

BEFORE THE SECURITIES COMMISSIONER
STATE OF COLORADO

Order No. A 07-009
Division File No. ME 2007-34-715

**ORDER OF EXEMPTION FROM REGISTRATION OF ISSUANCE OF
MUNICIPAL BONDS**

IN THE MATTER OF FALLBROOK METROPOLITAN DISTRICT SUBORDINATE
CAPITAL APPRECIATION LIMITED TAX GENERAL OBLIGATION BONDS, SERIES
2007

WHEREAS, on April 4, 2007, the Fallbrook Metropolitan District (the "Issuer"), filed with the Colorado Securities Commissioner ("Commissioner") its request that the Commissioner by order exempt from the registration requirements of the Colorado Municipal Bond Supervision Act, Title 11, Article 59, Part 1, Colorado Revised Statutes, (the "Act") the Issuer's Subordinate Capital Appreciation Limited Tax General Obligation Bonds, Series 2007 (the "Bonds"); and

WHEREAS, the Bonds constitute "bonds" within the meaning of § 11-59-103(2), C.R.S., and, pursuant to § 11-59-106, C.R.S., require registration with the Commissioner under § 11-59-108, C.R.S., unless otherwise exempt under § 11-59-110, C.R.S.; and

WHEREAS, pursuant to Rule 59-10.3, bonds sold in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof are exempt from registration under the Act; and

WHEREAS, the Bonds are being issued as capital appreciation bonds which, due to the nature and structure of this type of bond, may not be sold in even dollar amounts and, consequently, cannot comply with the \$1,000 integral multiple portion of the Rule; and

WHEREAS, pursuant to § 11-59-110(3), C.R.S., the Commissioner is authorized, by rule or order, to exempt the Bonds from the registration requirements of § 11-59-106, C.R.S., if the Commissioner finds that application of the registration requirement for the Bonds is not necessary in the public interest and for the protection of investors; and

WHEREAS, in connection with its request for an order exempting the Bonds from the registration requirements of the Act, the Issuer has represented that the Bonds shall be issued with the following restriction (the "Restriction") contained therein and in any instrument governing the Bonds: "The Bonds shall be purchased only in denominations of not less than \$500,000 of the then current Accreted Value on the date of such purchase."; and

WHEREAS, inasmuch as the foregoing Restriction would require investors in the Bonds to pay at least \$500,000 in order to make a purchase of the Bonds on any given date, the purchase of the Bonds is effectively limited to those investors with enough financial expertise and sophistication to pay a minimum of \$500,000 for any single purchase of the Bonds, thus satisfying the intent and spirit of the Rule; and

WHEREAS, on the basis of the foregoing representation of the Issuer, the Securities Commissioner finds that the application of §11-59-106, C.R.S., to the Bonds is not necessary in the public interest and for the protection of investors, and that pursuant to §11-59-110(3), C.R.S., the issuance of this Order is appropriate in the public interest and is consistent with the purposes and provisions of the Act.

NOW THEREFORE, IT IS HEREBY ORDERED that pursuant to §11-29-110(3), C.R.S., the execution and delivery by the Issuer of the Bonds subject to the foregoing Restriction shall be exempt from the registration requirements of the Colorado Municipal Bond Supervision Act.

DATED at Denver, Colorado the 9th day of April, 2007.



Fred J. Joseph
Securities Commissioner