%
Special structures	\$2,370,233	\$4,980,304	\$7,350,537	\$7,350,537	100%
Off-site sanitary	\$5,238,348	\$1,778,152	\$7,016,500	\$7,016,500	100%
Off-site water	\$277,770	\$386,244	\$664,014	\$664,014	100%
Off-site paving	\$750,000	(\$376,441)	\$373,559	\$373,559	100%
Off-site traffic signals	\$300,000	(\$141,708)	\$158,292	\$158,292	100%
Public library	\$1,500,000	\$0	\$1,500,000	\$0	0%
Total Public Improvements:	\$26,781,021	\$7,899,526	\$34,680,547	\$33,180,547	95.7%
Less: Other Funds	(\$9,490,384)	(\$7,899,526)	(\$17,389,910)	(\$17,212,854)	
Total Bond Funded Costs	\$17,290,637	\$0	\$17,290,637	\$15,967,693	92.3%

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, 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

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

Table IV - 1
Fund Balances

	Initial Deposit	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/06
Acquisition & Construction Fund	\$15,790,637	\$296,274	\$21,711	\$15,973,693	\$134,929
Administration Expense Fund	\$50,000	\$1,669	\$0	\$8,863	\$42,807
Interest Account	\$0	\$34	\$269,472	\$269,472	\$34
Debt Service Reserve Fund	\$1,370,360	\$48,017	\$0	\$15,711	\$1,402,666
Library Sub-Account	\$1,500,000	\$52,936	\$0	\$0	\$1,552,936
Capitalized Interest Account	\$800,503	\$21,728	\$0	\$814,472	\$7,759
Cost of Issuance Account	\$188,500	\$2,717	\$0	\$113,669	\$77,547
Total	\$19,700,000	\$423,376	\$291,183	\$17,195,881	\$3,218,678

The additional proceeds to the Acquisition & Construction Fund represent transfers from the Cost of Issuance Account and the Debt Service Reserve Fund per Section 4.01 (F) of the first Supplemental Trust Indenture. The additional proceeds to the Interest Account are transfers from Capitalized Interest Account for debt service payments. Disbursements from the Acquisition & Construction Fund are for the costs of construction of the public improvements. Disbursements from the Administrative Expense Fund are payment for administrative expenses. Disbursements from the Interest Account are for payment of debt service. Disbursements from the Capitalized Interest Account are transfers to the Interest Account for payment of debt service. Disbursements from the Cost of Issuance Account are for the costs of issuing the Series 2006 Bonds.

The interest paid through December 31, 2006 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 4.72 percent per year and maturing on December 1, 2009. Bond proceeds in the Series 2006 Acquisition and Construction Fund Account and Library Sub-Account are invested in a Rabobank International Municipal GIC earning 4.72 percent per year and maturing on April 1, 2007. The remaining funds are invested in a Wells Fargo Advantage Government Money Market currently earning between 4.63 and 4.78 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

Account	Rate of Return
Acquisition & Construction Fund	4.72%
Admin Expense Fund	4.78%
Interest Account	4.63%
Debt Service Reserve Fund	4.72%
Library Sub-Account	4.72%
Capitalized I Account	4.72%
Cost of Issuance Account	4.78%

V. *DISTRICT OPERATIONS*

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
FY2006 Annual Revenue Requirement

	Total
Interest payment on June 1, 2007	\$545,000
Interest payment on December 1, 2007	\$545,000
Subtotal Annual Payments	\$1,090,000
Administrative Expenses	\$31,000
Contingency	\$66,864
<i>Subtotal Expenses</i>	\$1,187,864
Available Reserve Fund Interest Income	(\$122,220)
Available Capitalized Interest Account	(\$5,643)
<i>Subtotal Funds Available</i>	(\$127,863)
Annual Revenue Requirement	\$1,060,000

Debt Service

Debt service includes the semi-annual interest payments due on the Series 2006 Bonds on June 1, 2007 and December 1, 2007. There is no principal payment on the bonds on December 1, 2007. As a result, 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.

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the fees for the District counsel for services related to the District. The Administrative Expense Fund was pre-funded with \$50,000.00 in bond proceeds when the Series 2006 Bonds were issued, which was equal to the estimated annual budget for administrative expenses. As of June 30, 2006, the balance in the Administrative Expense Fund was \$50,536.85. A portion of these funds will be used to fund administrative expenses in 2006 and the remaining balance will be used to fund administrative expenses in 2007.

The annual charges of the trustee are estimated to be \$6,500.00. The annual fee and expenses of the administrator and counsel are estimated at \$17,500.00, and \$5,000.00, respectively. A contingency of \$2,000.00 has been added in the event there are unanticipated expenses. Accordingly, the total administrative expenses for 2007 are estimated to be \$31,000.00.

Contingency

A contingency equal to approximately six 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.

Reserve Fund Interest Income

As of June 30, 2006, the balance on the Series 2006 Reserve Fund was \$1,385,702.95, which is equal to the reserve requirement for the Series 2006 Bonds and interest income posted to the fund in the amount of \$15,342.95. 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 estimated Reserve Fund investment income of \$26,921.86 through November 30, 2006 and an additional \$64,612.47 in Reserve Fund interest income through November 1, 2007, which will be made available to pay debt service on the Series 2006 Bonds in 2007.

Table V-2
Debt Service Reserve Fund Account

Reserve Fund Balance @ June 30, 2006	\$1,385,702.95
Reserve Fund requirement	(\$1,370,360.00)
Interest income at June 30, 2006	\$15,342.95
Estimated interest from July 1, 2006 to November 30, 2006	\$26,921.86
Estimated interest from December 1, 2006 to November 30, 2007	\$64,612.47
Available Reserve Fund Interest Income	\$122,220.24

Available Capitalized Interest

The balance in the Series 2006 Capitalized Interest Account as of June 30, 2006 was \$539,994. Bond proceeds in the Capitalized Interest Account totaling \$537,636 are invested in a Rabobank International Municipal Guaranteed Investment Contract (GIC) earning 4.715 percent per annum that matures on April 1, 2007. At that yield, \$10,562.31 in interest income is estimated to be earned on the bond proceeds in the Capitalized Interest Account through November 30, 2006. A portion of these proceeds will be used to pay debt service of \$545,000.00 on December 1, 2006. Additional interest income in the amount of \$87 is estimated to be earned on the Series 2006 Capitalized Interest Account through March 31, 2007, resulting in a balance of \$5,643.41 to be made available to pay debt service in 2007.

Table V-3
Available Capitalized Interest Account

Cap I Balance @ June 30, 2006	\$539,993.77
Interest income through November 30, 2006	\$10,562.31
Interest Sub-Account Balance @ June 30, 2006	\$0.00
Debt Service @ December 1, 2006	(\$545,000.00)
Subtotal Available Capitalized Interest Account	\$5,556.08
Interest income through March 31, 2007	\$87.32
Available Capitalized Interest Account	\$5,643.41

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

	Annual Assessment
Annual Assessment	\$1,200,000
Annual Revenue Requirement	(\$1,060,000)
Annual Credit	\$140,000

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

	Annual Assessment
Annual Assessment	\$1,200,000
Annual Credit	(\$140,000)
Annual Payment	\$1,060,000

Summary

The estimated expenses of the District for 2007 are \$1,187,864. The estimated funds available to pay these expenses are \$127,863, resulting in an annual revenue requirement of \$1,060,000. Accordingly, special assessments in the amount of \$1,060,000 will be billed for collection in 2007.

B. DELINQUENT ASSESSMENTS

Assessments totaling \$1,060,000 were levied in fiscal year 2006. According to Lancaster County, as of February 13, 2007, assessments in the amount of \$1,060,000 were collected representing 100 percent of the assessments billed for collection for fiscal year 2006. According to the trustee, assessments in the amount of \$1,058,548.83 were transferred to the trustee on February 09, 2006.

As a result, there are no delinquent annual special assessments for fiscal year 2006.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

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, 2006, unless otherwise stated.

A. FUND BALANCES

The fund balances as of December 31, 2006 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 December 31, 2006.

Table VI-1
Appraised and Assessed Values

Tax Parcel Number	Property Classification	Appraised Value	Assessed Value	Percent
Various	Developed	\$8,300,000	\$498,000	20.34%
0016-00-001.00	Undeveloped	\$32,504,000	\$1,950,240	79.66%
	Total	\$40,804,000	\$2,448,240	100.00%

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 \$1,060,000 were billed in fiscal year 2006. According to Lancaster County, as of February 13, 2007, assessments in the amount of \$1,060,000 were collected representing 100 percent of the assessments billed for fiscal year 2006. 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 the fiscal year 2006. As a result, there are no delinquent special assessments for fiscal year 2006.

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, 2006. The development owner, Pulte Homes, was the only property owner responsible for more than five percent of assessments in 2006.

Table VI-2
Assessments Levied with Landowner

Owner	Total Assessments	Principal Portion of Assessment	Annual Assessment Billed	%
Pulte Homes Corporation	\$45,115,003.99	\$19,994,525.05	\$1,059,709.83	99.97%
Total	\$45,127,357.50	\$20,000,000.00	\$1,060,000.00	100%

H. PREPAYMENT OF ASSESSMENTS AND REDEMPTION BY PREPAYMENTS

There were no prepayments received during 2006. 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, 2006, 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, 2006, 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.

**Table VI-3
Debt Service Schedule**

Year Ending December 31	Amortization Installment	Interest	Total Debt Service
2006		\$814,472.22	\$814,472.22
2007		1,090,000.00	1,090,000.00
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
Total	\$20,000,000.00	\$22,951,554.72	\$42,951,554.72

VII. NOTICE EVENTS

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, 2006.

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.