MAG 208 AMENDMENT

for the

City of Surprise Special Planning Area No. 4 Regional Water Reclamation Facility

Prepared for:

Sun Haven I, LLC
426 North 44th Street, Suite 240
Phoenix, AZ 85008

City of Surprise
12425 W. Bell Road, Suite D-100
Surprise, AZ 85374

Prepared by:

PERC

and

PACE
PACIFIC ADVANCED CIVIL ENGINEERING, INC.

Revised April 2006
February 2006
Job# 8316E

SURPRISE
ARIZONA

Water Services Department
12425 West Bell Road
Suite D-100
Surprise, Arizona 85374-9002
Phone 623-875-4290 / TDD 623-875-4208
Fax 623-583-2892

April 5, 2006

Attn: Julie A. Hoffman
Maricopa Association of Governments
302 North 1st Ave., Suite # 300
Phoenix, Arizona 85003

Re: Formal Initiation of 208 Amendment for the City of Surprise, Special Planning Area 4.

Dear Ms. Hoffman:

The City of Surprise is formally requesting an Amendment for the Clean Water Act, Section 208 for the Water Quality Management Plan in the City of Surprise Special Planning Area 4 (SPA 4). This 208 Amendment is for the City of Surprise SPA 4 Regional Wastewater Treatment Plant with an ultimate capacity of 8 m.g.d. The City of Surprise is in the process of negotiating and executing a development agreement with Sunhaven which will provide developer funding of the design, construction, and initial operations and maintenance of the developer-funded phase of the SPA 4 Regional WRF with City of Surprise ownership and operations and maintenance responsibility.

Currently you should have in your possession no-objection letters from all surrounding municipalities within a minimum of three miles from the SPA 4 Planning Area. Our understanding is that once we have received a no-objection letter from Maricopa County Environmental Services Department we will be ready to be placed on the next available Water Quality Advisory Committee meeting currently scheduled for April 25, 2006.

Please feel free to contact me at 623-594-5743 if you any questions or concerns.

Sincerely,

4-6-06
James Shano – Infrastructure Manager
City of Surprise, Water Services Department

CC: Rich Williams, Water Services Director
Doug Sandstrom, Assistant City Manager, City of Surprise
Ken James, Maricopa County Environmental Services Department
Ryan Christensen, RBF Engineering
Raj Thakur, .RT Engineering
File

MAG 208 Amendment

City of Surprise
Special Planning Area No. 4
Regional Water Reclamation Facility

Revised April 2006
February 2006
July 2005

Prepared for:

Sun Haven 1, LLC
426 North 44th Street Suite 240
Phoenix, AZ 85008

City of Surprise
12425 W. Bell Road, Suite D-100
Surprise, AZ 85374

Prepared by:

PERC
17520 Newhope Street, Suite 120
Fountain Valley, CA 92708

PACE

Pacific Advanced Civil Engineering, Inc. (PACE)
17520 Newhope Street, Suite 200
Fountain Valley, CA 92708

Registered Professional Engineer (Civil)
CERTIFICATE NO.
40050
DUONG T.
DO
Date Signed 4.11.06
ARIZONA, U.S.A.

#8316E

Table of Contents

Tables

Figures

Appendixes

Appendix A Site Map and Discharge Location Map
Appendix B SPA No.4 Regional WRF Process Design Information
Appendix C SPA No.4 Draft Construction Schedule
Appendix D Sun Haven 1, LLC and City of Surprise Financial Capability
Appendix E Communication with ADEQ regarding permitting
Appendix F Sunhaven Ranch Wastewater Generation Calculations

Abbreviations

ADEQ	Arizona Department of Environmental Quality
ADWR	Arizona Department of Water Resources
APP	Aquifer Protection Permit
AZPDES	Arizona Pollutant Discharge Elimination System
BMP	Best Management Practice
CAP	Central Arizona Project
CFR	Code of Federal Regulations
DU	Dwelling Units
E.D.	Equivalent Dwelling
EPA	Environmental Protection Agency
MAG	Maricopa Association of Governments
MGD	Million gallons per day
MSDS	Material Safety Data Sheets
O&M	Operations and maintenance
PACE	Pacific Advanced Civil Engineering, Inc.
NTU	Nephelometric Turbidity Unit
RAS	Return Activated Sludge
RAZ	Regional Analysis Zone
SPA	Special Planning Area
SWPPP	Stormwater Pollution Prevention Plan
USF	Underground Storage Facility
WAPA	Western Area Power Administration
WRF	Water Reclamation Facility
WWTP	Wastewater Treatment Plant

Executive Summary

The water quality management plan for Maricopa County, AZ, based on Section 208(a) (2)(b) of the Clean Water Act (CWA), is provided by the Maricopa Association of Governments (MAG). The goal of the 208 Plan is to identify area-wide wastewater treatment needs, water quality management problems, and establish a program to alleviate them. The City of Surprise has completed an Integrated Water Master Plan, which has identified the collection and wastewater treatment needs for the City of Surprise General Plan 2020 Special Planning Areas 1 to 5. The City of Surprise has also overlaid their COS MAG 208 sewer service area to mirror image the Water Master Plan of General Plan 2020. In the SPA No. 4, the projected ultimate build-out capacity is 8.0 MGD, based on a total build-out population of 64,233. Sun Haven 1, LLC (Sun Haven) has acquired control of 2,120 acres within SPA No. 4. Sun Haven plans to develop a planned master community called "Sun Haven" and will implement a new wastewater collection system and Phase I (Developer Phase) of the City of Surprise regional treatment facility to service the new development. The City plans to build the SPA No. 4, 8.0 MGD Regional Water Reclamation Facility in multiple stages. The first phase, Phase I, will be designated as the Developer's phase. The City envisions the future design of the subsequent master planned phases, from Phase II to build-out, in multiple modular type treatment facilities at future dates. In addition, the City has hired a consultant to prepare a Technology Assessment Report, which would identify the wastewater treatment technologies for the City's five special planning areas. Therefore, the City of Surprise is sponsoring this amendment in order to include the SPA No. 4 8.0 MGD Regional WRF into the Regional Water Quality Management Plan and to reduce the impacts that uncoordinated development may have on the groundwater quality and the City's existing wastewater treatment systems. The requested amendment includes the following:

Amendment Item:

The construction of a new City of Surprise owned and operated 8.0 MGD (Phase I - 1.2 MGD) SPA No.4 Regional WRF in the City of Surprise. The new facility will reclaim wastewater flows to Arizona Department of Environmental Quality (ADEQ) Title 18 Class A+ effluent standards from an approximate 22,461 acres within Surprise in Regional Analysis Zone (RAZ) 204. The facility will be operated starting from zero flow with accommodations for temporary low-loading conditions. An Aquifer Protection Permit (APP) permit and potentially an Arizona Department of Water Resources (ADWR) Aquifer Storage and Recovery permit will be obtained by the City for non-potable reuse and for groundwater recharge of the facility effluent into recharge basins. If necessary, an Arizona Pollution Discharge Elimination System (AZPDES) Permit may be sought to allow for additional discharge points to the Aqua Fria River or unnamed washes south of the WRF and west of the Aqua Fria River (Northwest ¼ of Section 28, T5N R2W of the Gila and Salt River Base Meridian). This discharge will most likely only be necessary during the winter months when irrigation demands are replaced by rainfall. The SPA No.4 Regional WRF will be designed and constructed in multiple phases which will be sized based on rates of wastewater generation in response to growth in the service area.

By constructing a new facility near proposed developments, wastewater collection and effluent distribution systems will be considerably smaller in size and less costly as compared to conveying flows to and from existing or other proposed facilities in the surrounding area. By providing a new facility in the region, a local source of effluent will become available for irrigation and other non-potable reuse, alleviating pressure on groundwater resources. In addition, artificial recharge of the effluent will provide groundwater recharge credits to the City, while recharging the aquifer in the general area of the original groundwater withdrawal.

This CWA 208 Amendment application provides information on the proposed SPA No.4 Regional WRF. The following sections describe how the Section 208 requirements are addressed, including treatment alternatives, permitting, treatment facility design, sludge management, construction, financing, impacts, and public participation.

Maricopa County

Environmental Services
Water and Waste Management Division

April 6, 2006

1001 N. Central Ave., Suite 150
enix, AZ 85004
ne: (602) 506-6666
Fax: (602) 506-6925
TDD: 602 506 6704
w.maricopa.gov/envsvc

Maricopa Association of Governments
302 North 1st Avenue, Suite 300
Phoenix, AZ 85003

Attention: Ms. Lindy Bauer, Environmental Program Coordinator

Re: City of Surprise, Special Planning Area 4
Regional Water Reclamation Facility
Clean Water Act, MAG 208 Amendment

Dear Ms. Bauer:

In a letter dated November 10, 2005, The City of Surprise transmitted a proposed 208 Amendment for the Special Planning Area No. 4 Regional Water Reclamation Facility (RWRF) to Maricopa County Environmental Services Department (Department). The amendment, prepared by PERC and PACE, was revised and resubmitted in February 2006. The RWRF will have an initial capacity of 1.2 MGD and an ultimate capacity of 8.0 MGD. It will be located on a 51-acre site in the northwest ¼ of Section 28, Township 5N, Range 2W.

Design, construction, and operations of the initial plant will be funded by the developer (Sunhaven) with City of Surprise ownership and operations and maintenance responsibility.

The document was submitted to the Department because it is located within three miles of unincorporated areas of Maricopa County. Letters of no objection were provided by the City of Peoria, Town of Buckeye, and Town of Wickenburg.

Based on a review of the proposed 208 MAG 208 Amendment, the Department has determined that the proposed plant does not conflict with Maricopa County plans for the area.

Please note that the Department has not reviewed, nor approved, the design of the facilities as part of the 208 review. Any technical issues that remain will need to be resolved during the design phase of the project. Approval to Construct (ATC) and Approval of Construction (AOC) must be obtained from this Department prior to start of construction and startup, respectively, of all treatment, discharge, recharge, and reuse facilities, including all conveyance facilities and final end user facilities.

If you have any questions or comments, please feel free to contact Mr. Kenneth James, PE, or myself at 506-6666.

Sincerely,

Kenneth R. James PE for

Dale Bodiya, P.E.
Acting Manager, Water and Waste Management Division

cc: Lee Lambert, City of Surprise, 12425 W. Bell Rd, Suite D-100, Surprise, AZ 85374-9002
Duong Do, PE, PERC/PACE, 17520 Newhope St., Suite 200, Fountain Valley, CA 92708
File

City of Peoria

Utilities Department

8401 West Monroe Street, Peoria, Arizona 85345
Phone: 623-773-7286 *Fax:* 623-773-7291

December 7, 2005

RECEIVED
DEC 9 2005
CITY OF SURPRISE
WATER SERVICES DEPT

Mr. Rich Williams, Sr.
Water Services Director
12425 West Bell Road, Suite D-100
Surprise AZ 85374

Re: Clean Water Act Section 208 Amendment
City of Surprise SPA 4 Water Reclamation Facility

Dear Mr. Williams,

This is in response to your letter regarding the above referenced Water Reclamation Facility. The City of Peoria has no objection to the proposed new City of Surprise SPA 4 Water Reclamation Facility. We understand the service area of the facility will be limited to that portion of the City of Surprise defined as SPA 4.

Please call me at 623-773-7181 if you have any questions.

Sincerely,

12-06-2005

William J. Mattingly, P.E., R.L.S.
Deputy Utilities Director

B U C K E Y E A R I Z O N A

Town of Buckeye

January 4, 2006

Maricopa Association of Governments
302 North 1st Avenue, Suite 300
Phoenix, AZ 85003

Re: MAG 208 Amendment for the City of Surprise Special Planning Area No.4 Regional Water Reclamation Facility

Attention: Julie Hoffman, Environmental Planner

Dear Julie Hoffman,

The City Surprise is submitting a MAG 208 Water Quality Management Plan Amendment for the City of Surprise Special Planning Area (SPA) No.4 Regional Water Reclamation Facility. The proposed service area for the SPA 4 falls within 3 miles of the Town of Buckeye. In accordance with the requirements of the Maricopa Association of Governments and a request placed by The City of Surprise, we are submitting this letter, which implies that the Town of Buckeye has no objections regarding the proposed sewer service area.

If you have any questions or comments, please feel free to contact me at (623) 386-4691

Sincerely,

C E Reynolds

Carroll Reynolds, P.E.
Town Manager

CC: Rich Williams, Water Services Director
Scott Lowe, Public Works Director
C. Lucky Roberts, Environmental /Regulatory Manager

Town of Wickenburg
Public Works Department
155 N. Tegner, Suite A
Wickenburg, Arizona 85390
(928) 684-2761 Fax (928) 684-9156
publicworks@ci.wickenburg.az.us

RECEIVED
JAN 20 2006

January 16, 2006

Ms Julie Hoffman, Environmental Program Director
Maricopa Association of Governments
302 N. 1st Avenue, Suite 300
Phoenix AZ 85003

Dear Ms. Hoffman,

The purpose of this letter is to inform you that the Town of Wickenburg has no objection to and will support the SPA 4 and SPA 5 208 Amendments as submitted by the City of Surprise.

Please feel free to contact me if you have any further questions.

Sincerely,

Harry Parsi

Harry Parsi, P.E.
Director of Public Works

CC: Rich Williams, City of Surprise Water Services Department

Requirement	Summary of How Requirements are Addressed	Page	Heading
AUTHORITY			
Proposed Designated Management Agency (DMA) shall self-certify that it has the authorities required by Section 208(c)(2) of the Clean Water Act to implement the plan for its proposed planning and service areas. Self-certification shall be in the form of a legal opinion by the DMA or entity attorney. The City of Surprise is the Designated Management Agency for the Surprise Municipal Planning Area. Please refer to Appendix C of the MAG 208 Water Quality Management Plan, October 2002.			
20-YEAR NEEDS			
Clearly describe the existing wastewater treatment (WWT) facilities:			
• Describe existing WWT facilities.	There are no existing WWT facilities in the SPA 4 service area.	1-2	1.1
• Show WWT certified service areas for private utilities and sanitary district boundaries, if appropriate.	There are no private utilities or private sanitation districts within SPA 4.	1-2	1.1
Clearly describe alternatives, the recommended WWT plan, and factors that affect discharge:			
• Provide POPTAC population estimates (or COG-approved estimates only where POPTAC not available) over 20-year period.	POPTAC estimates that the City of Surprise population in 2010 will be 149,900. The City of Surprise General plan estimates that the population of SPA 4 will grow to 64,233 at final build-out .	1-5,1-6	1.3.2
• Provide wastewater flow estimates over the 20-year planning period.	The total 20-year wastewater flow projection for the SPA No. 4 Regional WRF service area is 8.0 MGD, based on a total build-out population of 64,233.	1-6	1.3.2
• Illustrate the WWT planning and service areas.	The proposed SPA 4 Regional WRF will provide wastewater treatment services for approximately 22,461 acres composing SPA 4. The service area for the proposed SPA 4 Regional WRF is illustrated in *Figure 2.*	1-3	Figure 2
• Describe the type and capacity of the recommended WRF.	The SPA No. 4 Regional WRF will include an activated sludge type biological nutrient removal (BNR) treatment system with advanced tertiary treatment compatible with ADEQ Title 18 Class A+ effluent standards. The facility will be equipped with screening, grit removal, biological BOD reduction and nitrification/denitrification, clarification,	1-7	1.3.3 and Appendix B Contains Design Calculations

Requirement	Summary of How Requirements are Addressed	Page	Heading
	filtration, and UV disinfection. The facility will also incorporate sludge storage, treatment, and processing capability. Odor and noise control and aesthetic measures will also be incorporated into the design in accordance with the Title 18 Arizona Administrative Code. Odor control will be provided on tankage, equipment, and the sludge processing area. The first phase of the SPA 4 Regional WRF will provide 1.2 MGD average daily flow treatment capacity (2.4 MGD peak day and 3.6 MGD peak hour, in conformance with ADEQ Bulletin 11 Design Requirements). Phased expansions of the facility will ultimately provide the full-build out capacity estimated not to exceed 8.0 MGD average day flow. This amendment addresses all phases (full-build out) of the SPA 4 facility.		
• Identify water quality problems, consider alternative control measures, and recommend solution for implementation.	By complying with ADEQ Title 18 Class A+ effluent standards, no foreseeable water quality issues are anticipated due to the use of SPA No 4's reclaimed water. The effluent water will be of sufficient quality for unrestricted reuse. Also, the total nitrogen and coliform limits for Class A+ effluent are below the applicable water quality standards for groundwater recharge.	1-8,1-9	1.3.3.c,d,e
• If private WWT utilities with certificated areas are within the proposed regional service area: define who (municipal or private utility) serves what area and when. Identify whose sewer lines can be approved in what areas, when?	The proposed service area does not overlap any current WWTP or WRF service areas. The City of Surprise is sponsoring this amendment in order to reduce the impacts that uncoordinated development may have on the groundwater quality and the City's existing wastewater treatment systems. Once the treatment facility and sewer lines are completed per the City's Sewer Master Plan, they will come under the ownership of the city. Additional treatment facility service areas in the neighboring City of Peoria will not be impacted by the City of Surprise SPA 4 Regional WRF.	1-9	1.3.4
• Describe method of effluent disposal and reuse sites (if appropriate).	Effluent from all phases of the SPA 4 Regional WRF is anticipated to be reclaimed for landscape and open	1-7	1.3.3

Requirement	Summary of How Requirements are Addressed	Page	Heading
	space irrigation; excess effluent will be used for groundwater recharge through percolation basins (location to be determined). An Aquifer Protection Permit (APP) and potentially an ADWR Constructed Underground Storage Facility permit will be provided as needed for groundwater recharge. An AZPDES Permit may be sought to allow for additional discharge points to the Aqua Fria River or unnamed washes south of the WRF and west of the Aqua Fria River (Northwest ¼ of Section 28, T5N R2W of the Gila and Salt River Base Meridian). This is not expected to occur during Phase 1.		
• Describe other wastewater treatment options that were considered.	Two alternatives were considered: **Alt. #1** – Provide additional sewerage collection and effluent distribution piping and conveyance to transport flows to and from existing or other proposed plants in City of Surprise or in nearby Peoria. Additional treatment infrastructure would likely be necessary to provide for significant increases in loading from the new service area. **Alt. #2** – Provide new wastewater collection and treatment facilities within the service area via the SPA 4 Regional WRF – owned and operated by the City of Surprise. Use effluent on-site for reuse and for groundwater recharge.	1-2,1-4	1.2
• If Sanitary Districts are within a proposed planning or service area, describe who services the Sanitary Districts and when.	There are no sanitary districts within the proposed service area.	1-9	1.3.4
• Describe ownership of land proposed for plant sites and reuse areas.	The SPA 4 Regional WRF will be located on property that will be owned by Sun Haven 1, LLC. Following the construction, start-up and warranty period, the City of Surprise will own and operate the Phase I treatment facility and the Recharge Facilities.	1-4	1.3

Requirement	Summary of How Requirements are Addressed	Page	Heading
• Address time frames in the development of the treatment works.	Phase I of SPA 4 Regional WRF is expected to be substantially complete in 3rd quarter of 2007 assuming commencement of Phase I construction by the 3rd quarter 2006. The Phase I facility will have separate equipment and control measures incorporated into the plant to treat low-flows: 1) vault-and-haul <20,000 gallons per day (gpd)) and 2) temporary equipment treating <120,000 gpd until development is able to provide larger loadings required for full-facility operation. Additional facility phases for the SPA 4 Regional WRF are anticipated to be designed when average day wastewater flows exceed 70% of the current plant capacity. The timing of future subsequent expansions will therefore be dependent on rates of population and resultant wastewater flow increases.	2-1	2.1 Appendix C
• Address financial constraints in the development of the treatment works.	There are no foreseeable financial constraints associated with the Regional WRFs' design, construction, and operation other than enabling the development to be competitive within the greater Phoenix, AZ market.	3.1	3.1, 3.2 Appendix D
• Describe how discharges will comply with EPA municipal and industrial stormwater discharge regulations (Section 405, CWA).	All stormwater generated within the project sites will be detained on-site following completion of construction (zero stormwater discharge will occur from the property of the SPA 4 Regional WRF). During construction, flows will be discharged from the site under an AZPDES temporary construction discharge permit as well as a Stormwater Pollution Prevention Plan (SWPPP).	1-9	1.3.3.d
• Describe how open areas and recreational opportunities will result from improved water quality and how these will be used.	Effluent irrigation provides the ability to grow plants and grass for aesthetics and provide recreation such as golf, soccer, baseball, etc. for residents.	1-7	1.3.3
• Describe potential use of lands associated with treatment works and increased access to water-based recreation, if applicable.	Not Applicable	NA	NA

Requirement	Summary of How Requirements are Addressed	Page	Heading
REGULATIONS			
• Describe types of permits needed, including NPDES, APP and reuse	The new WRF will require an Aquifer Protection Permit (APP), a MCESD Non-title V air quality permit, MCESD Annual Operations Permit, MCESD Approval to Construct (ATC), MCESD Approval of Construction (AOC), and potentially ADEQ effluent reuse, ADWR Underground Storage and Recovery, AZPDES permits (dependent on future reuse and/or discharge sites). Possibly an ACOE Clean Water Act 404 permit will be needed if site construction exists within a water of the U.S.	1-9,1-10	1.4
• Describe restrictions on NPDES permits, if needed, for discharge and sludge disposal.	If an AZPDES permit is sought for an alternative effluent discharge location, no unattainable restrictions on the permit are anticipated provided the facility is in compliance with ADEQ Title 18 Class A+ water quality standards. The expected water quality requirements are as follows: • Turbidity < 2 NTU (24 hour mean) • Turbidity < 5 NTU (any time) • Fecal Coliform = none detected (4 of 7 samples) • Fecal Coliform < 23 CFU/100mL (any time) • Total Nitrogen < 10 mg/L (5 day mean)	1-8	1.3.3.c.2
• Provide documentation of communication with ADEQ Permitting Section 30 to 60 days prior to public hearing regarding the need for specific permits.	PERC, in conjunction with the City of Surprise and Sun Haven, is in the process of obtaining necessary permits from ADEQ and potentially ADWR for the SPA 4. Attendance at an APP Pre-Application meeting is documented in Appendix E.		Appendix E
• Describe pretreatment requirements and method of adherence to requirements (Section 208 (b)(2)(d), CWA).	No industrial user will be connected to the system (only residential and commercial wastewater). If industrial users are added to the service area of the facility, a pretreatment program will be developed with the industrial user being subject to pretreatment standards as regulated by the EPA.	1-10	1.5
• Identify, if appropriate, specific pollutants that will be	Nutrient and metal pollutants typically bonded to	2-1	2.2

Requirement	Summary of How Requirements are Addressed	Page	Heading
produced from excavations and procedures that will protect ground and surface water quality (Section 208(b)(2)(K) and Section 304, CWA).	sediment may be introduced by excavation during construction of the SPA 4. Storm water detention areas consisting of depressions or swales can effectively settle potential increases in suspended solids during construction.		
• Describe alternatives and recommendations in the disposition of sludge generated (Sections 405, CWA and 40 CFR 503).	Sludge will be stored, treated, and dewatered on-site for the SPA 4 Regional WRF. Biological reactors will provide processes to significantly reduce pathogens and volatile solids composition. The facility will provide aerated storage, digestion, thickening, and dewatering capabilities. The facility will be designed to produce Class B biosolids. Class B bio-solids can be reused for land application or fertilization of non-contact crops.	1-10	1.6
• Define any non-point issues related to the proposed facility and outline procedures to control them.	No non-point discharges are anticipated.		
• Describe process to handle all mining runoff, orphan sites, and underground pollutants, if applicable.	Not applicable.		
• If mining related, define where collection of pollutants has occurred, and what procedures are going to be initiated to contain contaminated areas.	Not applicable.		
• If mining related, define what specialized procedures will be initiated for orphan sites, if applicable.	Not applicable.		
CONSTRUCTION			
• Define construction priorities and time schedules for initiation and completion.	Construction is expected to be complete with the plant becoming operational by the 3rd quarter of 2007 assuming commencement of Phase I construction by the 3rd quarter 2006. Near the end of Phase I construction, the facility will be able to accept flows for vault-and-haul operation to the influent lift station up to 20,000 gallons per day (<70 housing units). Hauling will be provided to another PERC operated facility or to the City of Surprise SPA 1 WRF. Following Phase I Approval of Construction by MCESD, the facility will accept wastewater flows into the main facility provided	2-1	2.1 Appendix C contains the draft construction schedule

Requirement	Summary of How Requirements are Addressed	Page	Heading
	adequate loadings are available for low-flow processing. As average day flows exceed 70% of the facility's capacity (e.g. 840,000 gpd in Phase I), design of subsequent phases will be initiated, followed by construction as necessary. Construction priorities consist of equipment procurement and proper installation, quality control, and project coordination/documentation.		
• Identify agencies that will construct, operate, and maintain the facilities and otherwise carry out the plan.	PERC will construct, operate, and maintain the SPA 4 Regional WRF during the start-up and warranty period to be determined by the City. The City of Surprise will assume ownership and operation and maintenance services of the Regional WRF, following this period.	2-1	2.1
• Identify construction activity-related sources of pollution and set forth procedures and methods to control, to the extent feasible, such sources.	The construction of the wastewater treatment plant will not be a significant source of pollution. Anticipated pollution from construction activities includes fugitive dust, construction equipment exhaust emissions, and construction related solid waste. Erosion control measures during construction and grading will be implemented to prevent potential storm water runoff to water bodies. The developer and project contractor shall comply with local and county regulatory requirements and provisions of construction permits issued including dust control permits.	2-1	2.2
FINANCING AND OTHER MEASURES NECESSARY TO CARRY OUT PLAN			
• If plan proposes to take over a certified private utility, describe how and when financing will be managed.	Not applicable.		
• Describe any significant measure necessary to carry out the plan (e.g., institutional, financial, economic, etc.)	Sun Haven 1, LLC will finance the design and construction of the Developer's Phases I SPA No.4 Regional WRF.	3-1	3.1
• Described proposed method(s) of community financing.	Additional phased construction will be financed through development contribution/impact fees, in conjunction with City of Surprise capital improvement bonds and sewer system development fees.	3-1	3
• Provide financial information to assure DMA has	Sun Haven I, LLC is made up of 3 builders which		Appendix D

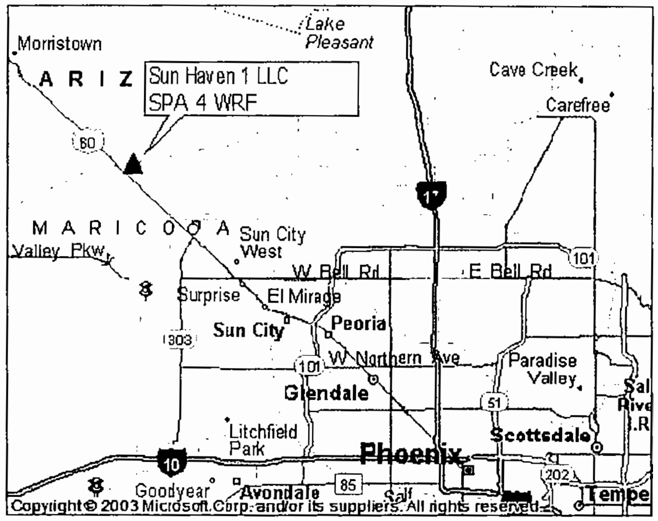
Requirement	Summary of How Requirements are Addressed	Page	Heading
financial capability to operate and maintain wastewater system over its useful life.	include Standard Pacific, Element Homes, and Homes by Towne. A copy of Standard Pacific's 2005 Annual Report is included in Appendix D. A memo from the City of Surprise stating the city's financial capability to operate and maintain the facility is shown in Appendix D.		
• Provide a time line that outlines the period of time necessary for carrying out plan implementation.	Completion of the initial phase (Phase I) of the SPA 4 Regional WRF is anticipated to be 3rd quarter 2007 assuming construction commences by 3rd quarter 2006. Subsequent phasing of the facility will be completed as dictated by wastewater generation and the rate of residential and commercial growth. Assuming 100% build-out in the service area, the estimated capacity of the facility is 8.0 MGD in 2020.		Appendix C
• Provide financial information indicating the method and measures necessary to achieve project financing (Section 201 CWA or Section 604 may apply).	Appendix D contains Standard Pacific Corporation's 2005 Annual Report, as well as the City of Surprise Financial Capabilities. Also contained in Appendix D is a letter dated September 6th from Sun Haven I, LLC, evidencing it's commitment to allocate sufficient funds to construct the initial (developer funded) 1.2 MGD phase of SPA 4 Regional WRF.		Appendix D
IMPLEMENTATION			
Describe impacts and implementation requirements of the Plan:			
• Describe impacts on existing WWTFs (e.g., Sanitary district, infrastructure/facilities, and certificated areas).	No existing infrastructure or facilities exist within the SPA 4 service area.	1-9	1.3.4
• Describe how and when existing package plants will be connected to a regional system.	Currently no plants exist in the proposed service area which would be connected to the proposed SPA 4 Regional WRF regional system.	NA	NA
• Describe the impact on communities and businesses affected by the plan.	There are no anticipated negative impacts to the community or businesses due to this plan. Positive impacts expected for the community and businesses include wastewater collection services, aquifer recharge with potential subsequent indirect reuse, and	4-1	4

Requirement	Summary of How Requirements are Addressed	Page	Heading
	potential direct reuse.		
• If a municipal WWT system is proposed, describe how WWT service will be provided until the municipal system is completed (i.e., will package plants and septic systems be allowed and under what circumstances; interim services).	Houses will not be occupied prior to the completion and approval of the low-flow portions of the SPA 4 Regional WRF (vault-and-haul operation for flows < 20,000 gpd in the lift station and temporary equipment/controls for flows exceeding 20,000 gpd but less than 120,000gpd).	2-1	2-1
• Submit copy of mailing list used to notify the public of the public hearing on the 208 amendments. (40 CFR, Chapter 1, part 25.5)	All public notifications will be satisfied through MAG.	5-1	5
List location where documents are available for review at least 30 days before public hearing.	All public notifications will be satisfied through MAG.	5-1	5
• Submit copy of the public notice of the public hearing as well as an official affidavit of publication from the area newspaper. Clearly show the announcement appeared in the newspaper at least 45 days before the hearing.	All public notifications will be satisfied through MAG.	5-1	5
• Submit affidavit of publication for official newspaper publication.	All public notifications will be satisfied through MAG.	5-1	5
• Submit responsiveness summary for public hearing.	All public notifications will be satisfied through MAG.	5-1	5

1 20-Year Needs

The Maricopa Association of Governments (MAG) is the Designated Planning Agency with the authority under Section 208(a) (2) (B) of the Clean Water Act (CWA) to prepare the Regional Water Quality Management Plan for the Maricopa County Planning Area. The purpose of this application is to request a Clean Water Act Section 208 amendment to the current Regional Water Quality Management Plan to facilitate the inclusion of the City of Surprise SPA No. 4, 8.0 MGD Regional WRF. The requested amendment includes the following:

Figure 1. Vicinity Map



Amendment Item:
The construction of a new City of Surprise owned and operated 8.0 MGD SPA No.4 Regional Water Reclamation Facility (WRF) in the Northwest ¼ of Section 28 T5N R2W just outside the City of Surprise (*See Figure 1*). The new facility will reclaim wastewater flows to Arizona Department of Environmental Quality (ADEQ) Title 18 Class A+ effluent standards from an approximate 22,461 acre region within Surprise in Regional Analysis Zones (RAZ) 204. The service area for SPA No.4 Regional WRF is located north of the Central Arizona Project Canal east of Grand Avenue, south of SR74 and west of the Municipal Planning Area boundaries for the City of Surprise and City of Peoria. The facility will be operated starting from zero flow with accommodations for temporary low-flow conditions. An Aquifer Protection Permit (APP) and potentially an ADWR Underground Storage and Recovery Permit will be completed as necessary for non-potable reuse and groundwater recharge of effluent from the facility by way of percolation basins. Although not highly anticipated, in the event that not all effluent water is reused/ recharged (typically in the winter months when rainfall is more common), an AZPDES Permit may be sought to allow for additional discharge points to the Aqua Fria River or unnamed washes south of the WRF and west of the Aqua Fria River (Northwest ¼ of Section 28, T5N R2W of the Gila and Salt River Base Meridian).

Sun Haven will finance the design and construction of the Phase I SPA No.4 Regional WRF. Phase I will have an average day capacity of 1.2 MGD, and subsequent phasing will provide treatment up to 8.0 MGD average day flow at full build-out. Phasing of the facility beyond Phase I will be dependent on rates of population growth and corresponding wastewater loading increases. To conserve time, Sun Haven has opted for a design/build approach for the initial phase of this facility. Pacific Environmental Resources Corporation, Inc. (PERC) has been selected by Sun Haven as the design/build/operator. Preliminary engineering design of Phase I is currently proceeding. The facility is expected to be completed and operational by the 3rd quarter 2007 assuming commencement of Phase I construction by the 3rd quarter 2006.

Following the construction, start-up and warranty period, the City of Surprise will own and operate the Phase I treatment facility and the recharge facilities. After 70% of the Phase I wastewater flow design capacity is achieved, Phase II design will be initiated. Subsequent phases of the facility will also proceed in this manner.

The following sub-sections describe existing wastewater facilities, considered alternatives for wastewater from future developments, the proposed wastewater collection and treatment system, and regulatory requirements for implementation.

1.1 Description of Existing Wastewater Treatment Facilities

The 22,461 acre SPA No.4 Regional WRF service area is located within RAZ 204 within the planning area of the City of Surprise. The location of the City of Surprise existing WWTP is illustrated on *Figure 2*. Proposed and existing facilities in the neighboring community of Peoria are also illustrated. There are no existing sewerage collection systems or treatment facilities within the proposed SPA No.4 service area. Nearby facilities were described in the existing MAG 208 and are summarized below.

The existing South Surprise WWTP is approximately 13 miles from the proposed SPA No.4 Regional WRF and is expected to reach its full capacity of 36 MGD from serving Special Planning Area 1. Its capacity does not include flows from the SPA No.4 service area. Nearby wastewater treatment facilities in Peoria are designed to accommodate wastewater generated at related developments (Jomax WRP, Paddleford WRP, and Quintero WRP) and are not capable of serving the wastewater generated by the SPA No.4 service area.

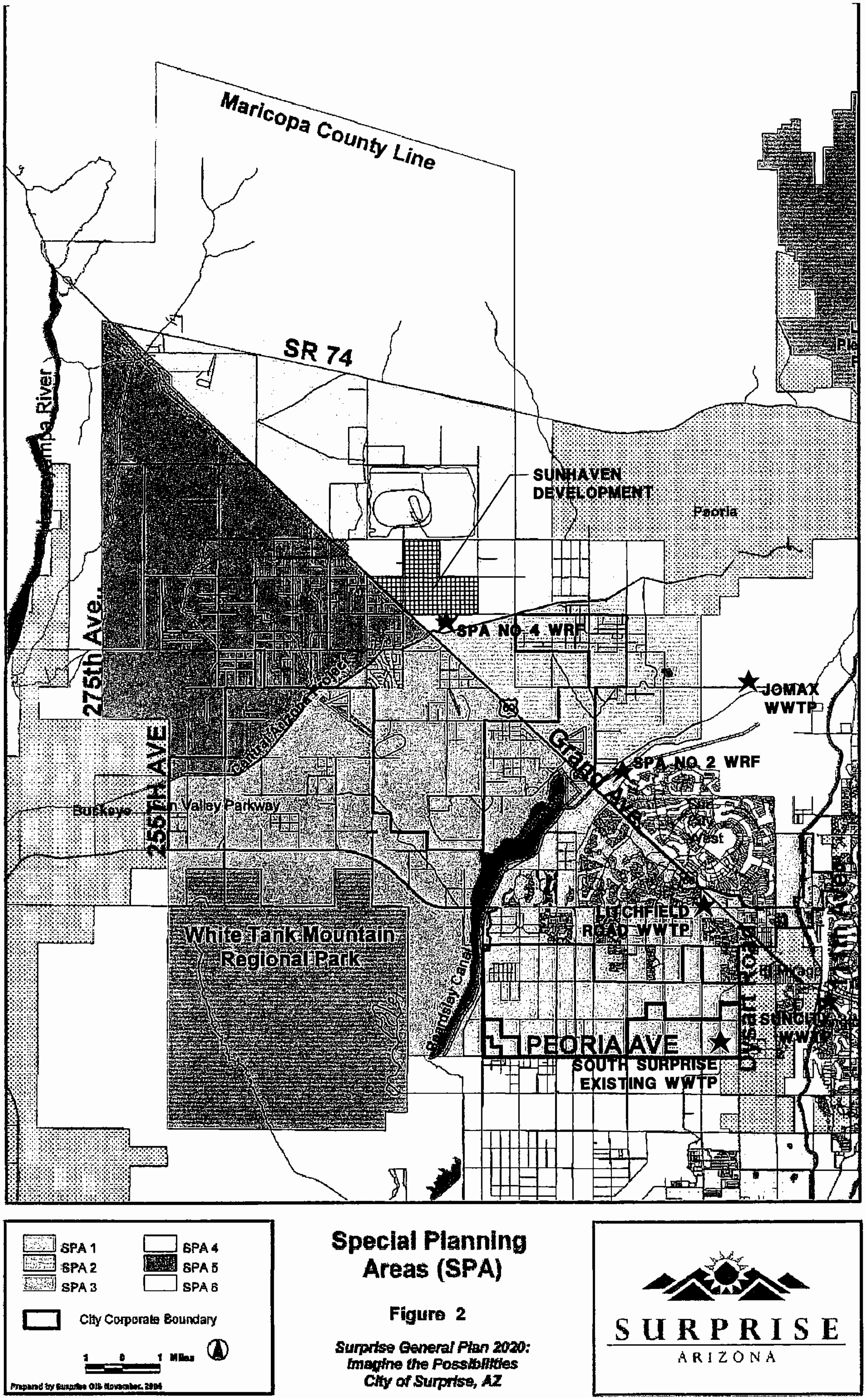
The Special Planning Areas 2 and 3 have recently submitted a MAG 208 Amendment to Maricopa County for an ultimate build-out capacity of 10.5 MGD and 30 MGD respectively.

1.2 Summary of Alternatives

The following two alternatives were considered to evaluate the wastewater treatment from the proposed SPA No.4 WRF service area.

1.2.1 Alternative 1:

Providing wastewater collection and pumping infrastructure to convey flows to existing or proposed facilities in the City of Surprise (SPA No.1 South Surprise WWTP) or in nearby Peoria (Jomax WRF, Paddleford WRF, and Quintero WRF). Increases in flow to the existing facilities would necessitate unplanned expansion and redesign of future phases of treatment works based on loading increases from the 22,461-acre service area.



Special Planning Areas (SPA)

Figure 2

Surprise General Plan 2020: Imagine the Possibilities City of Surprise, AZ

SURPRISE
ARIZONA

1.2.2 Alternative 2:

Implementing a new wastewater collection system and treatment facility to effectively treat and reuse/ recharge wastewater flows from proposed developments within the region.

Alternative 2 (building the new SPA No.4 Regional WRF) was considered more beneficial than Alternative 1 (conveying wastewater and effluent flows to/from existing and other proposed facilities) with respect to cost-effectiveness and water supply management to increase supply for sustainable development. Since a majority of the needed treatment infrastructure and corresponding equipment to accommodate the new service area will need to be constructed at existing or other potential facilities in Alternative 1, negligible savings can be realized by diverting flows to other treatment plants in the area. By retaining wastewater flows within the SPA No.4 region, benefits can be realized from non-potable reuse, such as landscape and open space irrigation, and from groundwater recharge of the underlying aquifers, providing the benefit of recharge credits to the City. In addition, cost savings and supply benefits can be achieved from using reclaimed water within the 22,461 acre service area instead of using existing ground and surface water supplies. Assuming effluent could be returned to the SPA No.4 region using Alternative 1, the cost of implementing effluent distribution systems will be considerably larger in magnitude (piping and pumping capacity) and therefore more costly than building a new facility on-site. In addition, collection system piping and potential pump stations needed to convey wastewater will be considerably smaller, if not non-existent, by building a new facility on-site. By implementing a similar hybrid SBR treatment facility to that of the nearby Sundance, Tartesso (both City of Buckeye) and El Mirage WRFs, operation and maintenance of the proposed SPA No.4 Regional WRF will be familiarized.

1.3 Description of Proposed Construction of the SPA No.4 Regional WRF

1.3.1 Site Location, Property Ownership, and Service Area

The proposed SPA No.4 Regional WRF will be constructed within the planning area of the City of Surprise, Arizona. The proposed WRF location is approximately 51 acres and is in the Northwest ¼ of Section 28 in Township 5N, Range 2W. Future build-out needs of the site are also being evaluated by the City. *Appendix A* provides a map which illustrates the proposed location of the treatment facility. A portion of the facility is located in a flood plain. However, the facility will be constructed at least two (2) feet above the 100 year flood elevation. The SPA No.4 Regional WRF will be constructed on property owned by Sun Haven. The property will be ultimately transferred to the City of Surprise for the purpose of maintaining and operating the facility. The SPA No. 4 WRF and property will be transferred to the City of Surprise for ownership and operations once the startup and warranty period are deemed complete by the City. The Regional WRF facility will service an estimated 22,461 acres of land within the City of Surprise encompassing SPA No.4.

The location of recharge basins has not been determined at this time. A hydrogeology study is being conducted to determine if recharge is feasible and if so, the best location to site the basins. Significant consideration is being given to areas adjacent to the Regional WRF due to the location's proximity to the proposed WRF.

1.3.2 Population, Water Supply, and Wastewater Generation Estimates

As stated previously, 22,461 acres in Regional Analysis Zone 204 were used to define the SPA No.4 WRF service area. This boundary was determined by the City of Surprise in advance of the planning being currently undertaken by Sun Haven. Approximately 2,120 acres of this land is being purchased from the current owners by Sun Haven and will be used to site the proposed Sun Haven development. The remaining portion of SPA No. 4, once developed, will also be serviced by the SPA No.4 Regional WRF in keeping with the current Surprise General Plan 2020 and the approved Integrated Water Master Plan. Future developments within the SPA No. 4 service area will ultimately be serviced by the Regional WRF in the City's future phases. *Figure 2* illustrates the Regional WRF service area (SPA No. 4) and the Sun Haven Development.

There are two sources of population estimates available for the SPA No. 4 service area. City of Surprise planning area population and wastewater flow projections were included in the October, 2002 MAG 208 Plan (reproduced in *Table 1*); however, these populations consider the entire City planning area. They are not representative of the population growth to be expected within the SPA No.4 service area itself.

Table 1
Surprise Population and Flow Projections
MAG 208 Water Quality Management Plan Update

Year	Population	Flow (MGD)
2000	36,500	3.65
2005	80,500	8.02
2010	149,900	15.00
2015	236,900	23.69
2020	315,100	31.51

(Source: October, 2002 MAG 208 Water Quality Management Plan)

A second source of population estimates is found in the Surprise General Plan 2020. This plan was ratified by public vote on March 13th 2001. It contains a table, (*reproduced in Table 2*) for the SPA No.4. The table is built on the assumption that each household contains 2.82 persons.

Table 2
SPA No.4 Population Projections
Surprise General Plan 2020

Land Use	Build Acreage	DU/acre Mid-range	Total Dwelling Units	Population
Rural Residential (0-1 DU/ac.)	17,328	0.50	8,664	24,432
Suburban Residential (1-3 DU/ac.)	3,210	2.0	6,420	18,104
Low Density Residential (3-5 DU/ac.)	1,923	4.0	7,694	21,697
Medium Density Residential (5-8 DU/ac.)	0	6.5	0	0
Medium High Density (8-15 DU/ac.)	0	11.5	0	0
High Density Residential (15-21 DU/ac.)	0	18	0	0
Total	22,461	-	22,778	64,233

The population given here is designed to represent the service area population at full build out. This is assumed to occur in or before year 2020, however, no more specific growth related time frames are given.

The Surprise General Plan 2020 information was assumed to be the most accurate for the proposed service area. Thus, the *Table 2* population estimates were used to calculate the wastewater generation for the proposed SPA No.4 Regional WRF. Using a conservative wastewater generation rate of 100 gpd/person, it is reasonable to expect that 6.4 MGD of effluent will be produced on average. This value was rounded up to 8.0 MGD in order to provide another level of protection against an overloaded system.

Table 3
Sun Haven Population Projections

Land Use	Build Acreage	Res. Density (DU/AC)	Total # Dwelling Units	Equivalent Dwelling Units (EDU)	Population	WW Generation (GPD)
Low Density Residential	1,314	3.43	4,505	4,505	12,704	1,270,410
Medium Density Residential	118	6.02	710	710	2,002	200,220
High Density Residential	181	15.4	2,786	2,786	7,876	785,652
Park	88	-	-	31	-	8,742
School	43	-	-	366	-	103,212
Commercial	193	-	-	1,711	-	482,502
Public Use	3	-	-	6	-	1,551
Employment	179	-	-	1,438	-	405,516
Total	2,119	-	8,001	11,553	22,582	3,257,805

(Source: Sun Haven Revised PAD Submittal, December 2005)

Table 3 represents the population projection for Sun Haven. Using the same wastewater generation rate of 100 gpd/person, approximately 3.2 MGD of effluent will be produced daily from this community. The water supply to serve the proposed Sun Haven development and the SPA No.4 service area is anticipated to be groundwater. Calculations and assumptions used to generate this table can be found in Appendix F.

1.3.3 Water Reclamation Facility Description

Consistent with treating wastewater flows to ADEQ Title 18 Class A+ effluent standards, the SPA No.4 Regional WRF design will implement multi-stage, redundant treatment mechanisms consisting of physical and biological means. The facility will be equipped with advanced control systems to allow for enhanced operational capabilities and alarming. Back-up power and manual override systems are also incorporated into the design for emergency scenarios.

A treatment schematic for the Phase I SPA No.4 Regional WRF is included in *Appendix B*. The design is an activated sludge process within hybrid sequencing batch reactors (SBRs) for secondary removal of organics and nutrients. The SBRs will be completely enclosed and implement noise and odor control features. As typical with conventional SBRs, the treatment process will utilize anoxic mixing, aerobic mixing, and static reaction capabilities to provide biological oxidation, nitrification, denitrification, and clarification within each reactor tank. The hybrid SBR design includes an additional anoxic pre-reactor which provides flow equalization, denitrification, and biological selection. The design also achieves optimal treatment efficiency and significant ease of operation. The hybrid mechanism allows for efficient foam and scum removal from the SBR during return activated sludge (RAS) periods. Preceding primary treatment within the facility, screening and grit removal will take place within covered and odor-controlled headworks areas. Following the secondary processes, the facility will utilize tertiary treatment capabilities including a surge basin, filtration, and UV disinfection equipment. To provide process redundancy and obtain a Phase I average-day capacity of 1.2 MGD, four reactor tanks (two SBR reactors and two anoxic pre-reactors) will be constructed in Phase I.

Wastewater will be treated to exceed the current ADEQ Title 18 requirements for unrestricted irrigation reuse or recharge. The Phase I plan for effluent includes reuse for irrigation of common areas, such as public landscapes, public parks, etc. Effluent may be stored in lined lakes and water feature amenities prior to distribution for irrigation. Reclaimed water reuse will be encouraged for non-potable water applications. A Groundwater Savings Facility Permit will be sought for those reuse applications which reduce groundwater withdrawals. The intent is to reuse effluent as a primary means of disposal, with constructed recharge basins as the secondary means of disposal for Phase 1. Conceptual basins for Phase 1 appear on the site plan in Appendix A. During times when reclaimed water is produced in excess of irrigation demands, water may be discharged to recharge basin or recharged directly to the aquifer through recharge wells under ADEQ's APP and the Arizona Department of Water Resource's (ADWR) Underground Storage Facility (USF) permit programs. Finally, an AZPDES Permit may be sought to allow for additional discharge points to the Aqua Fria River or unnamed washes south of the WRF and west of the Aqua Fria River (Northwest ¼ of Section 28, T5N R2W of the Gila and Salt River Base Meridian). Potential discharge locations are indicated on Figure 2 in Appendix A.

The SPA No.4 Regional WRF will generate waste sludge which will be directed to an aerated digester reactor for biological conversion for volumetric sludge reduction, pathogen removal, and bio-solids conditioning. The sludge digestion process will provide pathogen and vector attraction reduction equivalent to the EPA Title 40 CFR 503 regulations for Class B biosolids. Biosolids will be dewatered, stored, and hauled to either a landfill for disposal or biosolids reuse areas.

a. Facility Capacity

The SPA No.4 Regional WRF will have an maximum month average day (MMAD) capacity for Phase I of 1.2 MGD with modular phased expansions which will treat potentially 8.0 MGD MMAD at full build-out. The phasing of the facility will be dependent on population and development growth rates from the service area. The modular design of the facility will allow efficient implementation of subsequent phases to the SPA No.4 Regional WRF. Both Phases I and subsequent City phases will be capable of processing peak day and peak hour flows into the facility.

b. Site Description

The proposed location of the SPA No.4 Regional WRF is in the Northwest ¼ of Section 28 in Township 5N, Range 2W in Surprise, Maricopa County, AZ. The proposed site is undeveloped, uninhabited desert. The site slopes generally to the southeast at an approximate slope of 0.0063 and will be elevated above the 100-year flood plain. The closest paved road to the site at this time is US Hwy 60, which runs northwest/southeast approximately 0.6 miles from the site of the proposed SPA No.4 Regional WRF.

c. Water Reclamation Requirements

- Treated effluent from the SPA No.4 Regional WRF will be reclaimed for non-potable water reuse and potentially storage and recovery via an ADWR permit. Secondary disposal will be to recharge basins. Finally, an AZPDES Permit may be sought to allow for additional discharge points to the Aqua Fria River or unnamed washes south of the WRF and west of the Aqua Fria River (Northwest ¼ of Section 28, T5N R2W of the Gila and Salt River Base Meridian).

The treated effluent will meet ADEQ Title 18, Chapter 11 requirements for Class A+ reclaimed water for unrestricted irrigation of reclaimed effluent, for use of groundwater recharge, and potentially for discharge to the Aqua Fria River or a local wash as described above. Class A+ reclaimed water including the following requirements:

1. Wastewater must undergo treatment via the following mechanisms:

   - Secondary treatment, filtration, nitrogen removal, and disinfection

- Chemical feed capabilities are mandatory to allow coagulation prior to filtration and disinfection to ensure low turbidity (see below)

2. Effluent water quality must conform to the following:

- Turbidity < 2 NTU (24 hour mean)
- Turbidity < 5 NTU (any time)
- Fecal Coliform = none detected (4 of 7 samples)
- Fecal Coliform < 23 CFU/100mL (any time)
- Total Nitrogen < 10 mg/L (5 day mean)

d. Stormwater Discharges

The SPA No.4 Regional WRF will be designed to contain all stormwater runoff onsite. Thus, after completion of construction, the facility is not expected to produce stormwater discharges. During construction, an ADEQ permit for construction related stormwater discharges will be sought under the Arizona Pollutant Discharge Elimination System (AZPDES) program and a Stormwater Pollution Prevention Plan (SWPPP) explain all necessary BMPs will accompany this permit.

e. Plant Overflow

The SPA No. 4 Regional WRF will be designed with full redundancy and safe guards to prevent any overflow of wastewater from the WRF. Redundant design includes storage capacity in the anoxic reactors and surge basin, redundant pumps and equipment, and emergency generator with 12 hour final tank and automatic transfer switch.

1.3.4 Existing Sanitary Districts, Private Utilities, and WRF Service Areas

No negative impact to existing treatment facilities, sanitary districts, or certified service areas are expected due to the commissioning of the SPA No.4 Regional WRF, based on the proposed location. The proposed service area does not overlap any current sanitary districts, WWTP or WRF service areas. The City of Surprise is sponsoring this amendment in order to reduce the impacts that uncoordinated development may have on the groundwater quality and the City's existing wastewater treatment systems. Additional treatment facility service areas in the neighboring City of Peoria will not be impacted by the SPA No.4 Regional WRF.

1.4 Permitting Requirements

The SPA No.4 Regional WRF will require the following permits and clearances:

- Aquifer Protection Permit (APP) issued by the Arizona Department of Environmental Quality (ADEQ) for reclaimed water and sludge disposal
- Maricopa County Air Quality Division Non-title V Air Quality Permit
- MCESD Approval to Construct (ATC) and Approval of Construction (AOC)
- MCESD Annual Operations Permit

- Archeological and Native Plants clearances through the Arizona State Land Department, and an Environmental Assessment – Phase IA clearance

And Potentially:

- Underground Storage Facility and Recovery Permit by the Arizona Department of Water Resources (ADWR)
- ADEQ Reclaimed Wastewater Reuse Permit
- ADEQ AZPDES Permit
- ACOE Clean Water Act (CWA) 404 Permit

1.5 Pretreatment Requirements

The Code of Federal Regulations Part 403 Section 403.8 states, "any POTW with a total design flow of 5 million gallons per day and receiving from industrial users pollutants which pass through or interfere with the operation of the POTW or are otherwise subject to pretreatment standards, will be required to establish a pretreatment program." No industrial users are anticipated to discharge into the proposed SPA No.4 Regional WRF. Thus, the facility is not required to comply with pretreatment requirements. If industrial users are added to the service area of the facility, a pretreatment program will be developed with the industrial user being subject to pretreatment standards as regulated by the EPA.

1.6 Sludge Management Requirements

The SPA No.4 Regional WRF will be subject to biosolids regulations as promulgated in EPA 40 CFR 503. Sewage sludge, which is produced by the facility, is defined in 40 CFR 501 as any solid, semi-solid, or liquid residue removed during the treatment of municipal wastewater or domestic sewage. Sewage sludge includes, but is not limited to, solids removed during primary, secondary, or wastewater treatment, scum, septage, portable toilet waste, Type III Marine Sanitation device waste, and sewage sludge products. Sewage sludge does not include grit, screening, or ash generated during the incineration sewage. The 40 CFR 503 regulatory requirements include standards for the use and disposal of sludge and consist of general requirements, pollutant limits, management practices and operational standards for the final use or disposal of sewage sludge generated during the treatment of domestic sewage. It also includes pathogen and vector attraction reduction requirements for sewage sludge applied to land or placed in a surface disposal site.

Sludge produced from the proposed Phase I SPA No.4 Regional WRF conform to the Class B biosolids standard for time and temperature (40 days retention time at 20 degrees C). By meeting the EPA requirements for sludge re-use, the biosoilds produced at the facility will be available for use for restricted land application or fertilization of non-contact crops.

2 Construction

2.1 Construction and Operation Responsibility

Sun Haven has selected Pacific Environmental Resources Corp, Inc. (PERC) to design/build/operate Phase I of the SPA No.4 Regional WRF. Construction of Phase I is anticipated to be completed by 3rd quarter 2007 assuming facility construction is commenced by the 3rd quarter 2006 (the design and permitting phases of the project is anticipated to take approximately 9 months; construction will initiate thereafter). A draft construction schedule for the facility is included in *Appendix C*. Near the end of Phase I construction, the facility will be able to accept flows for vault-and-haul operation to the influent lift station up to 20,000 gallons per day (<70 housing units) after an Interim Certificate of Approval of Construction is obtained from MCESD. Hauling will be provided to another PERC operated facility or to the City of Surprise SPA 1 WRF. During the vault and haul operations, a temporary odor control device and aeration system will be installed to remove odors from the lift station. Following Phase I Final Approval of Construction by MCESD, the facility will accept wastewater flows into the main facility provided adequate loadings are available for low-flow processing. As average day flows exceed 70% of the facility's capacity (e.g. 840,000 GPD in Phase I), design of subsequent phases will be initiated, followed by construction as necessary.

Following the construction and acceptance of each phase of the facility, the City of Surprise will eventually own and operate the Phase I treatment facility. The City of Surprise will thereby be responsible for oversight of operation and maintenance of the facility. PERC will operate the WRF during the start-up and warranty periods as determined by the City. The City of Surprise will assume ownership and operation and maintenance services of the Regional WRF, following this period.

2.2 Sources of Pollution

The construction of the wastewater treatment plant will not be a significant source of pollution. Anticipated pollution from construction activities includes fugitive dust, construction equipment exhaust emissions, and construction related solid waste. Erosion control measures during construction and grading will be implemented to prevent potential storm water runoff to water bodies. The developer and project contractor shall comply with local regulatory requirements and provisions of construction permits issued.

3 Financing and Other Actions to Implement Plan

3.1 Financing Plan

Sun Haven has made financial plans for the construction and operation of Phase 1 of the proposed SPA No.4 Regional WRF. The new facility will be constructed using private, tax exempt, and or developer/development funds. Once ownership of the WRF is transferred to the City of Surprise, the City will finance the operation of the WRF through development contribution, impact fees, and user fees in conjunction with the City of Surprise capital improvement bonds and sewer system development fees.

3.2 Financing Capability to Construct the Facility

Sun Haven has the financial capacity to construct and operate the SPA No.4 Regional WRF. This MAG 208 Amendment draft includes a letter in *Appendix D* dated September 6th, 2005 from the developer, Sun Haven I, LLC, evidencing its commitment to allocate sufficient funds to the construction of the initial (developer-funded) 1.2 MGD phase of the SPA 4 Regional WRF. Additionally, prior to construction, the developer will cause to be posted performance bonds, letters of credit, and/or other financial assurances of construction acceptable to the City of Surprise, which will secure the full and complete construction of the developer-funded phase of the SPA 4 Regional WRF. It is proposed that MCESD's issuance of an Approval to Construct (ATC) for the developer-funded phase of the SPA 4 WRF be contingent upon the posting of the necessary financial assurances. In addition, a memo from the City of Surprise stating the city's financial capability to operate and maintain the WRF is shown in *Appendix D.*

4 Impacts and Implementation Plan

4.1 Implementation Plan

The implementation of construction and operation of Phase 1 of the water reclamation facility will be planned and executed by Sun Haven. Sun Haven has hired PERC to design/build/operate Phase 1 of the SPA No.4 Water Reclamation Facility. PERC is a licensed contractor in the state of Arizona (AZ # 150360). The PERC design/build/operate team includes Arizona licensed engineers and Arizona certified wastewater facility operators. PERC will be contracted by Sun Haven to operate the SPA 4 WRF during the Start-up period to ensure that the facility will operate as designed. Once the WRF is turned over to the City of Surprise, the City will have the option for PERC to continue operating the facility or to have Arizona certified City operators take over operation of the facility. Design completion for Phase I is anticipated to be completed by the 3rd quarter of 2007. A draft schedule of construction for Phase I is provided in *Appendix C*.

4.2 Impacts of the Proposed Water Reclamation Plant

The construction and operation of SPA No.4 Regional WRF is not expected to adversely impact any neighboring municipality, sanitary district, certificated area, community or business. The Regional WRF will provide sewage treatment services for a 22,461 acre area within the City of Surprise, which will encourage residential and business growth.

Potential environmental issues include odor, noise, vectors and hazardous materials. The following briefly discuss and addresses these issues.

Odors: The plant will include odor-scrubbing systems for process equipment, tankage, and sludge processing areas. All process tanks are covered to maintain negative pressure on the odor-control system. All headworks and sludge processing equipment is housed inside buildings. In addition, wastewater and sludge in the SPA No.4 Regional WRF is aerobically treated which reduces ammonia, sulfide, and other odorous producing compounds.

Noise: All process equipment will be enclosed in insulated masonry buildings. Additionally, the aeration blowers will be provided with sound attenuation enclosures. All pumps and aerators will be submersible type and will minimize noise production.

Vectors: The treatment facilities will be properly operated and maintained to reduce vector attraction. Headworks equipment and sludge processing facilities will be covered and enclosed in building structures.

Hazardous Materials: The wastewater treatment facility will not accept any hazardous materials. Only municipal sewage from the SPA No.4 service area will be accepted. An emergency plan will be developed to isolate and contain any hazardous materials discovered. The proposed treatment system does not require the use of any hazardous materials beyond the use of activated carbon contained within the odor control system, polymers for sludge dewatering and diesel fuel for the back-up power generator. A current set of Material Safety Data Sheets (MSDS) will be maintained for all chemicals, polymers, and bio-augmentation products used at the facility.

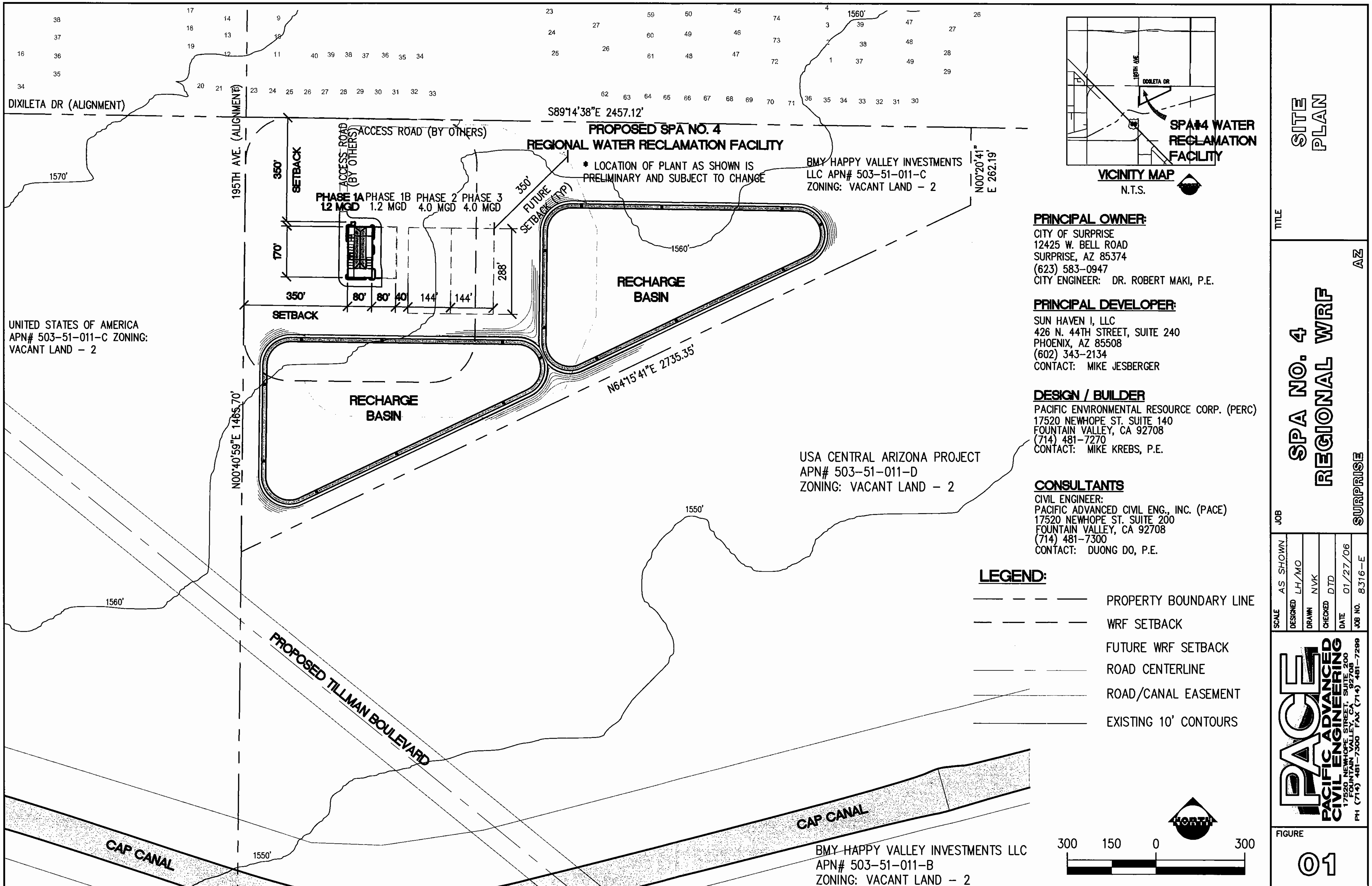
5 Public Participation

As part of the MAG Water Quality Management Plan Amendment Process, the Maricopa Association of Governments (MAG) with cooperation of the City of Surprise is responsible for ensuring that the following actions are implemented after submittal of the draft 208 Amendment:

- Notify all parties of a public hearing on the 208 Amendment by sending notices to interested parties at least 30 days prior to the public hearing. The notice may include the date, time, subject and location of the public hearing for the 208 Amendment.
- Notify public at least 45 days in advance of the public hearing by advertising in a publication. The notice should include the date, time, subject and location of the public hearing for the 208 Amendment.
- Notify public that draft amendments are available for public viewing 30 days before the hearing. This may include the location, days, and time of availability.
- Submittal of an affidavit of publication of the public notice.
- Submittal of a responsiveness summary for the public hearing.

Appendix A

Site Map and Potential Discharge Location Map


DIXILETA DR (ALIGNMENT)
195TH AVE. (ALIGNMENT)
S89°14'38"E 2457.12'
ACCESS ROAD (BY OTHERS)
ACCESS ROAD (BY OTHERS)
PROPOSED SPA NO. 4
REGIONAL WATER RECLAMATION FACILITY
* LOCATION OF PLANT AS SHOWN IS PRELIMINARY AND SUBJECT TO CHANGE
SETBACK
350'
170'
PHASE 1A 1.2 MGD
PHASE 1B 1.2 MGD
PHASE 2 4.0 MGD
PHASE 3 4.0 MGD
350' FUTURE SETBACK (TYP)
288'
350'
80'
80'
40'
144'
144'
SETBACK
RECHARGE BASIN
RECHARGE BASIN
1570'
1560'
1550'
N64°15'41"E 2735.35'
N00°40'59"E 1465.70'
N00°20'41" E 262.19'
BMY HAPPY VALLEY INVESTMENTS LLC APN# 503-51-011-C
ZONING: VACANT LAND – 2
UNITED STATES OF AMERICA
APN# 503-51-011-C ZONING:
VACANT LAND – 2
USA CENTRAL ARIZONA PROJECT
APN# 503-51-011-D
ZONING: VACANT LAND – 2
PROPOSED TILLMAN BOULEVARD
CAP CANAL
CAP CANAL
BMY HAPPY VALLEY INVESTMENTS LLC
APN# 503-51-011-B
ZONING: VACANT LAND – 2
195TH AVE
DIXILETA DR
SPA#4 WATER RECLAMATION FACILITY
VICINITY MAP
N.T.S.
PRINCIPAL OWNER:
CITY OF SURPRISE
12425 W. BELL ROAD
SURPRISE, AZ 85374
(623) 583-0947
CITY ENGINEER: DR. ROBERT MAKI, P.E.
PRINCIPAL DEVELOPER:
SUN HAVEN I, LLC
426 N. 44TH STREET, SUITE 240
PHOENIX, AZ 85508
(602) 343-2134
CONTACT: MIKE JESBERGER
DESIGN / BUILDER
PACIFIC ENVIRONMENTAL RESOURCE CORP. (PERC)
17520 NEWHOPE ST. SUITE 140
FOUNTAIN VALLEY, CA 92708
(714) 481-7270
CONTACT: MIKE KREBS, P.E.
CONSULTANTS
CIVIL ENGINEER:
PACIFIC ADVANCED CIVIL ENG., INC. (PACE)
17520 NEWHOPE ST. SUITE 200
FOUNTAIN VALLEY, CA 92708
(714) 481-7300
CONTACT: DUONG DO, P.E.
LEGEND:
PROPERTY BOUNDARY LINE
WRF SETBACK
FUTURE WRF SETBACK
ROAD CENTERLINE
ROAD/CANAL EASEMENT
EXISTING 10' CONTOURS
NORTH
300 150 0 300
TITLE
SITE PLAN
JOB
SPA NO. 4
REGIONAL WRF
SURPRISE AZ
SCALE AS SHOWN
DESIGNED LH/MO
DRAWN NVK
CHECKED DTD
DATE 01/27/06
JOB NO. 8316-E
PACE
PACIFIC ADVANCED CIVIL ENGINEERING
17520 NEWHOPE STREET, SUITE 200
FOUNTAIN VALLEY, CA 92708
PH (714) 481-7300 FAX (714) 481-7299
FIGURE
01

TITLE
PROPOSED
DISCHARGE
LOCATIONS MAP

JOB
SPA NO. 4
REGIONAL WRF
SURPRISE AZ

SCALE	AS SHOWN
DESIGNED	LH/MO
DRAWN	NVK
CHECKED	DTD
DATE	01/27/06
JOB NO.	8316-E

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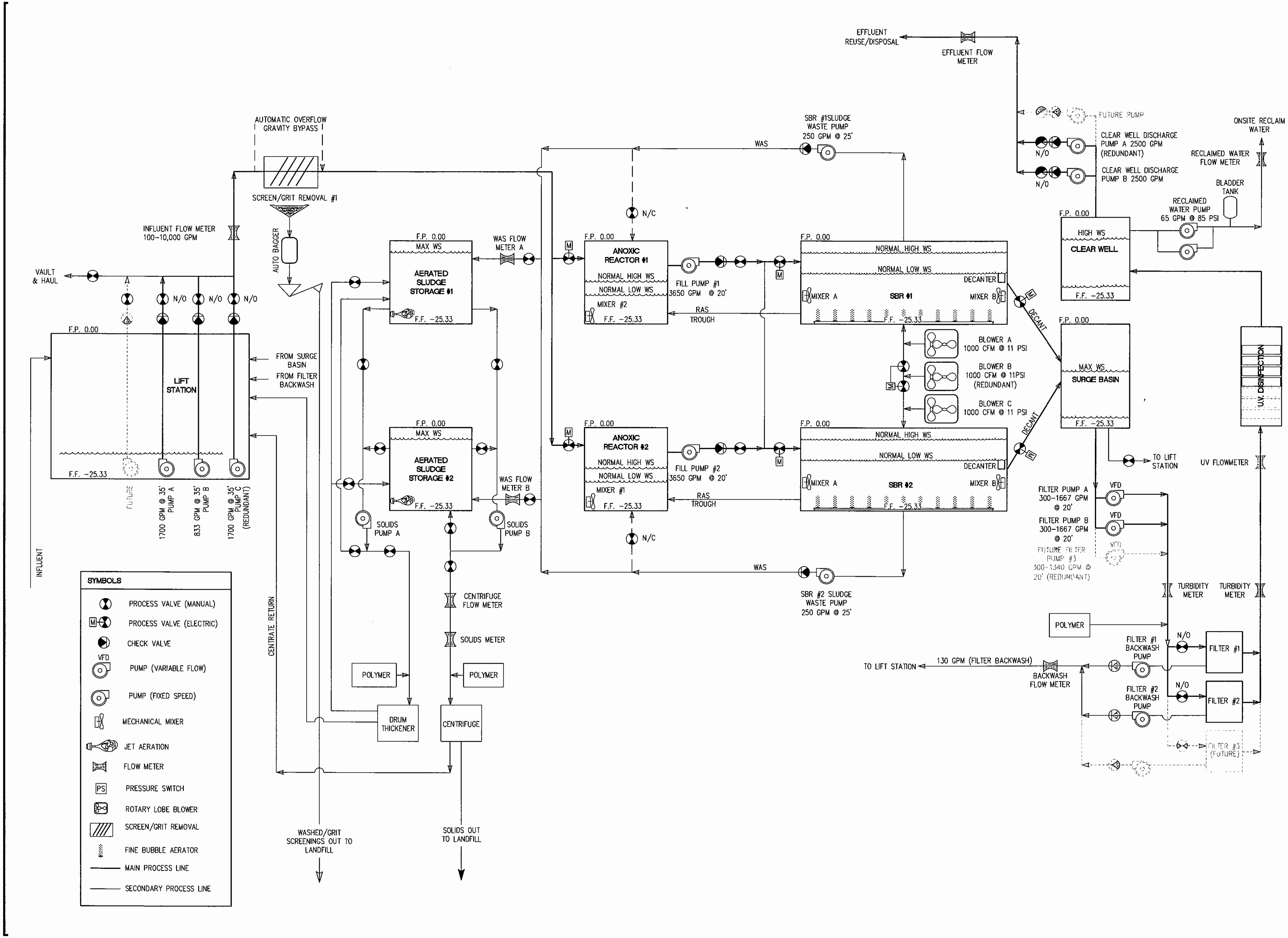
FIGURE
02

Xrefs: landuseplan.dwg; 8316-A-tblk.dwg; 8316-a-Site.dwg
Dimscale = 200; LTscale = 0.5; PSltscale = 1; Acad Ver. = 16.0s (LMS Tech); Visretain = 1
R:\8316E\Engineering\GlobalExhibits\8316-wash_map rev.dwg - Tab: Layout1 By: ddo on Apr. 11, 2006 at 06:07 pm

Appendix B

SPA 4 WRF Process Design Information



REVISIONS | NO | BY | DATE | APP

PREPARED BY: DUONG T. DO
PROJECT ENGINEER R.C.E. NO. AZ #40050 EXP. 12/31/06
DRAWN CLP | SCALE NONE
DESIGNED DTD
CHECKED JAM | DATE 6-30-2005

PACIFIC ADVANCED CIVIL ENGINEERING
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SPA NO. 4 REGIONAL WATER RECLAMATION FACILITY

PROCESS FLOW SCHEMATIC PHASE I

Pacific Environmental Resources Corp.

SHEET 02

JOB NO. 8316-E

SPA 4 Water Reclamation Facility
Phase IA
Design Calculations
Duong Do, P.E.
June, 2005

Calculation Methods Adapted from:
H. David Stensel, Ph.D., P.E.
University of Washington

DESIGN CONDITION

Flow:

Average	1.2 Mgal/d
Peak Day	2.4 Mgal/d
Peak Hour	3.6 Mgal/d

Wastewater Parameters:

BOD5	300 mg/L
TSS	300 mg/L
TKN	40 mg/L

Plant Design Load:

BODs	3,003 lb/d
TKN	400 lb/d
Water Temp.	25° C
Ambient Air Temp.	38° C

Effluent Parameters:

BOD5	< 5.0 mg/L
TSS	< 5.0 mg/L
TN	< 10.0 mg/L
Turbidity	< 2 NTU
Coliform (FCU/100 ml.)	non-detect

PROCESS OPERATION (TWO AEROBIC SBR TANKS)

Operation description:
A sequencing batch reactor (SBR) is operated with alternating cycles, or sequences of fill, interact, react, settle, decant, and idle. The hybrid PERC-ASP SBR system for Phase I of the SPA 4 WRF includes two SBRs with pre-SBR anoxic reactors which provide enhanced flow equalization and denitrification capability. Under low-loading conditions, only one anoxic reactor is utilized (1,100 ft^2 area); however, following increases in loading, a sluice gate connecting the two anoxic tanks is opened to create one large anoxic tank (2,200 ft^2 area). The anoxic reactor is continuously fed raw primary wastewater and return activated sludge from the two aerobic SBRs. When an SBR cycle starts the aerobic tank receives an initial input from an

anoxic tank (i.e. "fill") equivalent to approximately ¼ of the SBR tank volume. Mixed liquor combined with raw influent from the anoxic reactor is pumped to the aerobic tank at a higher rate than the influent feed rate. Thus, the anoxic volume is drawn down during fill. Following the fill cycle, the SBR water level is at the top of the tank and interact phase is initiated. In the interact phase, mixed liquor and influent from the anoxic reactor continue to be transferred to the SBR. With the SBR full, activated sludge flows back to the anoxic tank via the RAS weir. The overflow from the aerobic SBR tank feeds NO_3-N to the anoxic tank, which was produced by aerobic nitrification of NH_4-N. During interact the anoxic reactor again begins to fill. Once the anoxic reactor level reaches a pre-determined set-point, the SBR stops interact and initiates settle, followed by decant and idle to complete its cycle. At the point when the first SBR goes to settle, the other SBR starts a new cycle by initiating fill.

The following tables show the time sequence and volume changes during a complete cycle for each aerobic SBR tank.

1. Cycle Times Per Aerobic Tank – From Table 8.0:

Fill	39	min (mix during fill)
Interact	132	min
Settle	45	min
Decant	42	min
Idle	84	min
Total Time	342	min/cycle

Number of cycles/day/tank	=	1440 min/day / 342 min/cycle
	=	4.2 cycles/day
@ 2 tanks	=	8.4 fills/day

2. Fill volume at average design load:

Average volume/fill	=	1.2 MGD / 8.4 fills
	=	142,857 gal/fill

Fill Volume = Aerobic Tank Decant Volume
Decant volume = 142,857 gallons

Aerobic Tank Area = 38.5 ft x 78.5 ft
= 3,022 ft^2

3. Determine Decant depth:

$$\text{Decant Depth (ft)} = (\text{Decant Volume, ft}^3) / (\text{Aerobic tank area ft}^2)$$
$$= (142{,}857 \text{ gal} / 7.48 \text{ gal/ft}^3) / (3{,}022 \text{ ft}^2)$$

$$\text{Decant Depth (ft)} = 19{,}099 \text{ ft}^3 / (3{,}022 \text{ ft}^2)$$

Decant Depth = 6.3 ft

4. Determine change in anoxic depth at design flow (using both anoxic tanks):

Assume:
Total surface area of Anoxic Tank = 2 x (38.5' x 28.5') = 2,195 ft^2
Average day flow of 1.2 MGD = 833 gpm into Anoxic Tank

Average Flow out of Anoxic Tanks = 3650 gpm[a] (using one pump)
[a] – fill pumping rate conservatively calculated @ 20' TDH

Actual flow out of Anoxic Tanks = 3650 gpm – 833 gpm
= 2818 gpm

SBR fill time = 142,857 gallons / 3650 gpm = 39 min.

Therefore: Volume change in anoxic tanks = 2818 gpm x 39 min = 109,902 gallons
Calculated depth change at the end of Fill for 1.2 MGD = (109,902 gal / 7.48) / (2195 ft^2) = 6.7 ft

5. The following shows the changes in anoxic volume and the cycle operation:

CYCLE DESCRIPTION

Δ t min	Total Time (min)	Anoxic Volume	Aerobic 1 Volume/Condition	Aerobic 2 Volume/Condition
	0	Top Water Start Fill #1	Bottom Water Stop Idle/Start Fill	Top Water Start Settle
+39	39	Bottom Water Draining	Top Water Start Interact	Top Water Settling
+6	45	Filling	Top Water Interact	Stop Settle Start Decant
+42	87	Filling	Top Water Interact	Bottom Water Stop Decant/Start Idle
+84	171	Top Water Start Fill #2	Top Water Start Settle	Bottom Water Stop Idle/Start Fill
+39	210	Bottom Water Draining	Top Water Settling	Top Water Start Interact
+6	216	Filling	Stop Settle Start Decant	Top Water Interact
+42	258	Filling	Bottom Water Stop Decant/Start Idle	Top Water Interact
+84	342	Top Water Start Fill #1	Bottom Water Stop Idle/Start Fill	Top Water Start Settle

@ 1.2 MGD, Flow = 833 gpm

AEROBIC TANK NITRIFICATION DESIGN

Average Daily Load To Each Aerobic SBR Tank:

BOD	=	3,003 lb/d	÷ 2	=	1,502 lb/d/t
TKN	=	400 lb/d	÷ 2	=	200 lb/d/t

SBR Tank Volume at Full

= (23 ft Depth) 3022 ft^2
= 69,513 ft^3
= 519,956 gallons

1. Determine equivalent hydraulic retention times

Equivalent Hydraulic Retention Time (HRT):

HRT = 519,956 gal / (1.2 MGD / 2 tanks) x 24 hrs = **20.8 hrs**

Equivalent Anoxic HRT
Maximum Depth = 23 ft
Normal Max. Depth : 23 – 7.0 = 16.0 ft (volume of full batch avail.)
Anoxic tank depth (Average): = 16.0 ft – (6.7 / 2) = 12.7 ft

Anoxic Volume = (12.7 ft) (2195 ft^2)
= 27,870 ft^3
= 208,468 gallons

HRT = (208,468 gal / 1.2 MGD) x 24 hrs = **4.2 hrs**

2. Determine Aerobic Tank SRT
Assume that MLSS = 3500 mg/L – typical of SBR operations

Check for sufficient depth in aerobic reactor during settling to handle a MLSS of 3500 mg/L, based on typical SVI achieved:

Assume SVI = 120 mg/L

Thickened MLSS during settling = $\frac{10^6}{\text{SVI}}$ = 8333 mg/L

MLSS mass full = MLSS mass in settled volume

23 ft (3500 mg/L) = sludge depth (8333 mg/L)
Sludge depth = 9.7 ft.

Liquid level above sludge depth after settling: 23 ft – 9.7 ft = 13.3 ft

Decant depth = 6.3 ft, so liquid depth below decanter is 13.3– 6.3 ft = 7.0 ft
So sufficient depth in settle and decant period to handle MLSS of 3500 mg/L

To determine system SRT, a solids balance is needed accounting for solids yield and BOD removal. The following is a standard equation for solids yield that accounts for biomass production and inert solids that enter with wastewater and are not degraded and accumulate in the system:

Net Solids Yield: $\left(\frac{Y}{1+bSRT}+Y_I\right)=Y_N$

Y	=	g VSS/g BOD removal ≈ 0.60 g/g
B	=	0.08 g/g-d
SRT	=	Solids retention time, days
Y_I		g non-biodegradable solids / g BOD ≈ 0 50 g/g

V(MLSS)	=	Y_N (ΔBOD)Q (SRT)
Q	=	0.6 Mgal/d/tank
ΔBOD	=	300 mg/L
V	=	0.520 Mgal
Y_N	=	$\left(\frac{0.6}{1+.08\,SRT}+0.50\right)$
MLSS	=	3500 mg/L

Solve for SRT
Use spreadsheet:

$$(3500)\,(0.520) = \left(\frac{0.6}{1+.08\,SRT}+0.50\right)(300)\,(0.6)\,SRT$$

SRT = 12.7 days

3. What is the net solids yield?

Y_N = (0.60 / (1 + 0.08 x 12.7) + 0.50 = **0.80 gTSS/g BOD**

4. Determine the aerobic SRT, which accounts for the time that the mixed liquor is under aeration (accounts for fraction of aeration time per cycle):

Design for 10 hrs/day/tank,

Aeration Fraction = 10 hours aeration / 24 per day = 0.417 hours aeration/day/tank

Aerobic SRT @ 3500 mg/L MLSS = 0.417 (12.7 d)
= 5.3 days

5. Determine if this aerobic SRT is sufficient to result in satisfactory nitrification and maintain concentrations of nitrifiers in the system (i.e. the minimum nitrifier growth rate must exceed the wasting rate) – the design goal is to achieve is NH4-N concentration less than 0.5 mg/L.

Because of recirculation through the anoxic tank with continuous feeding, the aerobic SBR tank can be considered equivalent to a continuously stirred tank reactor (CSTR). Thus, we can consider that the minimum nitrifying bacteria growth rate (i.e. growth rate is minimized at the lowest substrate concentration) is related to the aerobic SRT as follows. From this we can determine the NH4-N concentration expected in the SBR related to the nitrifier growth rate and sludge wasting rate (i.e. SRT).

$$\frac{1}{SRT} = \mu = \frac{\mu_m N}{K_N + N}$$ Nitrification Monod Kinetics

where:
μ = specific growth rate of nitrifiers, g/g-d
N = NH_4-N Conc., mg/L
μm = Maximum specific growth rate, 0.72 g/g-d @ 25° C
K_N = 0.75 mg/L
(EPA Nitrogen Control Manual, 1993)

From above the aerobic SRT = 5.3 days

μ = 1 / SRT = 1/ 5.3 = 0.189
0.189 = 0.72 x N / (0.75 +N)
N = NH_4-N = 0.27 mg/L

Sufficient capacity for complete nitrification

Check safety factor for NH_4-N = 0.50 mg/L treatment goal.

$$\frac{1}{SRT} = \mu = \frac{(0.72)(0.50)}{(0.75 + 0.50)} = 0.28/day$$

SRT = 1 / 0.28 = 3.5 days
Safety factor = 5.3/3.5 = 1.5 (okay)

PERFORM NITROGEN BALANCE TO GET AMOUNT OF N OXIDIZED

Nitrogen N = nitrogen for synthesis + effluent N + N oxidized to nitrate

Nitrogen for synthesis: SRT = 12.7 days @ 3500 mg MLSS

Biomass Yield = Y / (1 + b x SRT) = 0.72 / (1 + 0.08 x 12.7) = 0.36 g VSS / g BOD

Biomass Produced = (0.36 g VSS/g BOD) * (300 mg/L – 5 mg/L BOD) = 106.2 mg/L

@ 10% nitrogen, N synthesis = 0.10 (106.2) = 10.6 mg/L

Assume 30% N for synthesis is returned/recycled during digestion/dewatering of sludge:

10.6 mg/L – (0.3 * 10.6 mg/L) = **7.4 mg/L**

Nitrate Produced:

TKN – Nsyn – NH_4-N = NO_3-N

40 – 7.4 – 0.5 = NO_3-N

NO_3-N = **32.1 mg/L**

NO_3-N Produced Per Feed Cycle:

= 32.1 mg/L (0.143 Mgal / cycle) * 8.34 = **38.3 lb/cycle**

EVALUATE NITROGEN REMOVAL CAPACITY

1. Determine NO3-N balance:

Since the reactor approaches a complete mix operation with the internal recycle, we can assume a relatively constant NO3-N concentration in the aerobic reactor. The nitrate produced has to be accounted for as follows:

NO3-N produced = **(38.3 lb/cycle)**

= ***A.*** - NO3-N removed in aerobic reactor (during settle and decant)
+
B. - NO3-N removed in aerobic reactor (during anoxic mix)
+
C. - NO3-N allowed in effluent discharge (< 9.5 mg/l)
+
D. - NO3-N removed in overflow to anoxic reactor (during interact)

A. - Aerobic reactor nitrate loss (denitrification) will occur in the mixed liquor during the decant, settle, and idle periods when oxygen is depleted.

Use SDNR for endogenous respiration per the following reference:

Biological Nutrient Removal, Randall, Barnard, and Stensel, Technomics, 1992

$$SDNR=\left(\frac{0.50}{2.86}\right)\left(\frac{An}{Yn}\right)\left(\frac{1}{SRT}\right)$$

$$An = 1.5 - 1.42Y + \frac{1.42bYSRT}{1+bSRT}$$

$$Yn = \frac{Y}{1+bSRT} + Y_I$$

An = 1.5 – (1.42 * 0.6) + ((1.42)(0.08)(0.6)(5.3) / (1 + (0.08)*(5.3))) = 0.90

Yn = (0.6 / (1 + (0.08)*(5.3))) + 0.50 = 0.92

SDNR = (0.5/2.86) * (0.90/0.92) * (1/12.7) = **0.013 g/g-d**

Removed = SDNR(V)(MLSS)(8.34)(time),

Time = 45 min (Settle)
+ 42 min (Decant)
+ 84 min (Idle)
= 171 min (Total)

= (0.01)(0.520)(3500)(8.34)(171)/60/24

= **18.0 lb/cycle**

B. - Denitrification occurs in the SBR during anoxic mix throughout the cycle of interact when air is periodically turned off. The SDNR during this cycle can be calculated below

$$(NO_3\text{-N removal} = (\text{Volume})\ (\text{MLSS})\ (\text{SDNR})\ \frac{\Delta t}{\text{cycle}}\ (8.34)$$

Average SBR Volume = 0.520 Mgal

Δt = 30 min = 0.021 days/cycle

NO_3-N removed:

= (0.01)(0.520)(3500)(8.34)(0.021) = **3.2 lb/cycle**

C. - NO3-N allowed to be in the effluent is < 9.5 mg/l;

Assume 5 mg/L of NO3-N is discharge:

Removed = (5 mg/l) * (0.143) * (8.34)

= 5.9 lbs/cycle

D. - Determine how much NO3-N must be removed in anoxic zone:

NO3-N to be removed on anoxic zone = 38.3 lb/cycle – 18.0 – 3.2 – 5.9

= 11.2 lb/cycle

D. (continued) Determine amount of nitrate fed to anoxic reactor:
To evaluate the nitrate removal capacity we have to determine the amount of nitrate that flows from the aerobic reactor to the anoxic tank and use the SDNR to determine if it can be sufficiently reduced.

Nitrate return feed rate to anoxic zone (using only one fill pump):
Flow to anoxic = 3850 gpm (132 min) = 508,200 gallons/cycle
Average initial nitrate concentration in the recycle flow:

NO3-N (mg/L) = ((38.3 lbs N / 0.520 Mgal) / 8.34) = 8.8 mg/L

Assume 60% of this concentration = 5 mg/l

At 5 mg/L NO3-N = 5 * (0.508) * (8.34) = 21.2 lb/cycle

As 21.2 lb/cycle > 11.2 lb/cycle, the system is not limited by recycle rate

Determine NO3-N removal capacity of anoxic reactor:

Specific Denitrification Rate in the Anoxic Reactor can be related to BOD F/M Ratio. (EPA Nitrogen Control Manual)

SDNR	=	0.03 F/M + 0.029
SDNR	=	Specific NO_3-N reduction rate, g NO_3-N / g MLSS-d
F/M	=	g BOD / g MLSS-d

$$F/M = \frac{1.2 \text{ Mgal/d} \times 300 \text{ mg/L BOD}}{3500 \text{ mg/L} \times 0.208 \text{ Mgal (average depth)}}$$

F/M	=	0.44 g/g-d
SDNR	=	0.044 g/g-d

The SDNR $\cong$ 0.044 g NO_3-N/g MLSS-d

$$NO_3\text{-N removal} = (\text{Volume})\ (\text{MLSS})\ (\text{SDNR})\ \frac{\Delta t}{\text{cycle}}\ (8.34)$$

Average Anoxic Volume = 0.208 Mgal

Δt = 132 min = 2.2 hours = 0.09 days/cycle
NO_3-N removed = (0.208) (3500) (0.044) (0.09) (8.34)

= **24.0 lbs/cycle**

= 24.0 lb/cycle > 11.2 lb/cycle required
Therefore, sufficient capacity in anoxic is available to remove the necessary amount of NO_3-N

DETERMINE OXYGEN REQUIRED

Flow/Tank	= 0.6 MGD
BOD	= 300 mg/L
NO_3-N Produced	= 32.1 mg/L
Effluent TN	= < 5 mg/L

Oxygen for BOD Removal:

$$O_2 = [1.5]\frac{gO_2}{gBOD}(BOD)Q - 1.42P_{XBio}$$

P_{XBio} = Biomass sludge wasted/day

Biomass yield = 0.37 gVSS/gBOD

P_{XBio}/Tank = 0.37 g/g x 300 mg/L x 0.6 MGD x 8.34
= 555.4 lb/d

Lbs O_2/day = 1.5 g O_2 / g BOD x (300 mg/L – 5 mg/L) x 0.6 MGD x 8.34 – 1.42 x 555.4 lb/d

= **1425.6 lb O_2/day**

Max Aeration Time Available

= 39 min (fill) + (132 min – 30 min anoxic mix) (interact) + 84 min (idle) / 342 (cycle) = 0.66

0.66 (24 hr/d) = 15.8 hrs/day available aeration

Design Aeration Time = **10.0 hrs/day**

Lbs O_2 / hr aeration = 1425.6 lb/d / 10.0 hrs/d = **142.6 lb O_2/hr (AOR)**

Nitrification O_2:

NO_3-N produced = 32.1 mg/L

O_2 = 4.3 g O_2 / g N x (32.1 mg/L - 5 mg/L) x 0.6 MGD x 8.34

Lbs O_2 / hr aeration = 583 lbs/d / 10.0 hrs/d = **58.3 lbs O_2 /hr (AOR)**

Denitrification O_2 Credit:

NO_3-N reduced = 27.1 mg/L (accounts for 5 mg/L in effluent)

O_2 credit = 2.86 (27.1) (0.6) 8.34

Lbs O_2 / hr aeration = 387.8 / 10.0 = **38.7 lbs/hr (AOR)**

Net O_2 Require:

Net O_2 req'd/Tank = 142.6 (BOD) + 58.3 (Nitro) – 38.7 (De-nitro)

= 162.2 lbsO_2/hr

AOR **= 162.2 lbsO_2/hr**

Determine Clean Water Transfer Rate

$$SOR = \frac{AOR(C_{Sat20a})}{\propto (BC_{Sat,TH} - DO)(1.024^{T-20})}$$

$$C_{Sat,TH} = (C_{Sat})(0.5)\left[\frac{P_d}{P_{Atm,H}} + \frac{O_t}{21}\right]$$

$$C_{Sat20a} = (C_{Sat20})(0.5)\left[\frac{P_d}{P_{Atm20}} + \frac{O_t}{21}\right]$$

SOR = standard oxygen transfer rate

$\propto = 0.6$ $\beta = 0.95$
T = 25°C $C_{Sat} =$ 7.96 mg/L (at 1000 ft Elevation)
DO = 2.0 mg/L $C_{Sat20} =$ 9.08 mg/L
P_d = 24.15 psi $P_{Atm,H}$ = 14.17 psi Please note: P_d = depth + atmospheric pressure
O_t = 18%

$$C_{Sat,TH} = (7.96)(0.5)\left[\frac{24.15}{14.17} + \frac{18}{21}\right] = 10.19 \text{ mg/L}$$

$$C_{Sat20a} = (9.08)(0.5)\left[\frac{24.64}{14.69} + \frac{18}{21}\right] = 11.5 \text{ mg/L}$$

$$SOR = \frac{AOR(C_{Sat20a})}{\propto (BC_{Sat,TH} - DO)(1.024^{T-20})}$$

$$SOR = \frac{162.2\,(11.5)}{0.6[(0.95)(10.19) - 2)](1.024^{25-20})}$$

SOR = 359.5 lbs/hr

Determine air rate @ 41.2% O_2 transfer efficiency (From Sanitaire)

Blower CFM = SOR / (60 min/hr x Transfer Eff. x 0.0172 lbO_2/ft3)

Blower CFM = 359.5 / (60 * 0.412 * 0.0172)

Blower CFM = **845 SCFM @ 10.0 hours**

Each SBR requires one blower per tank with rated capacity of 845 scfm @ 10.4 psi using 10.0 hours aeration to provide design capacity. Provide (3) three blowers at capacity of **1000 SCFM at 10.4** psi to provide additional capacity for peak loads – two per tank with one redundant. Using a 1.3 peaking factor, 845 scfm * 1.3 = 1100 scfm @ 10.0 hrs or 1000 scfm @ 11 hrs (<15.8 hrs max available).

PROCESS OPERATION (ONE AEROBIC TANK)

Operation description:
When either the facility is performing maintenance or under an emergency scenario where one SBR tank is removed from service, the treatment process will be single SBR tank operation. Under the single-tank mode, the anoxic reactor is fed raw influent wastewater from the headworks similar to two-tank operation; however, in single tank mode activated sludge is returned from only one SBR and the anoxic reactor is idle during SBR settle and decant. When the single-tank SBR cycle starts, the SBR receives an initial input from the anoxic tank (i.e. "fill") equivalent to approximately ¼ of the SBR tank volume. Mixed liquor combined with raw influent from the anoxic reactor is pumped to the aerobic tank at a higher rate than the influent feed rate. Thus, the anoxic volume is drawn down during fill. Following the fill cycle, the SBR water level is at the top of the tank and interact phase is initiated. In the interact phase mixed liquor and influent from the anoxic reactor is continued to be transferred to the SBR, but the SBR is full and overflows return activated sludge back to the anoxic tank via the RAS weir. The overflow from the aerobic SBR tank feeds NO_3-N to the anoxic tank, which was produced by aerobic nitrification of NH_4-N. During interact the anoxic reactor again begins to fill. Once the anoxic reactor level reaches a pre-determined set-point, the SBR initiates settle and decant to complete its cycle. The anoxic reactor idles until the SBR completes decant and is able to accept fill again to begin a new cycle.

1. Cycle Times for Single SBR Tank:

Fill (using two pumps)	18	min
Interact	66	min
Settle	45	min
Decant	42	min
Total Time	171	min/cycle

Number of cycles/day/tank = 1440 min/day / 171 min/cycle

= 8.4 cycles/day

2. Fill volume at average design load:
Average volume/fill = 1.2 MGD / 8.4 fills

= 142,857 gal/fill

Fill Volume = Aerobic Tank Decant Volume
Decant volume = 142,857 gallons

SBR Tank Area = 38.5 ft x 78.5 ft
= 3,022 ft^2

Determine equivalent hydraulic retention times

Equivalent Hydraulic Retention Time (HRT):

HRT = 519,956 gal / 1.2 MGD x 24 hrs = 10.4 Hrs

Determine change in anoxic depth at design flow:
Assume:
Total surface area of Anoxic Tanks = 2195 ft^2
Average day flow of 1.2 MGD = 833 gpm into Anoxic Tanks
Pumping out of Anoxic Tanks (two pumps) = 7940 gpm[a]
Actual flow out of Anoxic Tanks = 7940 gpm – 833 gpm
= 7107 gpm

[a] – pumping rate of 3970 gpm per pump assumed for 17' TDH

SBR fill time = 18 min.

Therefore: Volume change during Fill in anoxic tanks = 7107 gpm x 18 min = 127,926 gallons
Volume change (surge) during Settle and Decant = (45 + 42) x 833 gpm = 72,471 gallons

Increase in anoxic depth at 1.2 MGD during settle/decant in single-tank mode

$$= (71{,}638 \text{ gal} / 7.48 * 2195 \text{ ft}^2) = 4.4 \text{ ft}$$

Calculated depth change at the end of Fill = (127,926) / (2195 x 7.48) = 7.8 Ft

Equivalent Anoxic HRT
Tank depth: = 23 – 6.6 = 16.4 ft (¾ batch reserved)
Average Tank Depth: = 16.4 + 4.4 (during settle and decant) – (7.8/2)
= 16.9 ft

Anoxic Volume = (16.9 ft) (2195 ft^2)
= 37,096 ft^3
= 277,474 gallons

HRT = (277,474 gal / 1.2 MGD) x 24 hrs = 5.5 hrs

2. Determine Aerobic Tank SRT
Assume that MLSS has been increased to 4500 mg/L for single tank operation.

Check for sufficient depth in aerobic reactor during settling to handle a MLSS of 4500 mg/L, based on typical SVI achieved:
Assume SVI = 120 mg/L

$$\text{Thickened MLSS during settling} = \frac{10^6}{\text{SVI}} = 8333 \text{ mg/L}$$

MLSS mass full = MLSS mass in settled volume

23 ft (4500 mg/L) = sludge depth (8333 mg/L)

Sludge depth = 12.4 ft.

Liquid level above sludge depth after settling: 23 ft – 12.4 ft = 10.6 ft

Decant depth = 6.3 ft, so liquid depth below decanter is 10.6 – 6.3 ft = 4.3 ft
So sufficient depth in settle and decant period to handle MLSS of 4500 mg/L

To determine system SRT a solids balance is needed accounting for solids yield and BOD removal. The following is a standard equation for solids yield that accounts of biomass production and inert solids that enter with wastewater and are not degraded and accumulate in the system:

Net Solids Yield: $\left(\frac{Y}{1+bSRT}+Y_I\right)=Y_N$

Y	=	g VSS/g BOD removal ≈ 0.60 g/g
B	=	0.08 g/g-d
SRT	=	solids retention time, days
Y_I		g inert solids / g BOD ≈ 0.50 g/g

V(MLSS)	=	Y_N (ΔBOD)Q (SRT)
Q	=	1.2 Mgal/d
ΔBOD	=	300 mg/L
V	=	0.520 Mgal
Y_N	=	$\left(\frac{0.6}{1+.08\,SRT}+0.50\right)$
MLSS	=	4500 mg/L

Solve for SRT
Use spreadsheet:

$$(4500)\,(0.520) = \left(\frac{0.6}{1+.08\,SRT}+0.50\right)(300)\,(0.520)\,SRT$$

SRT = 7.4 days

3. What is the net solids yield?

Y_N = (0.60 / (1 + 0.08 x 7.4) + 0.5 = 0.88 g TSS/g BOD

4. Determine the aerobic SRT, which accounts for the time that the mixed liquor is under aeration:

Aerobic SRT accounts for fraction of Aeration Time
Note: Unlike two-tank operation, at design flow and loading single-tank operation will require aeration during fill period and during the entire interact period.

Aeration Time Fraction	= 18 min (fill) + 66 min (interact) – 0 min (anoxic mix) / 171 min (total cycle) = 0.50
Aerobic SRT @ 4500 mg/L MLSS	= 0.50 (7.4 d) = 3.7 days

5. Determine if this aerobic SRT is sufficient to result in satisfactory nitrification and maintain concentrations of nitrifiers in the system (i.e. the minimum nitrifier growth rate must exceed the wasting rate) – the design goal for single-tank mode is to achieve is [NH4-N] less than 2.0 mg/L.

Because of recirculation through the anoxic tank with continuous feeding, the aerobic SBR tank can be considered equivalent to a continuously stirred tank reactor (CSTR). Thus, we can consider that the minimum nitrifying bacteria growth rate (i.e. growth rate is minimized at the lowest substrate concentration) is related to the aerobic SRT as follows. From this we can determine the NH4-N concentration expected in the SBR related to the nitrifier growth rate and sludge wasting rate (i.e. SRT).

$$\frac{1}{SRT} = \mu = \frac{\mu_m N}{K_N + N}$$ nitrification monod kinetics

where:	μ	=	specific growth rate of nitrifiers, g/g-d
	N	=	NH_4-N Conc., mg/L
	μm	=	maximum specific growth rate, 0.72 g/g-d @ 25° C
	K_N	=	0.75 mg/L

(EPA Nitrogen Control Manual, 1993)

From above the aerobic SRT = 3.7 days

μ = 1 / SRT = 1/ 3.7 = 0.27
0.27 = 0.72 x N / (0.75 +N)
N = NH_4-N = 0.45 mg/L

sufficient capacity for complete nitrification

Check safety factor for NH_4-N = 2.0 mg/L treatment goal.

(1/SRT) = ((0.72 * 2) / (0.75 + 2) = 0.52 / day

1 / SRT = 1 / 0.52 = 1.9

Safety factor = 3.7 / 1.9 = 1.9 (Okay)

PERFORM NITROGEN BALANCE TO GET AMOUNT OF N OXIDIZED

Nitrogen N = nitrogen for synthesis + effluent N + N oxidized to nitrate

Nitrogen for synthesis: SRT = 7.4 days @ 4500 mg/L MLSS

Biomass Yield = Y / (1 + b x SRT) = 0.72 / (1 + 0.08 x 7.4) = 0.45 gVSS / g BOD

Biomass Produced = 0.45 g (300 mg/L – 5 mg/L BOD) = 132.8 mg/L

@ 10% nitrogen, N synthesis = 0.10 (132.8) = **13.3 mg/L**

Assume no return/recycle N during digestion/dewatering of sludge for single tank mode:

Nitrate Produced:

TKN – Nsyn – NH_4-N = NO_3-N

40.0 – 13.3 – 2.0 = NO_3-N

NO_3-N = 24.7 mg/L

NO_3-N Produced Per Feed Cycle:

= 24.7 mg/L (0.143 Mgal) 8.34 = 29.5 lb/cycle

EVALUATE NITROGEN REMOVAL CAPACITY

1. Determine NO3-N balance:

Since the reactor approaches a complete mix operation with the internal recycle, we can assume a relatively constant NO3-N concentration in the aerobic reactor. The nitrate produced has to be accounted for as follows:

NO3-N produced = (29.5 lb/cycle)

= ***A.*** - NO3-N removed in aerobic reactor (during settle and decant)

+

B. - NO3-N removed in aerobic reactor (during anoxic mix)

+

C. - NO3-N allowed in effluent discharge (< 4.5 mg/l)

+

D. - NO3-N removed in overflow to anoxic reactor (during interact)

A. - Aerobic reactor nitrate loss (denitrification) will occur in the mixed liquor during the decant and settle period when oxygen is depleted.

Use SDNR for endogenous respiration per the following reference:

Biological Nutrient Removal, Randall, Barnard, and Stensel, Technomics, 1992

$$\mathrm{SDNR}=\left(\frac{0.50}{2.86}\right)\left(\frac{An}{Yn}\right)\left(\frac{1}{SRT}\right)$$

$$An = 1.5 - 1.42Y + \frac{1.42bYSRT}{1+bSRT}$$

$$Yn = \frac{Y}{1+bSRT} + Y_I$$

An = 1.5 – (1.42 * 0.6) + ((1.42)(0.08)(0.6)(3.7) / (1 + (0.08)*(3.7))) = 0.84

Yn = (0.6 / (1 + (0.08)*(3.7))) + 0.50 = 0.96

SDNR = (0.5/2.86) * (0.84/0.96) * (1/7.4) = **0.021 g/g-d**

Removed = SDNR(V)(fraction of sludge blanket)(MLSS)(8.34)(time),

Time = 45 min (Settle)
+ 42 min (Decant)
= 87 min (Total)

= (0.021)(0.520)(12.4/23 ft)(4500)(8.34)(86)/60/24

= **13.2 lb/cycle**

B. – Since anoxic mixing will not occur during single tank operation, denitrification cannot be credited.

C. - NO3-N allowed to be the effluent is < 6 mg/l ([NH4-N] single tank mode < 2 mg/L);

Assume 6 mg/L of NO3-N is discharge:

Removed = (6 mg/l) * (0.143) * (8.34)

= **7.1 lbs/cycle**

D. - Determine how much NO3-N must be removed in anoxic zone:

NO3-N to be removed on anoxic zone = 29.5 lb/cycle – 13.2 – 7.1

= 9.2 lb/cycle

Determine amount of nitrate fed to anoxic reactor:
To evaluate the nitrate removal capacity we have to determine the amount of nitrate that flows from the aerobic reactor to the anoxic tank and use the SDNR to determine if it can be sufficiently reduced.

Nitrate return feed rate to anoxic zone (using two pumps):
Flow to anoxic = 7940 gpm (66 min) = 524,040 gallons/cycle
Average initial nitrate concentration in the recycle flow:

NO3-N (mg/L) = ((29.5 lbs N / 0.520 Mgal) / 8.34) = 6.8 mg/L

Assume 75% of this concentration = 5.0 mg/l

At 5.0 mg/L NO3-N = 5.0 * (0.524) * (8.34) = 21.9 lb/cycle

As 21.9 lb/cycle > 9.2 lb/cycle, the system is not limited by recycle rate

Determine NO3-N removal capacity of anoxic reactor:

Specific Denitrification Rate in the Anoxic Reactor can be related to BOD F/M Ratio. (EPA Nitrogen Control Manual)

SDNR	=	0.03 F/M + 0.029
SDNR	=	Specific NO_3-N reduction rate, g NO_3-N / g MLSS-d
F/M	=	g BOD / g MLSS-d

$$F/M = \frac{1.2 \text{ Mgal/d} \times 300 \text{ mg/L BOD}}{4500 \text{ mg/L} \times 0.277 \text{ Mgal (average depth)}}$$

F/M	=	0.29 g/g-d
SDNR	=	0.038 g/g-d

The SDNR ≅ 0.038 g NO_3-N/g MLSS-d

$$NO_3\text{-N removal} = (\text{Volume})\ (\text{MLSS})\ (\text{SDNR})\ \frac{\Delta t}{\text{cycle}}\ (8.34)$$

Average Anoxic Volume = 0.277 Mgal

Δt = 66 min = 1.1 hours = 0.046 days/cycle

NO_3-N removed = (0.277) (4500) (0.038) (0.046) (8.34)

= 18.2 lbs/cycle

= 18.2 lb/cycle > 9.2 lb/cycle required (safety provided)

Therefore, sufficient capacity in anoxic is available to remove the necessary amount of NO_3-N

EVALUATE SINGLE TANK AERATION CAPACITY

At the end of decant there will not be an "Idle" period because the anoxic reactor will already be at cycle water level. Therefore, the amount of aeration time available is equal to:

Aeration time available = (18 min (fill) + 66 min (interact/react) – 0 (anoxic mix)) * (8.4 cycles/day))

= 706 min/day or 11.8 hrs/day

Therefore, from the previous calculations:

SOR required = 359.5 lbs/hr @ 1.2 MGD and 10.0 hours of aeration time per tank

CFM required (single tank) = 359.5 lbs/hr x 2 x (10.0/11.8) = 609 lbs/hr.

Determine air requirement @ 39.1% O_2 transfer efficiency (From Sanitaire)

Blower CFM = SOR / (60 min/hr x Transfer Eff. x 0.0177 lbO_2/ft3)

Blower CFM = 609 lbs/hr / (60 * 0.391 * 0.0172)

Blower CFM = **1509 SCFM**

Therefore, two blowers designed for two-tank mode (1000 SCFM @ 10.4 psi) will be able to provide the required air to operate in single tank mode at design capacity with one additional blower for redundancy.

SURGE TANK AND FILTER DESIGN REQUIREMENTS

Decant Time	= 42 min
Decant Volume	= 0.143 Mgal = 142,857 gal
Decant Rate	= 142,857 gal / 42 min = 3400 gpm

Using Decanters @ 225 gpm/ft – requires 15.1 ft of weir length

---

Filter area: 215.2 ft^2 per 4 disc filter

Two filters in service (one redundant)

Flux rate (peak) = 1666 gpm / (215.2 ft^2 x 1 filter)
= 7.7 gpm/ ft^2 (< 8.0 gpm/ ft^2 - okay)

Minimum surge tank volume needed:

= (3400 gpm – 833 gpm) * 42 min

= 107,814 gallons (14,414 ft^3)

Area provided = 18.5' x 58.5' = 1082 ft^2

Minimum depth required = 14,414 ft^3 / 1082 ft^2 = 13.3 ft

Design Depth = 16.7'

Total Volume provided = (1082 x 13.17 x 7.48) + (17.75 x 18.5 x 3.4 x 7.48) = 114,940 gallons

---

SLUDGE PRODUCTION

1. Waste to Aerobic Storage for Thickening (to 1.5%)
2. Aerobic Digestion for Solids reduction (assume 30%)
3. Dewater with centrifuge (polymer addition)
4. Haul to disposal

1. Pre-Thickened Sludge Volume
   2402 lb/day / (0.0088 x 8.34) = 32,728 gallons/day wasted

   Therefore 32,728 / (4.2 cycles/day/tank x 2 tanks) = 3,896 gallons/cycle
   @ 300 gpm (waste pump capacity) waste time = 13 minutes/cycle

   Alternately - On a continuous waste mode of operation:
   32,728 gallons/day @ 0.88% = 82,286 gallons/day @ 0.35% (mixed liquor)

   Required waste rate = 82,286 gal/d / 2 tanks / 24 hrs / 60 min/hr = 29 gpm

   So more than sufficient waste capacity is installed for either mode of operation.

   After Thickening:
   TS = 2402 lb/d @ 1.5% = 19,200 gallons

2. After Solids Reduction
   Assume 80% VSS = 2402 lb TS x 0.8 = 1922 lb VSS
   Assume 30% VSS reduction in storage.
   TS after reduction = (2402 lb TS – 1922 lb VSS) + (1922 lb VSS x (1 – 0.30))
   = 1825 lb TS @ 1.5% = 14,592 gallons/day wet sludge

   Calculate Solids Storage in Aerobic Storage:

   Aerobic storage surface area = 28.5' x 58.5' = 1667.3 ft^2

   Therefore, volume per foot depth = 1667.3 x 7.48 = 12,470 gallons/ft

   Total water depth in reactor = 23 feet (15 feet usable storage)

   Therefore the available storage volume = 12,470 x 15 ft = 187,050 gallons

   The available days of storage = 187,050 gal / 14,592 gal/day = 12.8 days

3. Final sludge for dewatering

   Volume = 14,592 gal/d @ 1.5%

Provide 1 Centrifuge Unit @ 90 gpm loading rate

Hours of operation per day @ design flow = 14,592 gal/d / 90 gpm x 60 min/hr
= 2.7 hours per day @ 1.5%

Assume polymer usage is average = 10 lb/2000 lb D.S.
Polymer consumption per day = 1871 lb / 2000 x 10 = 9.4 lb/day

Calculate gallons of neat emulsion polymer required / day:

= 9.4 lbs/d / 8.75 (specific gravity) x 3 (dilution factor) = 3.1 gallons/day

4. Final sludge for disposal

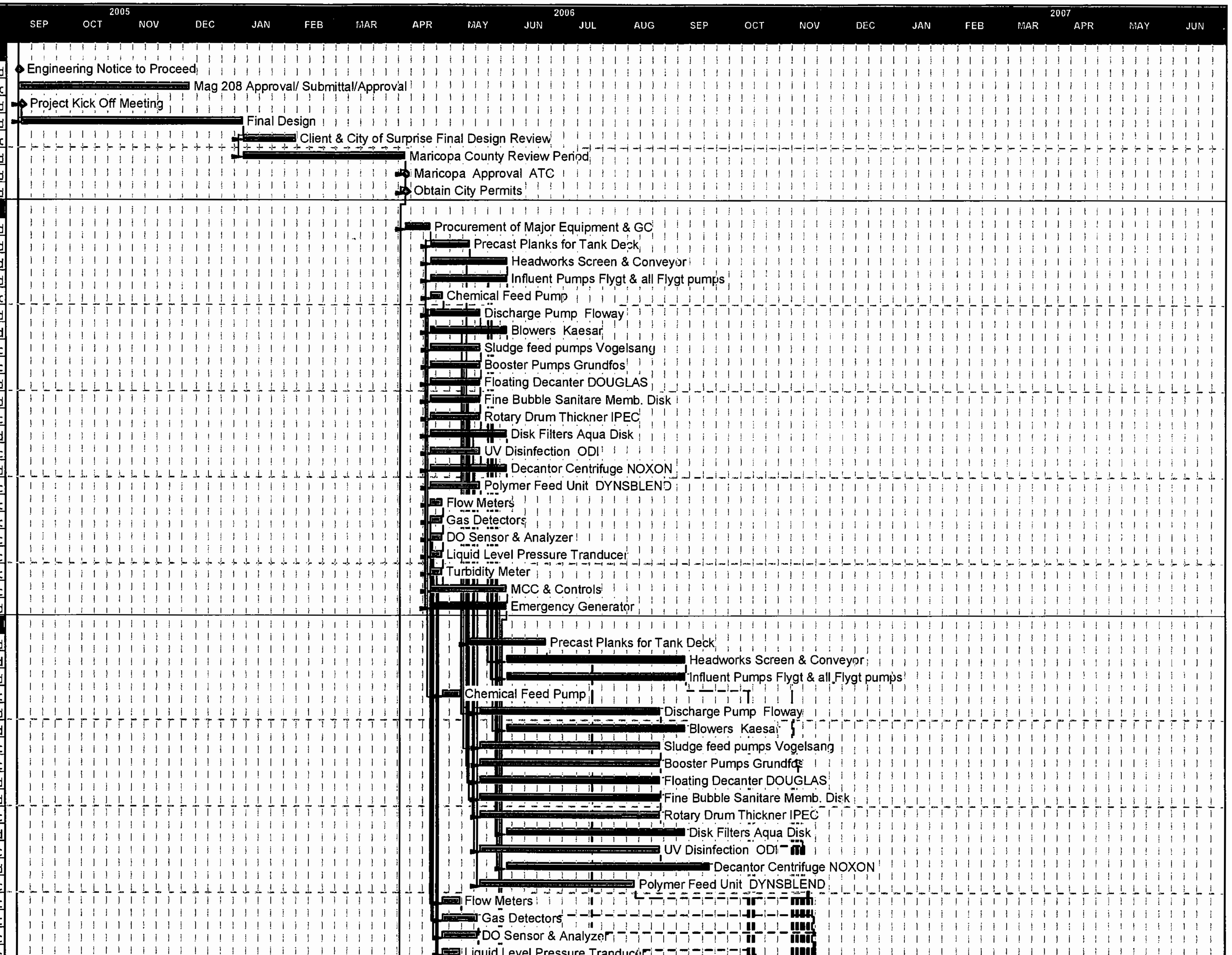
Assume:
Solids concentration from centrifuge = 25%
Solids feed concentration = 1.5%

Total volume of dewater sludge = 14,592 gallons x 1.5% / 25% / 7.48 gal/ft3 / 27 ft3/yd
= 4.3 yd/day

Appendix C

SPA 4 Draft Construction Schedule

Activity ID	Description	Orig Dur	Rem Dur	Early Start	Early Finish	Total Float
Permitting						
10C	Engineering Notice to Procee	0	0	05SEP05		-82d
105	Mag 208 Approval/ Submittal/Appro	95	95	05SEP05	08DEC05	428c
11C	Project Kick Off Meetin	0	0	07SEP05		-82d
12C	Final Design	12C	12C	07SEP05	06JAN06	-82d
13C	Client & City of Surprise Final Desig	30	30	07JAN06	05FEB06	371c
14C	Maricopa County Review Peri	90	90	07JAN06	06APR06	-82d
100C	Maricopa Approval AT(	0	0		06APR06	-82d
101C	Obtain City Permit	0	0	07APR06		-82d
Shop Drawings						
200C	Procurement of Major Equipment & G	14	14	07APR06	20APR06	-68d
2005	Precast Planks for Tank De	22	22	21APR06	12MAY06	-54d
201C	Headworks Screen & Convey	42	42	21APR06	01JUN06	-4d
202C	Influent Pumps Flygt & all Flygt pum	42	42	21APR06	01JUN06	-38d
204C	Chemical Feed Pum	7	7	21APR06	27APR06	119c
205C	Discharge Pump Flowa	28	28	21APR06	18MAY06	-24d
206C	Blowers Kaesa	42	42	21APR06	01JUN06	-4d
207C	Sludge feed pumps Vogelsar	28	28	21APR06	18MAY06	10c
208C	Booster Pumps Grundfc	28	28	21APR06	18MAY06	10c
209C	Floating Decanter DOUGLA:	28	28	21APR06	18MAY06	-24d
210C	Fine Bubble Sanitare Memb. Di:	28	28	21APR06	18MAY06	-24d
211C	Rotary Drum Thickner IPE	28	28	21APR06	18MAY06	10c
212C	Disk Filters Aqua Disl	42	42	21APR06	01JUN06	-4d
213C	UV Disinfection OD	28	28	21APR06	18MAY06	10c
214C	Decantor Centrifuge NOXOI	42	42	21APR06	01JUN06	-18d
215C	Polymer Feed Unit DYNSBLEN	28	28	21APR06	18MAY06	24c
216C	Flow Meters	7	7	21APR06	27APR06	119c
217C	Gas Detectors	7	7	21APR06	27APR06	109c
218C	DO Sensor & Analyze	7	7	21APR06	27APR06	75c
219C	Liquid Level Pressure Tranduc	7	7	21APR06	27APR06	85c
220C	Turbidity Mete	7	7	21APR06	27APR06	119c
221C	MCC & Controls	42	42	21APR06	01JUN06	16c
222C	Emergency Generatc	42	42	21APR06	01JUN06	-68d
Fabrication & Delivery						
3005	Precast Planks for Tank De	42	42	13MAY06	23JUN06	-54d
301C	Headworks Screen & Convey	98	98	02JUN06	08SEP06	-4d
302C	Influent Pumps Flygt & all Flygt pum	98	98	02JUN06	08SEP06	-38d
304C	Chemical Feed Pum	10	10	28APR06	07MAY06	119c
305C	Discharge Pump Flowa	98	98	19MAY06	25AUG06	-24d
306C	Blowers Kaesa	98	98	02JUN06	08SEP06	-4d
307C	Sludge feed pumps Vogelsar	98	98	19MAY06	25AUG06	10c
308C	Booster Pumps Grundfc	98	98	19MAY06	25AUG06	10c
309C	Floating Decanter DOUGLA:	98	98	19MAY06	25AUG06	-24d
310C	Fine Bubble Sanitare Memb. Di:	98	98	19MAY06	25AUG06	-24d
311C	Rotary Drum Thickner IPE	98	98	19MAY06	25AUG06	10c
312C	Disk Filters Aqua Disl	98	98	02JUN06	08SEP06	-4d
313C	UV Disinfection OD	98	98	19MAY06	25AUG06	10c
314C	Decantor Centrifuge NOXOI	112	112	02JUN06	22SEP06	-18d
315C	Polymer Feed Unit DYNSBLEN	84	84	19MAY06	11AUG06	24c
316C	Flow Meters	10	10	28APR06	07MAY06	119c
317C	Gas Detectors	20	20	28APR06	17MAY06	109c
318C	DO Sensor & Analyze	20	20	28APR06	17MAY06	75c
319C	Liquid Level Pressure Tranduc	10	10	28APR06	07MAY06	85c



Start date	05SEP05
Finish date	07MAY07
Data date	05SEP05
Run date	22JUL05
Page number	1A

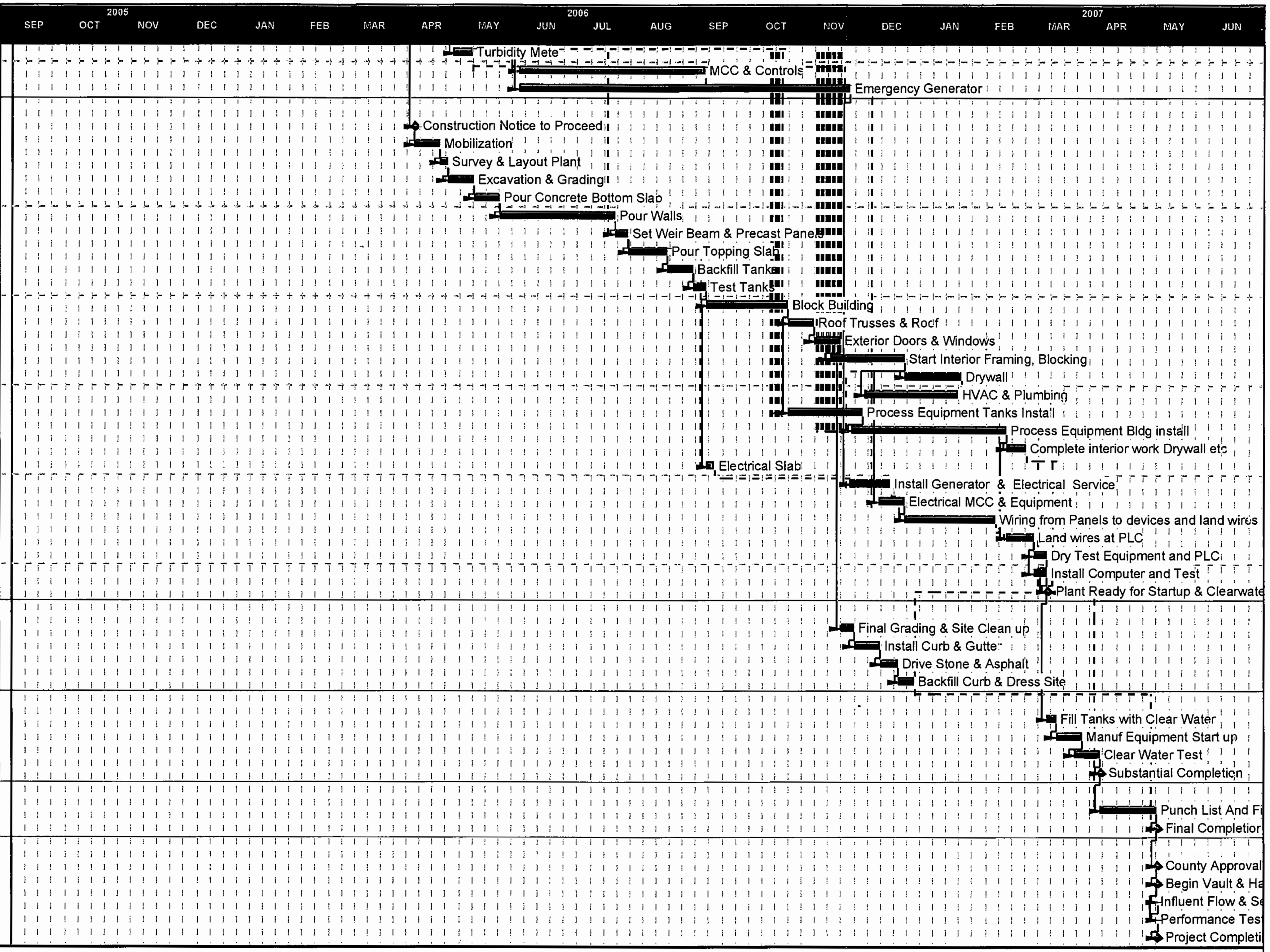
PERC

SPA 4
Regional WRF

CDR

Early bar
Progress bar
Critical bar
Summary bar
Start milestone point
Finish milestone point

Activity ID	Description	Orig Dur	Rem Dur	Early Start	Early Finish	Total Float
3200	Turbidity Mete	10	10	28APR06	07MAY06	119d
3210	MCC & Controls	98	98	02JUN06	08SEP06	16d
3220	Emergency Generatc	175	175	02JUN06	24NOV06	-68d
Construction						
4000	Construction Notice to Procee	0	0	07APR06		-82d
4005	Mobilization	14	14	07APR06	20APR06	-82d
4010	Survey & Layout Pla	4	4	21APR06	24APR06	-82d
4020	Excavation & Gradin	14	14	25APR06	08MAY06	-82d
4030	Pour Concrete Bottom Sla	14	14	09MAY06	22MAY06	-82d
4035	Pour Walls	60	60	23MAY06	22JUL06	-82d
4040	Set Weir Beam & Precast Pane	7	7	23JUL06	29JUL06	-82d
4045	Pour Topping Slal	21	21	30JUL06	19AUG06	-82d
4050	Backfill Tank	14	14	20AUG06	02SEP06	-82d
4060	Test Tanks	7	7	03SEP06	09SEP06	-82d
4070	Block Buildinc	43	43	10SEP06	22OCT06	-82d
4080	Roof Trusses & Roo	14	14	23OCT06	05NOV06	-76d
4090	Exterior Doors & Window	14	14	06NOV06	19NOV06	-76d
4100	Start Interior Framing, Blockin	40	40	14NOV06	23DEC06	-76d
4105	Drywall	28	28	24DEC06	22JAN07	-46d
4110	HVAC & Plumbinc	48	48	03DEC06	21JAN07	-35d
4120	Process Equipment Tanks Insti	40	40	23OCT06	01DEC06	-82d
4130	Process Equipment Bldg insta	81	81	26NOV06	16FEB07	-82d
4135	Complete interior work Drywall e	10	10	17FEB07	26FEB07	-71d
4140	Electrical Slat	4	4	10SEP06	13SEP06	4d
4145	Install Generator & Electrical Servic	21	21	25NOV06	15DEC06	-68d
4150	Electrical MCC & Equipmen	14	14	10DEC06	23DEC06	-76d
4160	Wiring from Panels to devices and la	47	47	24DEC06	10FEB07	-76d
4170	Land wires at PLC	14	14	17FEB07	02MAR07	-82d
4180	Dry Test Equipment and PL	7	7	03MAR07	09MAR07	-82d
4190	Install Computer and Tes	7	7	03MAR07	09MAR07	-82d
4200	Plant Ready for Startup & Clearwater Te	0	0		09MAR07	-82d
Hardscape and final Clean up						
4510	Final Grading & Site Clean u	7	7	20NOV06	26NOV06	-12d
4520	Install Curb & Gutte	14	14	27NOV06	10DEC06	-12d
4530	Drive Stone & Aspha	10	10	11DEC06	20DEC06	-12d
4540	Backfill Curb & Dress Sit	7	7	21DEC06	28DEC06	-12d
Clean Water Test & Substantian Completion						
5000	Fill Tanks with Clear Wate	5	5	10MAR07	14MAR07	-82d
5010	Manuf Equipment Start u	14	14	15MAR07	28MAR07	-82d
5020	Clear Water Tes	14	14	25MAR07	07APR07	-82d
5025	Substantial Completio	0	0		07APR07	-82d
Final Completion						
4600	Punch List And Final Clean U	30	30	08APR07	07MAY07	-82d
4610	Final Completior	0	0		07MAY07	-82d
Plant Start Up						
5028	County Approval of Pla	0	0	08MAY07		-82d
5030	Begin Vault & Hau	0	0	08MAY07		-82d
5035	Influent Flow & Seeding of Pla	0	0	08MAY07	07MAY07	-82d
5040	Performance Testin	0	0	08MAY07	07MAY07	-82d
5050	Project Completion Turn to Operatio	0	0		07MAY07	-82d



Start date	05SEP05
Finish date	07MAY07
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Page number	2A

PERC

SPA 4
Regional WRF

CDR

- Early bar
- Progress bar
- Critical bar
- Summary bar
- Start milestone point
- Finish milestone point

Appendix D

Standard Pacific and City of Surprise Financial Statements

City of Surprise
Financial Statements

SURPRISE
ARIZONA

CITY OF SURPRISE
WATER SERVICES DEPARTMENT

MEMORANDUM

To: Brenda Day
MAG

From: Rich Williams, Sr. RAW
Water Services Director
City of Surprise

Date: 7/27/04

The City of Surprise is committed to meeting the growth projections enhancement with its General Plan of Development. As a full service municipality providing a complete operational sewage system, the City has sanitary sewer personnel on its staff that is versed in all aspects of sanitary sewer service from maintenance and repair of its collection system to operations of its wastewater treatment facilities.

As further evidence of the City's intention in meeting its growth projections several key growth policies have been recently approved through City Council actions including the Integrated Water Master Plan (for both potable water and sanitary sewer); Special Development Planning Areas, SPA 1- SPA 6 that give further substance to the above mentioned Master Plan; and a policy that outlines a Sanitary Sewer System Development Fee structure to be used in conjunction with planned area development.

These fees have been structured to meet future City obligations with regard to both, capital improvement projects as well as sewer service fees to the City's citizens that we are structured to meet future operational needs and meet the City's financial obligations.

CITY OF SURPRISE
COUNCIL AGENDA ACTION FORM

#8

SURPRISE ARIZONA

Meeting Type: Regular Meeting **Time Scheduled:** May 27, 2004 7:00 PM
If Special submit date time
Submitting Department: Finance **Contact Person:** Robert Nilles
Consent ☐ **Regular** ☐ **Requesting Action** ☒ **Report Only** ☐

Type of Document Needing Approval (Check all that apply):

☐ Public Hearing ☐ Resolution ☐ First Reading/Ordinance
☐ Agreement ☐ Emergency Clause ☒ Final Reading/Ordinance
☐ Special Consideration ☐ Intergovernmental Agreement
☐ Grant ☐ Submission ☐ Acceptance
☐ Liquor/Bingo License Application

Council Priority (Check Appropriate Areas):

☐ Education ☐ Public Fitness ☐ Neighborhood Revitalization
☐ Job Creation ☐ Quality Service Delivery ☐ Employment Infrastructure
☐ Public Safety ☐ Housing Rehabilitation ☐ Work Force Preparation
☐ Transportation ☐ Human Service Needs ☐ Parks, Recreation & Library
☒ City Revenue ☐ Community Activities ☒ Public Infrastructure

Regular Agenda Wording: Consideration and action to approve Ordinance #04-24 an ordinance repealing Chapters 15.08 and 15.12 and Sections 13.04.280, 13.04.290, 13.04.300, 13.04.310, 13.04.320, 13.08.660, 13.08.670, 13.08.680, 13.08.690 and 13.08.700 of Surprise Municipal Code; and adding Chapter 15.10 adopting the new Development Fee Study and development fees.

Staff Recommendation: Approve Fiscal Impact: Yes, increasing development fees will increase the revenue produced for capital improvements related to new development.

Background Information: The new Development Fee Study updates all of the City's current fees. This Ordinance will adopt the Development Fee Study and the new development fees, and make numerous clean-up revisions to the existing Municipal Code sections related to development fees. The Development Fee Study is on file with the City Clerk and was provided to the Council in January 2004.

List Attachments as Follows: Ordinance #04-24; Figure 1: Schedule of Maximum Supportable Development Fees – Page 4 of Tischler & Associates Development Impact Fee Study; Council Communication

Signatures of Submitting Officers (Sign Legibly):

Robert Nilles
Department Head

Robert Nilles
Supervisor

Robert Nilles
Budget Authorization

Legal Review

Kathy Rice
City Manager/Designee

Distribution After Council Action: **Council Action:** **Results:**
- Robert Nilles Motion/Second For 7
- Agenda file Shafer Against 0

Figure 1: Schedule of Maximum Supportable Development Fees

All Development - North (SPA's 2-5)		*Water*	*Water*		
Meter Size (inches)	*Type*	*Resources*	*System*	*Wastewater*	*TOTAL*
0.75	Displacement	$456	$2,879	$2,245	$5,580
1.00	Displacement	$580	$3,665	$2,841	$7,086
1.50	Displacement	$1,505	$9,506	$7,272	$18,283
2.00	Displacement	$2,406	$15,199	$11,590	$29,195
3.00	Compound	$4,864	$30,718	$23,363	$58,945
3.00	Turbine	$5,455	$34,451	$26,194	$66,100
4.00	Compound	$7,748	$48,931	$37,178	$93,857
4.00	Turbine	$9,346	$59,023	$44,834	$113,203
6.00	Compound	$15,052	$95,062	$72,171	$182,285
6.00	Turbine	$18,789	$118,661	$90,073	$227,523
8.00	Compound	$24,320	$153,592	$116,571	$294,483
8.00	Turbine	$27,435	$173,265	$131,494	$332,194

All Development - South (SPA 1)		*Water*	*Water*		
Meter Size (inches)	*Type*	*Resources*	*System*	*Wastewater*	*TOTAL*
0.75	Displacement	$456	$2,879	$1,808	$5,143
1.00	Displacement	$580	$3,665	$2,284	$6,529
1.50	Displacement	$1,505	$9,506	$5,827	$16,838
2.00	Displacement	$2,406	$15,199	$9,281	$26,886
3.00	Compound	$4,864	$30,718	$18,696	$54,278
3.00	Turbine	$5,455	$34,451	$20,961	$60,867
4.00	Compound	$7,748	$48,931	$29,744	$86,423
4.00	Turbine	$9,346	$59,023	$35,867	$104,236
6.00	Compound	$15,052	$95,062	$57,730	$167,844
6.00	Turbine	$18,789	$118,661	$72,046	$209,496
8.00	Compound	$24,320	$153,592	$93,237	$271,149
8.00	Turbine	$27,435	$173,265	$105,172	$305,872

All Development - Citywide	*Libraries*	*Parks & Recreation*	*Police*	*Fire*	*Public Works*	*General Gov't*	*TOTAL*
Residential	Per Housing Unit						
Single Family Detached	$266	$1,127	$424	$454	$885	$314	$3,470
Single Family Attached/Multi-Family	$224	$948	$357	$382	$437	$265	$2,614
All Other Housing Types	$235	$995	$375	$401	$458	$278	$2,743
Nonresidential	Per Thousand Square Feet of Floor Area						
Com / Shop Ctr 25,000 SF or less	N/A	N/A	$2,065	$1,405	$683	$311	$4,464
Com / Shop Ctr 25,001-50,000 SF	N/A	N/A	$1,905	$1,204	$586	$267	$3,962
Com / Shop Ctr 50,001-100,000 SF	N/A	N/A	$1,659	$1,053	$512	$233	$3,457
Com / Shop Ctr 100,001-200,000 SF	N/A	N/A	$1,429	$936	$455	$207	$3,027
Com / Shop Ctr over 200,000 SF	N/A	N/A	$1,221	$843	$410	$186	$2,660
Office / Inst 10,000 SF or less	N/A	N/A	$950	$1,850	$900	$410	$4,110
Office / Inst 10,001-25,000 SF	N/A	N/A	$768	$1,703	$828	$377	$3,676
Office / Inst 25,001-50,000 SF	N/A	N/A	$654	$1,597	$777	$354	$3,382
Office / Inst 50,001-100,000 SF	N/A	N/A	$556	$1,505	$732	$333	$3,126
Office / Inst over 100,000 SF	N/A	N/A	$474	$1,412	$687	$313	$2,886
Business Park	N/A	N/A	$535	$1,332	$648	$295	$2,810
Light Industrial	N/A	N/A	$292	$973	$474	$215	$1,954
Warehousing	N/A	N/A	$208	$539	$262	$119	$1,128
Manufacturing	N/A	N/A	$160	$767	$373	$170	$1,470

ORDINANCE #04-24

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, REPEALING CHAPTERS 15.08 AND 15.12 AND SECTIONS 13.04.280, 13.04.290, 13.04.300, 13.04.310, 13.04.320, 13.08.660, 13.08.670, 13.08.680, 13.08.690 AND 13.08.700 OF SURPRISE MUNICIPAL CODE; AND ADDING CHAPTER 15.10 ADOPTING THE NEW DEVELOPMENT FEE STUDY AND DEVELOPMENT FEES.

WHEREAS, an updated Development Fee Study has been completed that addresses development fee levels within the City of Surprise, and;

WHEREAS, the Mayor and City Council's direction to staff has always been that new development should pay for itself, and;

WHEREAS, the fees contained in the new Development Fee are in accordance with the costs associated with providing the corresponding capital improvements, and;

WHEREAS, this Ordinance #04-24 will adopt by reference the new Development Fee Study and clean up a number of existing sections related to development fees;

NOW, THEREFORE, BE IT ORDAINED by the Mayor and City Council of the City of Surprise that:

Section 1. Chapters 15.08 and 15.12, and Sections 13.04.280, 13.04.290, 13.04.300, 13.04.310, 13.04.320, 13.08.660, 13.08.670, 13.08.680, 13.08.690 and 13.08.700 of the Surprise Municipal Code are hereby repealed.

Section 2. Article VI of Chapter 13.04 of the Surprise Municipal Code is hereby renumbered Article V.

Section 3. The following Chapter 15.10 is hereby added to the Surprise Municipal Code.

<u>Chapter 15.10</u>

<u>DEVELOPMENT FEES & INFILL INCENTIVE DISTRICTS</u>

<u>Sections</u>:

15.10.010 Definitions. The following words and phrases, shall have the meanings respectively ascribed to them in this section, unless from the content, a different meaning is clearly intended:

A. "Commercial development" and/or "industrial development" means all buildings and lots within the territorial limits of the city, other than single-family residences, multifamily residences, apartments, mobile home subdivisions, and recreational vehicle parks or other dwelling units.

B. "Dwelling unit" means a room or group of rooms within a building or structure containing cooking accommodations. An apartment, a mobile, manufactured or modular home, a recreational vehicle, and a travel trailer shall be considered a dwelling unit, but a motel room or hotel room is not considered a dwelling unit under the provisions of this chapter.

C. "Mobile, manufactured, or modular home space" means any lot or space contained in a mobile home park or manufactured housing subdivision.

D. "New Business" means new construction or fifty one percent (51%) reconstruction of the total building square footage of an existing building. For the purposes of this ordinance, a new business is not an existing business, which has only changed ownership.

E. "Qualifying Commercial and/or industrial developments" means new or expanding developments that will be: (i) legal and conforming upon project completion, (ii) in possession of all required development approvals pursuant to city process, procedures and policies, (iii) occupying vacant property or replacing dilapidated buildings, or if expanding will comply with the criteria for "expanding existing businesses."

F. "Recreational vehicle pad" or "travel trailer pad" means any lot or space contained in a recreational vehicle park.

15.10.020 Development fee study. The Development Fee Study, prepared by Tischler & Associates, dated January 23, 2004 and declared a public record by Resolution #04-105, is hereby adopted by the city and incorporated in this section by reference as though it had been fully and completely set forth in this section.

15.10.030 Development fees. A. The residential and commercial development fees shall be the maximum supportable fees as identified in the

Development Fee Study. The development fees shall be annually adjusted to account for inflation using the index published by Engineering News Record.

B. The development fees set forth in the Development Fee Study shall be collected by the building inspector prior to the issuance of a building permit for the construction of any dwelling unit or commercial or industrial building or structure. The development fees with respect to any mobile, manufactured, or modular home space shall be collected prior to the issuance of a permit for the establishment of a mobile, manufactured, or modular home within a mobile home park or a manufactured housing subdivision. The development fees with respect to any recreational vehicle pad or travel trailer pad shall be collected prior to the issuance of a permit for the construction of a recreational vehicle or travel trailer park, or for the construction of a pad contained therein. The building inspector shall not issue a building permit until the applicable development fees have been paid.

C. In the event a building permit is issued for the enlargement, reconstruction, or remodel of an existing structure, the development fees may be reduced by giving a credit for previously paid development fees with regard to that unit or parcel, the purpose being to collect development fees when additional demand is created on the city services because of enlargement, reconstruction, removal or remodeling of a structure.

15.10.040 Disposition. A. All development fees collected shall be deposited into separate accounts according to the development fee category and shall not be commingled with the general fund revenues of the city.

B. The revenues generated by development fees shall be used for the purposes as identified in the Development Fee Study.

15.10.050 Exemptions. Development fees shall only be collected where services are provided by the city. For example, development located outside of the city's water service area shall not be assessed the development fees related to the provision of water. Additionally, commercial development shall not be assessed the park and recreation development fee, the library development fee or the sanitation portion of the public works development fee.

15.10.060 Infill incentive district. A. There is established, pursuant to the authority granted in A.R.S. §9-499.10(A), an infill incentive district in the area bounded by Bell Road to the north, El Mirage to the east, Greenway Road to the south and Dysart Road to the west. This district is designated as the Original Town Site Infill Incentive District.

B. Original town site infill incentive plan.

1. Residential development. All residential development within the Original Town Site Infill Incentive District shall receive a one hundred percent waiver of development fees.

2. Commercial development.

a. Qualifying commercial and/or industrial developments within the Original Town Site Infill District shall receive a one hundred percent waiver of building permit and building plan review fees.

b. Qualifying commercial and/or industrial developments within the Original Town Site Infill District generating sales tax shall be eligible to receive a one time fifty percent rebate of the city's sales tax apportionment during its first full year of operation. Applicants must apply for annual sales tax rebate in January for the previous calendar year sales tax revenues. Upon approval by the City Manager or designee, rebates shall be calculated and disbursed within 45 days of receipt of the application.

c. Qualifying commercial and/or industrial developments within the Original Town Site Infill District shall be eligible to receive expedited plan review services. Commercial site plans, commercial subdivision plats, landscape plans, civil plans and building plans shall be reviewed within a maximum of twelve business days from date of submittal to issuance of redline or administrative comments. The city shall bear all cost associated with the expedited review process.

d. Qualifying Commercial and/or industrial developments within the Original Town Site Infill District shall be eligible to receive expedited administrative processing for rezones when possible. Administrative processes will be accelerated to facilitate advancing the project to the Planning and Zoning Commission and City Council.

C. Persons developing commercial property within the Original Town Site Infill District wishing to receive incentives under the Original Town Site Infill Incentive Plan shall submit an application to the Community and Economic Development Director ("CEDD"). The CEDD shall process the request and make recommendations to City Council for final approval. If approved, the CEDD shall administer the Original Town Site Infill Incentive Plan.

<u>15.10.070 Expanding existing businesses</u>. In order to be considered an expanding existing business, a business must demonstrate all of the following requirements:

1. Facility expansion of at least an additional 1000 square feet.
2. A ten percent increase in employees.
3. For purposes of the sales tax rebate option, generation of sales tax and a twenty percent overall income increase by the end of the first full year of operation after expansion completion.

<u>15.10.080 Penalties for violation</u>. Any person found to have violated any provision of this chapter shall be guilty of a class 1 misdemeanor, punishable by a fine of up to $2500 and six months in jail.

<u>15.10.090 Procedure for violations</u>. Every action to prosecute a violation of this chapter shall be processed in the manner provided in Chapter 1.18.

<u>15.10.100 Jurisdiction of city court</u>. The Surprise City Court shall have exclusive jurisdiction over all proceedings to enforce this chapter.

Section 4. This Ordinance #04-24 shall be codified.

Section 5. Staff is hereby directed to conduct the next development fee study 18 months following the adoption of this Ordinance #04-24.

PASSED AND ADOPTED this 27 day of May, 2004.

Joan H. Shafer

Joan H. Shafer, Mayor

ATTEST:

Linda B. Stevens for

Sherry Aguilar, City Clerk

APPROVED AS TO FORM:

Jeffrey M. Blilie, City Attorney

Yeas: Mayor Shafer, Vice-Mayor Cox, Council Members; Allen, Bails, Arismendez, Sullivan & Vukanovich.

Nays:

SPA 4 MAG 208 Amendment
Financing Requirement

September 6, 2005

Rich Williams, Sr.
City of Surprise
12425 W. Bell Road, Suite D-100
Surprise, AZ 85374-9002

RE: Sunhaven / SPA 4 MAG 208 Amendment Financing Requirement

Dear Mr. Williams,

This letter is submitted to you pursuant to the requirements for amendment of the MAG 208 water quality management plan for Maricopa County with respect to the City of Surprise Special Planning Area (SPA) 4 proposed water reclamation facility (WRF).

Sun Haven I, LLC is in the process of entitling and developing the Sunhaven project, including the design and construction of Phase 1 ("Developer Phase") of the SPA 4 WRF. It is intended that Sunhaven I, LLC and the City will enter into a Development Agreement for the Sunhaven project that will outline in detail the financial agreement between the parties with respect to this WRF, amongst other issues.

Sun Haven I, LLC will contract and pay for the design and construction of the Developer Phase of the SPA 4 WRF which phase is estimated to provide approximately 1.2 million gallons per day of wastewater treatment capacity. The anticipated cost of this facility will be approximately $10,000,000. Upon completion, it is anticipated that Sun Haven I, LLC will be reimbursed by the City for a portion or all of the costs incurred by Sun Haven I, LLC related to the design and construction of the WRF through impact fee credits or some other appropriate means, which reimbursement will be specifically defined within the Development Agreement mentioned above.

Financing of future phases of the SPA 4 WRF beyond the Developer Phase will be by the City of Surprise and/or other parties; Sun Haven I, LLC shall have no further obligation for the financing of phases of the SPA 4 WRF beyond the Developer Phase.

Sincerely,

SUN HAVEN I, L.L.C.,
an Arizona limited liability company

By: Element H – SHR I, L.L.C.,
an Arizona limited liability
company, its Managing Member

By: ______________________
Scott J. Peterson, Manager

Standard Pacific Corporation
Form 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from N/A to

Commission file number 1-10959

STANDARD PACIFIC CORP.

(Exact name of registrant as specified in its charter)

Delaware	33-0475989
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15326 Alton Parkway, Irvine, California, 92618
(Address of principal executive offices)

(949) 789-1600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value (and accompanying Preferred Share Purchase Rights)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $1,453,640,926.

As of February 17, 2006, there were 67,182,020 shares of the registrant's common stock outstanding.

Documents incorporated by reference:

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2006 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

STANDARD PACIFIC CORP.

INDEX

STANDARD PACIFIC CORP.

PART I

ITEM 1. BUSINESS

We are a leading geographically diversified builder of single-family attached and detached homes. We construct homes within a wide range of price and size targeting a broad range of homebuyers. We have operations in major metropolitan areas in California, Texas, Arizona, Colorado, Florida, the Carolinas and Nevada and have built homes for more than 82,000 families during our 40-year history.

We embarked upon a geographic expansion plan seven years ago and since that time have entered 19 new markets. We currently build and sell homes in the following market areas:

Markets	Year Entered
Orange County, California	1966
San Francisco Bay Area	1972
San Diego, Ventura	1973
Dallas, Fort Worth	1984
Austin	1993
Phoenix	1998
Denver, Fort Collins, San Bernardino/Riverside	2000
Charlotte, Fort Lauderdale, Fort Myers, Miami, Orlando, Palm Beach, Raleigh/Durham, Tampa, Sarasota	2002
Jacksonville, Los Angeles, Sacramento	2003
Tucson	2004
Bakersfield, Central Valley of California, Las Vegas, San Antonio	2005

In addition, we entered the Chicago, Illinois market by entering into a joint venture with a local homebuilder in 2005.

In 2005, the percentages of our home deliveries by state (excluding deliveries by unconsolidated joint ventures) were:

State	Percentage of Deliveries
California	28%
Florida	31
Arizona	18
Carolinas	9
Texas	10
Colorado	4
Total	100%

In addition to our core homebuilding operations, we also provide mortgage financing and title services to our homebuyers through our subsidiaries and joint ventures: Family Lending Services, Westfield Home Mortgage, Home First Funding, Universal Land Title of South Florida and SPH Title. For business segment financial data, including revenue, pretax income and total assets, see our consolidated financial statements included elsewhere in this report.

Standard Pacific Corp. was incorporated in the State of Delaware in 1991. Through our predecessors, we commenced our homebuilding operations in 1966. Our principal executive offices are located at 15326 Alton Parkway, Irvine, California 92618. Unless the context otherwise requires, the terms "we," "us" and "our" refer to Standard Pacific Corp. and its predecessors and subsidiaries.

This annual report and each of our other quarterly and current reports, including any amendments, are available free of charge on our website, *www.standardpacifichomes.com*, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The information contained on our website is not incorporated by reference into this report and should not be considered part of this report. In addition, the Securities and Exchange Commission website contains reports, proxy and information statements, and other information about us at *www.sec.gov*.

Strategy

The main elements of our strategy include:

Targeting a Broad Range of Homebuyers

We focus on the construction of single-family homes for use as primary residences, offering a wide range of products and price points. During fiscal 2005, the sales prices of our homes generally ranged from approximately $100,000 to over $2 million (including a small number of homes priced in excess of $3 million), a broad segment of the market for new home construction. The specific price points we serve in particular geographic markets are based on local market conditions and our management's evaluation of the product segments in which we can be the most competitive and profitable. We believe our diverse product platform and price points position us strategically with product capabilities that appeal to a wide range of customers and provide us the flexibility to more rapidly take advantage of local market opportunities as they arise.

Focusing on Growth in our Existing Markets

We continue to focus on growing in our existing markets through new community openings, expansion into adjacent markets and new product offerings. In 2005, we opened 92 new communities (excluding unconsolidated joint ventures). For 2006, we are planning to open approximately 150 new communities (excluding unconsolidated joint ventures). We have also expanded in recent years into markets adjacent to our existing markets such as Bakersfield, California; the Central Valley (Modesto), California; the Coachella Valley; the northern portion of the Inland Empire area in Southern California; Sacramento, California; and urban infill locations in the Los Angeles, California area. As part of our focus on expanding our product offerings, we continue to explore opportunities to increase our offerings to the active adult market.

Expanding and Diversifying Geographically through Acquisition, Start-ups and Joint Ventures

While we have pursued growth opportunities within and adjacent to our existing markets, we have also diversified geographically by expanding into some of the largest homebuilding markets in the United States. Since 1998, we have expanded through acquisition into Arizona, Colorado, Florida and the Carolinas. Each of these acquisitions included strategic lot inventories as well as experienced management teams. We have also entered Las Vegas, Nevada and San Antonio, Texas via "start-up," hiring experienced local managers to build a local infrastructure. Also, we have expanded into Chicago, Illinois through our entry into a single project joint venture with an experienced local homebuilding company. As a result of our acquisitions, start-ups and joint ventures, our non-California divisions represented 72 percent of our home deliveries in 2005, compared to just over 20 percent of our deliveries in 1997. Going forward, we plan to continue to pursue acquisitions on a selective basis as a means of expanding and diversifying geographically.

Maintaining Strong Land Positions, Including the Utilization of Joint Ventures and Strategic Alliances

Our divisions generally have local management teams that have long-standing relationships with landowners, subcontractors and other business partners. We believe that these long-standing relationships provide us significant opportunities to secure quality land positions at competitive prices. We generally attempt to maintain an inventory of building sites sufficient for construction of homes over a period of approximately three to four years, and believe, based on our current operations and market conditions, that our approximately

74,500 owned or controlled building sites at December 31, 2005 will be sufficient for our operations over this period. We also make use of joint ventures and strategic alliances as a means of securing land positions, reducing risk on larger, longer-term projects and effectively leveraging our capital base. At December 31, 2005, approximately 11,400 of our 74,500 owned or controlled building sites were controlled through joint ventures.

Leveraging our Experienced Management Team and Decentralized Operating Structure

Our senior corporate and division operating managers average over 20 years of experience in the homebuilding business. Generally, each division, with oversight by a regional president, is run by a local manager with an in-depth familiarity with the geographic areas within which the division operates. We leverage this experience and in-depth knowledge by providing local managers significant autonomy to operate their divisions. Land acquisition and other opportunities are typically identified and evaluated by the division management team with the final decision regarding land purchase and project development being made by the local division manager in conjunction with our corporate officers. Thereafter, each division manager conducts the operations of the division, including project planning, subcontracting and sales and marketing, with minimal input from our corporate office. Select administrative functions are centralized and coordinated at the corporate office allowing division management to focus on key operating functions. The autonomy provided by this decentralized operating structure not only allows us to more quickly identify and capitalize on new local market opportunities as they arise but also has proven to be an important element in attracting potential acquisition candidates and in recruiting and retaining experienced local managers.

Operating Conservatively and Maintaining a Strong Balance Sheet

We operate conservatively to enhance our ability to react to changes in market conditions through the implementation of a number of strategies, including the following:

- We generally purchase land only when either substantially all material entitlements have been obtained or our management team has determined that no material impediments exist to obtaining such entitlements, and we anticipate commencing development or construction within a relatively short period of time.
- We customarily acquire unimproved or improved land zoned for residential use suitable generally for the construction of 50 to 300 homes and build, depending on the geographic market, on a lot-by-lot basis or in phases of 5 to 20 homes.
- We seek to minimize the number of completed and unsold homes held in inventory. When building on a lot-by-lot basis, we generally do not commence construction on a lot until we have presold the home. When building on a phase basis, the number of homes built in the first phase of a project is based upon internal and external market studies. The timing and size of subsequent phases depends to a large extent upon sales rates experienced in the earlier phases. At the end of 2005, we had 318 completed and unsold homes in inventory among 181 active selling communities (excluding unconsolidated joint ventures).
- We seek to maintain a strong balance sheet, adequate liquidity and multiple sources of capital.

Focus on Cost Management

We continuously seek to minimize overhead and operating expenses through the following strategies:

- We strive to control overhead costs by centralizing key administrative functions such as finance and treasury, information technology, risk management and litigation, and human resources.
- We seek to minimize our fixed costs by primarily contracting with third parties, such as subcontractors, architects and engineers, to design and build our homes on a project-by-project or phase-by-phase basis.

- We seek to efficiently design each of our projects, obtain competitive bids for construction materials and labor, and use our volume purchasing power to negotiate favorable pricing.
- We monitor homebuilding costs, inventory levels, margins, returns and other expenses through our management information systems.

Operations

We currently build homes through a total of 24 operating divisions. At December 31, 2005, we had 366 projects under development, of which 181 were actively selling (excluding unconsolidated joint ventures). We held or controlled an additional 127 projects for future development at December 31, 2005.

We build single-family detached and attached dwellings in a broad range of product and price points. For the year ended December 31, 2005, approximately 81 percent of our deliveries (excluding the Carolinas and unconsolidated joint ventures) were single-family detached dwellings. For the same period, 72 percent of our Carolina deliveries consisted of attached homes. Recently, we have expanded our focus in California to include more affordable housing opportunities, such as attached condominiums, townhomes and higher density urban infill housing.

Our homes are designed to suit the particular area of the country in which they are located and are available in a variety of models, exterior styles and materials depending upon local preferences. While we have built homes from 1,100 to over 6,000 square feet, our homes typically range in size from approximately 1,500 to 3,500 square feet. The sales prices of our homes generally range from approximately $100,000 to over $2 million (including a small number of homes priced in excess of $3 million). Set forth below are our average selling prices of homes delivered during 2005:

State	Average Selling Price
California (excluding joint ventures)	$680,000
Florida	$231,000
Arizona (excluding joint venture)	$216,000
Carolinas	$160,000
Texas	$204,000
Colorado	$320,000

Land Acquisition, Development and Construction

In considering the purchase of land for our homebuilding operations, we review such factors as:

- proximity to existing developed areas;
- the reputation and desirability of the surrounding developed areas;
- population growth patterns;
- availability of existing utility services, such as water, gas, electricity and sewers;
- proximity and quality of local schools;
- employment rates and trends;
- the expected absorption rates for new housing;
- the environmental condition of the land;
- transportation conditions and availability;

- the estimated costs of development;
- in the case of joint ventures, our ability to finance the project on commercially reasonable terms;
- our land concentration and risk in the local market; and
- the entitlement status of the property.

If all requisite material governmental agency approvals are not in place for a parcel of land or our local management team is unable to conclude that no material impediments exist to obtaining such entitlements, we seek to structure the land acquisition transaction to minimize our entitlement risk. Most often, we enter into a conditional agreement to purchase the parcel, making a deposit that is generally refundable if the required approvals cannot be obtained. Our general policy is to complete a purchase of land only when we can reasonably project commencement of construction within a relatively short period of time. Closing of the land purchase is therefore generally made contingent upon satisfaction of conditions relating to the property and our ability to obtain all requisite approvals from governmental agencies within a given period of time. Depending on whether we are purchasing finished lots, raw land or partially developed land, our development work on a project may include obtaining any necessary zoning, environmental and other regulatory approvals, and constructing, as necessary, roads, water, sewer and drainage systems, recreational facilities, and other improvements.

We customarily acquire unimproved or improved land zoned for residential use suitable generally for the construction of 50 to 300 homes. To control larger land parcels, we sometimes form land development joint ventures with strategic partners, such as other large homebuilders, and others and acquire a portion of the lots from the joint venture when developed. We build, depending on the geographic market, on a lot-by-lot basis or in phases of 5 to 20 homes. When building on a lot-by-lot basis, we generally do not commence construction on a lot until we have presold the home. When building on a phase basis, the number of homes built in the first phase of a project is based upon internal and external market studies. The timing and size of subsequent phases depends to a large extent upon sales rates experienced in the earlier phases.

We act as a general contractor with our supervisory employees coordinating all work on the project. The services of independent architectural, design, engineering and other consulting firms are engaged to assist in project planning and design, and subcontractors are employed to perform all of the physical development and construction work on the project. We do not have long-term contractual commitments with any of our subcontractors, consultants or suppliers of materials. However, because of our market presence and long-term relationships, we generally have been able to obtain sufficient services and materials from subcontractors, consultants and suppliers, even during times of market shortages. These arrangements are generally entered into on a phase-by-phase or project-by-project basis at a fixed price after competitive bidding. We believe that the low fixed labor expense resulting from conducting our operations in this manner has been instrumental in enabling us to retain the necessary flexibility to react to increases or decreases in demand for housing.

Although the construction time for our homes varies from project to project depending on the time of year, the size and complexity of the homes, local labor situations, the governmental approval processes, availability of materials and supplies, and other factors, we can typically complete the construction of a home, depending on geographic region, in approximately four to nine months.

We typically use both our equity (including internally generated funds and proceeds from public equity offerings and proceeds from the exercise of stock options) and unsecured financing in the form of bank debt, proceeds from our public note offerings and other unsecured debt to fund land acquisitions and development and construction of our properties. We also utilize joint ventures and option structures with land sellers, other builders, developers and financial entities from time to time to procure land. In addition to equity contributions made by us and our partners, our joint ventures typically will obtain secured project specific financing to fund the acquisition of land and development and construction costs. To a lesser extent, we use purchase money trust deeds to finance the acquisition of land. Generally, with the exception of purchase money trust deeds and joint

ventures, we do not use project specific secured financing. In some markets, community development district, community facility district or other similar assessment district bond financing is used to fund community infrastructure such as roads, sewers and schools.

Seasonality

Our homebuilding operations have historically experienced seasonal fluctuations. We typically experience the highest new home order activity in the spring and summer months, although new order activity is highly dependent on the number of active selling communities and the timing of new community openings. Because it typically takes four to nine months to construct a new home, we typically deliver a greater number of homes in the second half of the calendar year as the prior orders are converted to home deliveries. As a result, our revenues and net income from homebuilding operations are generally higher in the second half of the calendar year.

Land Development and Homebuilding Joint Ventures

We enter into land development and homebuilding joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile and leveraging our capital base. These joint ventures are typically entered into with developers, other homebuilders, land sellers, and financial partners. Land development joint ventures are often used as a method of spreading the financial and market risks associated with developing larger projects and of gaining access to substantial lot positions in increasingly supply constrained markets. In both types of joint ventures, we typically leverage our equity investment by obtaining traditional bank project financing at the joint venture level. For the years ended December 31, 2005, 2004 and 2003, our unconsolidated joint ventures delivered 283, 274 and 620 homes, respectively. We expect our unconsolidated joint ventures to deliver approximately 475 homes in 2006. All of our joint ventures are with unrelated third parties who typically, along with us, make capital contributions to the venture. For financial reporting purposes, we record our share of earnings and losses from our unconsolidated joint ventures as they are generated from home or land sales to third parties. Our revolving credit facility and public notes limit our investment in unconsolidated joint ventures. Some of our more significant unconsolidated land development and homebuilding joint ventures are described below.

During 1997, our Orange County division entered into a joint venture to acquire land and develop a 3,470-acre master-planned community located in and adjacent to the south Orange County, California city of San Clemente. This joint venture has developed or plans to develop in phases finished lots for up to approximately 3,800 attached and detached homes, a championship golf course, and certain community amenities and commercial and industrial sites. As of December 31, 2005, we had purchased over 1,420 lots from the joint venture for construction and sale of homes by us, and the venture had approximately 490 residential lots remaining to sell. As of December 31, 2005, we had a net investment of approximately $21.4 million in this joint venture, which represented our share of undistributed earnings.

In November 2002, our Northern California division entered into a joint venture with a local land developer to develop and deliver up to approximately 560 homes and 200 lots in American Canyon, California. As of December 31, 2005, we had purchased approximately 150 lots from the joint venture for construction and sale of homes by us. For the year ended December 31, 2005, the joint venture delivered 153 homes. As of December 31, 2005, our net investment in this joint venture was approximately $6.8 million.

In March 2003, our Southern California Inland Empire division entered into a joint venture with a large regional homebuilder to develop approximately 2,640 finished lots in Menifee Valley Ranch, California. This joint venture will sell a portion of the finished lots to third party homebuilders with the balance of finished lots delivered to us and our partner at cost for the construction and sale of homes. Development is underway and deliveries of finished lots commenced in April 2005. As of December, 31, 2005, we had purchased approximately 415 lots from the joint venture for construction and sale of homes by us, and the joint venture had approximately 1,500 residential lots remaining to sell. As of December 31, 2005, our net investment in this joint venture was approximately $13.4 million. In July 2003, our Southern California Inland Empire division entered into another joint venture with the same regional homebuilder to develop approximately 1,700 finished lots in Temecula, California. This joint venture will sell a portion of the finished lots to us and our partner at cost with the remaining finished lots to be sold to other homebuilders for the construction and sale of homes thereon. As of December 31, 2005, we had purchased over 255 lots from the joint venture for construction and sale of homes by us, and the joint venture had approximately 465 residential lots remaining to sell. As of December 31, 2005, our net investment in this joint venture was approximately $29.7 million.

In June 2003, our San Diego division entered into a joint venture that is developing the Black Mountain Ranch master-planned community of Del Sur in San Diego, California. This joint venture plans to develop approximately 3,000 finished lots, certain community amenities, and commercial and industrial sites. Development is underway and deliveries of finished lots commenced in May 2005. We have the right to purchase up to approximately 1,300 finished lots from the joint venture at fair market value. As of December 31, 2005, we had purchased approximately 165 lots from the joint venture for construction and sale of homes by us, and the joint venture had approximately 2,450 residential lots remaining to sell. As of December 31, 2005, our net investment in this joint venture was approximately $2.3 million.

In June 2003, our Orange County division entered into a joint venture with Unocal to develop finished lots in Brea, California for up to approximately 765 attached and detached homes, including active adult homes, certain community amenities and commercial sites. We have the option to purchase up to all of the residential lots at fair market value. Development began in July 2005 with first deliveries of finished lots expected in late 2007. As of December 31, 2005, our net investment in this joint venture was approximately $12.0 million.

In February 2004, our Ventura division entered into a joint venture in Oxnard, California with two national homebuilders to develop finished lots for up to approximately 1,800 attached and detached homes, certain community amenities and approximately 80 acres for commercial use. We have the right to purchase one-third of the residential lots at cost. Development is underway and first deliveries of finished lots expected in mid-2006. As of December 31, 2005, our net investment in this joint venture was approximately $43.5 million.

In December 2005, our Bakersfield division entered into a joint venture to develop approximately 1,925 lots in Lancaster, California. This joint venture will sell a portion of the lots to third party homebuilders with the balance of the lots to be delivered to us and our partner at cost. Development is expected to commence in mid-2006 and the first delivery of lots is expected in mid-2007. As of December 31, 2005, our net investment in this joint venture was approximately $9.6 million.

In November 2005, our Las Vegas division entered into a joint venture to acquire and develop a 2,675-acre master-planned community located in North Las Vegas, Nevada. This joint venture plans to develop lots for approximately 12,000 to 14,000 single family homes, townhomes and apartments along with parks, schools and other amenities. Construction is expected to begin in late 2007 and to continue over a six to eight year period. As of December 31, 2005, our net investment in this joint venture was approximately $25.7 million.

Marketing and Sales

Our homes are generally sold by our own sales personnel. Furnished and landscaped model homes are typically maintained at each project site. Homebuyers are afforded the opportunity to select, at additional cost, various optional amenities and upgrades such as prewiring and electrical options, upgraded flooring, cabinets, finished carpentry and countertops, varied interior and exterior color schemes, additional and upgraded appliances, and some room configurations. We maintain a website, *www.standardpacifichomes.com*, with project listings, floor plans, pricing and other project information and make extensive use of advertisements in local newspapers, illustrated brochures, billboards and on-site displays.

Our homes are typically sold during or prior to construction using sales contracts that are usually accompanied by a cash deposit, although some of our homes are sold after completion of construction. Purchasers are typically permitted for a limited time to cancel these contracts if they fail to qualify for financing. In some cases, purchasers are also permitted to cancel these contracts if they are unable to sell their existing homes or if certain other conditions are not met.

During each of the years ended December 31, 2005, 2004 and 2003, we experienced cancellation rates of 18, 16 and 18 percent, respectively. In order to minimize the negative impact of cancellations, it is our policy to closely monitor the progress of prospective buyers in obtaining financing and to monitor and adjust our start plan to continuously match the level of demand for our homes. At December 31, 2005, 2004 and 2003, we had an inventory of completed and unsold homes of 318, 202 and 152 (excluding unconsolidated joint ventures), respectively.

Financial Services

Customer Financing

We offer mortgage financing to our homebuyers in substantially all of the markets in which we operate. Family Lending Services, Inc., our wholly owned subsidiary, offers mortgage financing in our California, South Florida, Texas, Arizona and Colorado markets. Westfield Home Mortgage and Home First Funding, which are joint ventures with financial institution partners, offer mortgage financing to our Tampa, Southwest Florida and Carolina; and Orlando homebuyers, respectively.

The principal sources of revenues for these mortgage operations are fees generated from loan originations, net gains on the sale of loans and interest income earned on loans during the period they are held prior to sale. In addition to being a source of revenues, these mortgage operations benefit our homebuyers and complement our homebuilding operations by offering a dependable source of competitively priced financing, staffed by a team of professionals experienced in the new home purchase process and our sales and escrow procedures.

Family Lending sells the loans it originates in the secondary mortgage market, with servicing rights released on a non-recourse basis (subject to our obligation to repay our gain on sale if the loan is prepaid by the borrower within a certain time period following such sale or to repurchase the loan if the borrower defaults on the loan within a specified period following the sale or if the purchaser's underwriting guidelines are not met). Family Lending typically finances its loans held for sale through its mortgage credit facilities. Westfield Home Mortgage and Home First Funding generally sell the loans they originate, on a non-recourse basis and with servicing rights released, to their respective financial institution partners.

Title Services

In Texas, we act as a title insurance agent and offer title examination services to our Texas homebuyers through our title service subsidiary, SPH Title, Inc. In South Florida, our title service joint venture, Universal Land Title of South Florida, provides title examination services and title insurance to our South Florida homebuyers.

Employees

At December 31, 2005, we had approximately 2,630 employees; of these, approximately 750 were executive, administrative and clerical personnel, 560 were sales and marketing personnel, 820 were involved in construction, 310 were involved in new home warranty, and 190 worked in the mortgage operations. None of our employees are covered by collective bargaining agreements, although employees of some of the subcontractors that we use are represented by labor unions and may be subject to collective bargaining agreements.

We believe that our relations with our employees and subcontractors are good.

ITEM 1A. RISK FACTORS

Set forth below are certain matters that may affect us.

An adverse change in economic conditions or interest rates could affect the demand for homes and reduce our earnings.

The homebuilding industry is cyclical. Changes in world, national and local economic conditions affect our business and markets. These could include, for example, the impact on economic conditions of terrorist attacks or the escalation or further outbreak of armed conflict involving the United States. In addition, declines in consumer confidence or employment levels in our markets or in stock market valuations may adversely affect the demand for homes or increase cancellation rates, thus reducing our sales and earnings.

Our customers typically finance their home purchases through lenders providing mortgage financing. Increases in interest rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs, or the decreased availability of financing, to potential homebuyers. Even if some potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to potential buyers who need financing. This could adversely affect the demand for homes or increase cancellation rates, thus reducing our sales and earnings.

Increases in interest rates could also increase the rate of mortgage loan forfeitures by homeowners who financed their home purchases with adjustable rate loans, including interest only loans. Increased forfeitures could increase the number of homes available for sale in the resale market. We compete with the resale market for existing homes and an increase in the number of these homes for sale or a decrease in the price at which they are selling could adversely impact our sales and earnings.

In addition, an increase in interest rates would increase our cost of borrowings, which could adversely impact our operating results.

Although the homebuilding industry has historically been cyclical, it has not experienced a downturn in a number of years. A downturn could result in a reduction in our revenues and margins.

Although the homebuilding business has historically been cyclical, we have experienced significant price appreciation in many of our markets for a number of years, and the industry has not experienced a downturn during this time in these markets. This, along with other factors such as decreased affordability, has caused some people to conclude that homes are overvalued and that prices may decline. If the prices for new homes do not continue to increase, or even decline, this could harm both our revenues and margins.

We may need additional funds, and if we are unable to obtain these funds, we may not be able to expand or operate our business as planned or repay or refinance our indebtedness.

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or by borrowing more money, for the future growth and development of our business or to fund our operations and inventory or repay our indebtedness, particularly in the event of a market downturn. Our revolving credit facility contains a borrowing base provision and financial covenants that may limit the amount we can borrow thereunder or from other sources. Moreover, the indentures for our outstanding notes contain provisions that may restrict the debt we may incur in the future. Our revolving credit facility and the indentures for our notes also limit our investments in unconsolidated joint ventures, which limit our use of joint ventures as financing vehicles. In addition, a number of factors could affect our ability to access debt or equity financing, including:

- our financial condition, strength and credit rating;
- the financial market's confidence in our management team and financial reporting;
- general economic conditions and the conditions in the housing sector; and
- capital market conditions.

Even if available, additional financing could be costly or have adverse consequences. If additional funds are raised through the issuance of stock, dilution to stockholders will result. If additional funds are raised through the incurrence of debt, we will incur increased debt servicing costs, may become subject to additional restrictive financial and other covenants, and if our debt to capitalization ratio increases materially, our debt may be downgraded by applicable rating agencies. We can give no assurance as to the terms or availability of additional capital. If we are not successful in obtaining sufficient capital, it could adversely impact our ability to operate our business effectively, which could reduce our sales and earnings and adversely impact our financial position and ability to pay our indebtedness.

We depend on the California market. Any adverse change in the economic climate of California could harm our sales and earnings.

Although we have increased our geographic diversification in recent years, we still conduct a significant portion of our business in California and generate a disproportionate amount of our revenues and profits in the state. Demand for new homes, and in some instances home prices, have declined from time to time in California. If we experience a slowdown in one or more of our California markets, our earnings and financial position would likely be negatively impacted.

States, cities and counties in which we operate may adopt slow growth initiatives reducing our ability or increasing our costs to build in these areas, which could harm our future sales and earnings.

Several states, cities and counties in which we operate have in the past approved, or approved for inclusion on their ballot, various "slow growth" or "no growth" initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those localities. Approval of slow or no growth measures would reduce our ability to open new home communities and to build and sell homes in the affected markets, including with respect to land we may already own, and would create additional costs and administration requirements, which in turn could harm our future sales and earnings.

The market value and availability of land may fluctuate significantly, which could limit our ability to develop new communities and decrease the value of our developed and undeveloped land holdings.

Our success depends in part upon the continued availability of suitable land at acceptable prices. The availability of land for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding of land prices and restrictive governmental regulation. Should suitable land opportunities become less available, it could limit our ability to develop new communities, increase land costs and negatively impact our sales and earnings.

In addition, the risk of owning developed and undeveloped land can be substantial for homebuilders. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to write-down land holdings and work in progress, write-down or write-off goodwill recorded in connection with acquisitions, write-down our investments in unconsolidated joint ventures, sell homes or land at a loss, and/or hold land or homes in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

The homebuilding industry is highly competitive and, with more limited resources than some of our competitors, we may not be able to compete effectively.

The homebuilding industry is highly competitive. We compete with numerous other residential construction firms, including large national and regional firms, for customers, land, financing, raw materials, skilled labor and employees. We compete for customers primarily on the basis of the location, design, quality and price of our homes and the availability of mortgage financing. Some of our competitors have substantially larger operations and greater financial resources than we do, and as a result may have lower costs of capital, labor and materials than us, and may be able to compete more effectively for land acquisition opportunities. As a result of an ongoing consolidation trend in the industry, some of these competitors may continue to grow significantly in size. We also compete with the resale of existing homes and rental homes. An oversupply of attractively priced resale or rental homes in the markets in which we operate could adversely affect our ability to sell homes profitably.

Our mortgage operations are subject to intense competition from other mortgage lenders, many of which are substantially larger and may have a lower cost of funds or effective overhead burden than our lending operations. We also compete with mortgage brokers. This competition can intensify during periods of rising interest rates as refinance business diminishes.

Labor and material shortages could delay or increase the cost of home construction and reduce our sales and earnings.

The residential construction industry experiences serious labor and material shortages from time to time, including shortages in qualified trades people, and supplies of insulation, drywall, cement, steel and lumber. These labor and material shortages can be more severe during periods of strong demand for housing or during periods where the regions in which we operate experience natural disasters that have a significant impact on existing residential and commercial structures. From time to time, we have experienced volatile price swings in the cost of labor and materials, including in particular the cost of lumber, cement, steel and drywall. Shortages and price increases are likely to cause delays in and increase our costs of home construction, which in turn could harm our operating results.

Geologic, weather-related and other natural conditions or disasters may disrupt or delay construction.

Geologic, weather-related and other natural conditions or disasters, such as earthquakes, landslides, hurricanes, tornadoes, droughts, floods, heavy or prolonged precipitation, and wildfires can negatively affect our operations by requiring us to delay or halt construction or to perform potentially costly repairs to our projects under construction and to unsold homes. For instance, in some markets, we periodically experience drought conditions, which have resulted in water conservation measures and/or rationing by municipalities in which we do business resulting in delays in construction and delivery. In other markets, such as Florida and the Carolinas, we have experienced periods of heavy or prolonged precipitation and hurricanes that have delayed the construction and delivery and increased the cost of our homes. These conditions and disasters are often impossible or difficult to predict and may lead to unanticipated delays in the construction and delivery of our homes, which could harm our operating results.

We are subject to extensive government regulation, which can increase costs and reduce profitability.

Our homebuilding operations are subject to environmental, building, worker health and safety, zoning and real estate regulations by various federal, state and local authorities. These regulations, which affect all aspects of the homebuilding process, including development, design, construction and sales, can substantially delay or increase the costs of homebuilding activities. In addition, regulations, such as those governing environmental and health matters, may prohibit or severely restrict homebuilding activity in environmentally sensitive regions.

New housing developments, including in California where a significant portion of our business is conducted, are often subject to various assessments for schools, parks, streets, highways and other public improvements. The costs of these assessments can be substantial and can cause increases in the effective prices of our homes, which in turn could reduce our sales.

During the development process, we must obtain the approval of numerous governmental authorities that regulate matters such as:

- permitted land uses, levels of density and architectural designs;
- the installation of utility services, such as water and waste disposal;
- the dedication of acreage for open space, parks, schools and other community services; and
- the preservation of habitat for endangered species and wetlands.

The approval process can be lengthy and cause significant delays in the development process. In addition, changes in local circumstances or changes or reinterpretations of laws, including as a result of lawsuits brought by third parties, may require additional approvals or modifications to approvals previously obtained, which can result in further delays, additional expenses or a permanent halt in development. Delays in the development process can cause substantial increases to development costs, which in turn could harm our operating results. There can be no assurance that we will be successful in securing approvals for all of the land we currently control or that there will not be any significant modifications to approvals previously obtained.

Our mortgage operations are subject to numerous federal, state, and local laws and regulations, including eligibility requirements for participation in federal loan programs and various consumer protection laws. Our title insurance agency operations are subject to applicable insurance laws and regulations. Failure to comply with these requirements can lead to administrative enforcement actions, the loss of required licenses and other required approvals, claims for monetary damages or demands for loan repurchase from investors, and rescission or voiding of the loan by the consumer.

In addition, our operations are subject to the Real Estate Settlement Procedures Act ("RESPA") and its regulations, which, among other matters, prohibits giving or accepting any thing of value for referrals of settlement services (including mortgage lending and title services) in connection with certain loans. Notwithstanding this prohibition, RESPA permits payment provided that they bear a reasonable relationship to the value of the services actually performed. Although we believe that our settlement services arrangements comply with all applicable laws, including RESPA, there can be no assurance that a court or regulatory agency will not take a contrary position and find that payments we receive do not bear a reasonable relationship to the value of the services performed.

We are subject to product liability and warranty claims arising in the ordinary course of business, which can be costly.

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the homebuilding industry and can be costly. While we maintain product liability insurance and generally seek to require our subcontractors and design professionals to indemnify us for liabilities arising from their work, there can be no assurance that these insurance rights and indemnities will be adequate to cover all construction defect and warranty claims for which we may be liable. For example, contractual indemnities can be difficult to enforce, we are often responsible for applicable self-insured retentions (particularly in markets where we include our subcontractors on our general liability insurance) and certain claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and availability of product liability insurance for construction defects is limited and costly. There can be no assurance that coverage will not be further restricted or become more costly.

We may not be able to successfully identify, complete and integrate acquisitions, which could harm our profitability.

Our growth strategy includes expanding and diversifying geographically through strategic acquisitions. Successful acquisitions require us to correctly identify appropriate acquisition candidates and to integrate acquired operations and management with our own. Should we make an error in judgment when identifying an acquisition candidate, should the acquired operations not perform as anticipated, or should we fail to successfully integrate acquired operations and management, we will likely fail to realize the benefits we intended to derive from the acquisition and may suffer other adverse consequences. Acquisitions involve a number of other risks, including:

- the incurrence of substantial transaction costs;
- diversion of the attention of our management and corporate staff from operating our existing business;
- the assumption of liabilities of an acquired business (including unforeseen liabilities);
- charges to earnings in the event of any write-down or write-off of goodwill and other assets recorded in connection with acquisitions;
- diluting the ownership of existing stockholders if we issue equity securities in acquisitions; and
- depletion of our cash resources and incurrence of additional indebtedness to fund acquisitions, potentially diverting available capital from funding the ongoing operations and growth of our existing business and other uses.

We can give no assurance that we will be able to successfully identify, complete and integrate strategic acquisitions.

We currently have a significant amount of debt, and we can incur significant additional debt in the future. Such a significant amount of debt could harm our financial health and prevent us from fulfilling our obligations.

We currently have a significant amount of debt. As of December 31, 2005, our total consolidated indebtedness was approximately $1,695.0 million (excluding trade payables). As of that date, our Adjusted Homebuilding Debt (which is included in total consolidated indebtedness) was approximately $1,528.4 million (which excludes trade payables, $123.4 million of indebtedness relating to our mortgage operations and $43.2 million of indebtedness included in liabilities from inventories not owned). In addition, subject to the restrictions in our revolving credit facility and our note indentures, we may incur significant additional indebtedness. The amount of additional debt we can incur under these restrictions varies over time based on a number of factors, including changes in interest rates, our tangible net worth, and the value and composition of our real estate inventory. In addition, the amount of additional debt we can incur as of a particular date is dependent, in part, on the use of the proceeds of the additional borrowing. Thus any calculation of the amount of additional debt we can incur under these restrictions requires various assumptions and is subject to change. As of December 31, 2005, making assumptions that would result in the largest figure, the amount of additional senior debt we could have incurred under these restrictions was in excess of $2.1 billion. This calculation is based on a number of assumptions and only reflects the amount of senior debt that we could incur without violating the restrictions in our revolving credit facility and indentures and is not intended as an indication of the amount of additional borrowing that we could in fact obtain from third parties. There is no guarantee that this amount of additional borrowings, or any amounts, would be available to us. In the event such amounts were available to us, and if the borrowing of such additional amounts materially altered our debt to capitalization ratio, our debt would likely be downgraded by applicable rating agencies making it more difficult and more expensive to incur additional debt. In addition, as these and other factors change, the amount of additional senior borrowing we could incur under these restrictions could increase or decrease significantly.

Our indebtedness could have important consequences such as:

- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our debt;
- limiting our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt obligations and other general corporate requirements;
- making us more vulnerable to general adverse economic and industry conditions;

- limiting our flexibility to engage in certain transactions or to plan for, or react to, changes in our business and the homebuilding industry; and
- putting us at a disadvantage compared to competitors who have less debt.

Our unconsolidated joint ventures also have significant amounts of debt and will likely incur additional debt. At December 31, 2005, our unconsolidated joint ventures had borrowings outstanding of approximately $658.2 million. Under credit enhancements that we typically provide with respect to joint venture borrowings, we could be required to make additional investments in these joint ventures, either in the form of capital contributions or loan repayments, to reduce these outstanding borrowings. If we were required to make such additional investments in amounts that exceed those permitted under our revolving credit facility or indentures, this could cause a default under the revolving credit facility or the indentures and could cross-default one or more of our joint venture financing arrangements. If we decide not to make an additional investment that we are required to make, our equity interest in the applicable joint venture would likely be diluted in accordance with the terms of the joint venture's operating agreement, which could result in an impairment of our investment which in turn would result in a charge that would negatively affect our operating results.

Our revolving credit facility and our note indentures impose restrictions on our operations and activities and require us to comply with certain financial covenants. If we fail to comply with these restrictions or covenants, our debt could become due and payable prior to maturity.

We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional personnel could adversely effect us.

Our senior corporate and division operating managers average over 20 years of experience in the homebuilding business. Our success is dependent upon the management and the leadership skills of members of our senior management. The loss of any of these individuals or an inability to attract and retain additional qualified personnel could adversely affect us. There can be no assurance that we will be able to retain our existing senior management personnel or attract additional qualified personnel.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease office facilities for our homebuilding and mortgage operations. We lease our corporate headquarters, which is located in Irvine, California. The lease on this facility, which includes space for our Orange County division, consists of approximately 58,000 square feet and expires in 2012. We lease approximately 55 other properties for our other division offices, design centers and for our financial services subsidiary. For information about land owned or controlled by us for use in our homebuilding activities, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Selected Operating Data."

ITEM 3. LEGAL PROCEEDINGS

Various claims and actions that we consider normal to our business have been asserted and are pending against us. We do not believe that any of such claims and actions will have a material adverse effect upon our results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our shares of common stock are listed on the New York Stock Exchange under the symbol "SPF." The following table sets forth, for the fiscal quarters indicated, the reported high and low intra-day sales prices per share of our common stock as reported on the New York Stock Exchange Composite Tape and the common dividends paid per share. On August 29, 2005, we completed a two-for-one stock split effected in the form of a stock dividend. All prior period stock prices and dividends per share have been restated to reflect such stock split.

	Year Ended December 31,					
	2005			2004		
Quarter Ended	High	Low	Dividend	High	Low	Dividend
March 31	$41.19	$29.75	$0.04	$30.80	$21.81	$0.04
June 30	45.73	32.33	0.04	30.40	22.33	0.04
September 30	49.70	38.18	0.04	28.64	22.44	0.04
December 31	42.56	34.58	0.04	32.62	24.77	0.04

For further information on our dividend policy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

During the three months ended December 31, 2005, we repurchased the following shares under our stock repurchase program (dollars in thousands, except per share amounts):

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1)
October 1, 2005 to October 31, 2005	40,000	$34.86	40,000	$100,000
November 1, 2005 to November 30, 2005	936,400	37.50	936,400	64,885
December 1, 2005 to December 31, 2005	231,400	37.43	231,400	56,225
Total	1,207,800	$37.40	1,207,800	

(1) In October 2005, our Board of Directors authorized a $100 million stock repurchase plan (the "October 2005 Plan"), which replaced our previously authorized stock repurchase plan. On February 1, 2006, our Board of Directors authorized a new $100 million stock repurchase plan, which replaced the October 2005 Plan. The stock repurchase plan authorized by the Board of Directors has no stated expiration date.

During the quarter ended December 31, 2005, we repurchased an aggregate of 40,000 shares of common stock under our previously authorized stock repurchase plan for approximately $1.4 million and 1,167,800 shares of common stock under the October 2005 Plan for approximately $43.8 million. From January 1, 2006 through January 31, 2006, we repurchased 70,000 shares of common stock for approximately $2.6 million under the October 2005 Plan. Through February 17, 2006, we had repurchased an aggregate of 254,500 shares of common stock under the new stock repurchase plan for approximately $9.0 million leaving a balance of $91.0 million for future stock repurchases.

Except as set forth above, we have not repurchased any of our equity securities.

As of February 17, 2006, the number of record holders of our common stock was 726.

ITEM 6. SELECTED FINANCIAL DATA

The following should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. On August 29, 2005, we completed a two-for-one stock split effected in the form of a stock dividend. All prior period share and per share amounts have been restated to reflect such stock split.

	Year Ended December 31,				
	2005	2004	2003	2002	2001
	(Dollars in thousands, except per share amounts)				
Revenues:					
Homebuilding	$ 3,993,082	$ 3,341,600	$ 2,341,180	$ 1,870,757	$ 1,375,610
Financial Services	18,279	12,854	13,724	10,420	7,375
Total revenues	$ 4,011,361	$ 3,354,454	$ 2,354,904	$ 1,881,177	$ 1,382,985
Pretax Income:					
Homebuilding	$ 704,500	$ 509,146	$ 326,750	$ 187,533	$ 179,985
Financial Services	6,314	3,470	8,348	7,148	4,491
Pretax income	$ 710,814	$ 512,616	$ 335,098	$ 194,681	$ 184,476
Net Income	$ 440,984	$ 315,817	$ 204,379	$ 118,689	$ 111,065
Earnings Per Share:					
Basic	$ 6.52	$ 4.69	$ 3.14	$ 1.89	$ 1.86
Diluted	$ 6.30	$ 4.54	$ 3.04	$ 1.84	$ 1.81
Weighted Average Common Shares Outstanding:					
Basic	67,621,717	67,374,432	65,110,378	62,798,240	59,863,594
Diluted	69,969,466	69,572,206	67,221,470	64,642,520	61,256,890
Balance Sheet and Other Financial Data:					
Total assets	$ 4,280,842	$ 3,013,233	$ 2,460,703	$ 1,792,126	$ 1,366,301
Homebuilding long-term debt (1)	$ 1,497,210	$ 1,056,349	$ 993,216	$ 626,648	$ 524,653
Stockholders' equity	$ 1,739,159	$ 1,321,995	$ 1,033,201	$ 773,758	$ 573,092
Stockholders' equity per share	$ 25.91	$ 19.66	$ 15.26	$ 12.02	$ 9.76
Cash dividends declared per share	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16

(1) Homebuilding long-term debt includes the long-term portion of indebtedness included in liabilities from inventories not owned.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the section "Selected Financial Data" and our consolidated financial statements and the related notes included elsewhere in this Form 10-K.

Results of Operations

Selected Financial Information

	Year Ended December 31,				
	2005	Percent Change	2004	Percent Change	2003
	(Dollars in thousands)				
Homebuilding:					
Revenues	$ 3,993,082	19%	$ 3,341,600	43%	$ 2,341,180
Cost of sales	(2,908,422)	15%	(2,525,797)	37%	(1,839,066)
Gross margin	1,084,660	33%	815,803	62%	502,114
Gross margin percentage	27.2%		24.4%		21.4%
Selling, general and administrative expenses	(439,850)	28%	(343,869)	51%	(227,831)
Income from unconsolidated joint ventures	58,944	36%	43,415	(19)%	53,900
Other income (expense)	746	112%	(6,203)	(333)%	(1,433)
Homebuilding pretax income	704,500	38%	509,146	56%	326,750
Financial Services:					
Revenues	18,279	42%	12,854	(6)%	13,724
Expenses	(14,821)	20%	(12,323)	38%	(8,926)
Income from unconsolidated joint ventures	2,252	(10)%	2,491	(21)%	3,169
Other income	604	35%	448	18%	381
Financial services pretax income	6,314	82%	3,470	(58)%	8,348
Income before taxes	710,814	39%	512,616	53%	335,098
Provision for income taxes	(269,830)	37%	(196,799)	51%	(130,719)
Net income	$ 440,984	40%	$ 315,817	55%	$ 204,379
Earnings Per Share:					
Basic	$ 6.52	39%	$ 4.69	49%	$ 3.14
Diluted	$ 6.30	39%	$ 4.54	49%	$ 3.04
Net cash provided by (used in) operating activities	$ (205,244)		$ 99,667		$ 20,498
Net cash provided by (used in) investing activities	$ (257,294)		$ (108,300)		$ (193,823)
Net cash provided by (used in) financing activities	$ 340,357		$ (11,046)		$ 316,157
Adjusted Homebuilding EBITDA (1)	$ 791,076		$ 603.088		$ 403,928

(1) Adjusted Homebuilding EBITDA means net income (plus cash distributions of income from unconsolidated joint ventures) before (a) income taxes, (b) expensing of previously capitalized interest included in cost of sales, (c) material noncash impairment charges, if any, (d) homebuilding depreciation and amortization, (e) amortization of stock-based compensation, (f) income from unconsolidated joint ventures and (g) income from financial services subsidiary. Other companies may calculate Adjusted Homebuilding EBITDA (or similarly titled measures) differently. We believe Adjusted Homebuilding EBITDA information is useful to investors as a measure of our ability to service debt and obtain financing. However, it should be noted that Adjusted Homebuilding EBITDA is not a U.S. generally accepted accounting principles ("GAAP") financial measure. Due to the significance of the GAAP components excluded, Adjusted Homebuilding EBITDA should not be considered in isolation or as an alternative to net income, cash flows from operations or any other operating or liquidity performance measure prescribed by GAAP.

Selected Financial Information (continued)

(1) Continued

The tables set forth below reconcile net cash provided by (used in) operating activities and net income, calculated and presented in accordance with GAAP, to Adjusted Homebuilding EBITDA.

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Net cash provided by (used in) operating activities	$(205.244)	$ 99,667	$ 20,498
Add:			
Income taxes	269,830	196,799	130.719
Expensing of previously capitalized interest included in cost of sales	64.580	59,382	62,607
Less:			
Income from financial services subsidiary	3,458	531	4.798
Depreciation and amortization from financial services subsidiary	580	472	326
Loss on early extinguishment of debt	5.938	10,154	3,203
Net changes in operating assets and liabilities:			
Trade and other receivables	89,134	6,507	(38,236)
Inventories-owned	559,766	281,171	335,020
Inventories-not owned	69,407	50,611	(65.325)
Deferred income taxes	20,700	11.620	7,750
Other assets	14.114	5,594	(18,081)
Accounts payable	(16,267)	(16,326)	(5,602)
Accrued liabilities	(64,968)	(84,738)	(59,292)
Liabilities from inventories not owned	—	3.958	42,197
Adjusted Homebuilding EBITDA	$ 791,076	$603.088	$403,928

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Net income	$ 440,984	$315,817	$204.379
Add:			
Cash distributions of income from unconsolidated joint ventures	61,725	67,457	63,905
Income taxes	269,830	196,799	130,719
Expensing of previously capitalized interest included in cost of sales	64,580	59.382	62,607
Homebuilding depreciation and amortization	5.361	3,572	3,310
Amortization of stock-based compensation	13,250	6,498	875
Less:			
Income from unconsolidated joint ventures	61,196	45,906	57,069
Income from financial services subsidiary	3,458	531	4,798
Adjusted Homebuilding EBITDA	$ 791,076	$603,088	$403,928

Selected Operating Data

	Year Ended December 31,		
	2005	2004	2003
New homes delivered:			
Southern California	1,993	2,141	1,980
Northern California	1,173	1,166	627
Total California	3,166	3,307	2,607
Florida	3,576	2,345	2,205
Arizona	2,014	1,676	1,555
Carolinas	1,032	507	538
Texas	1,162	561	421
Colorado	461	421	267
Consolidated total	11,411	8,817	7,593
Unconsolidated joint ventures (1):			
Southern California	66	78	442
Northern California	203	194	178
Arizona	14	2	—
Illinois	—	—	—
Total unconsolidated joint ventures	283	274	620
Total (including joint ventures) (1)	11,694	9,091	8,213
Average selling price of homes delivered:			
California (excluding joint ventures)	$680,000	$646,000	$521,000
Florida	$231,000	$222,000	$185,000
Arizona (excluding joint venture)	$216,000	$183,000	$179,000
Carolinas	$160,000	$152,000	$135,000
Texas	$204,000	$242,000	$268,000
Colorado	$320,000	$306,000	$314,000
Consolidated (excluding joint ventures)	$347,000	$375,000	$305,000
Unconsolidated joint ventures (1)	$732,000	$658,000	$540,000
Total (including joint ventures) (1)	$357,000	$383,000	$323,000
Net new orders:			
Southern California	2,330	1,958	2,008
Northern California	732	1,422	857
Total California	3,062	3,380	2,865
Florida	3,049	3,418	2,675
Arizona	1,976	2,298	1,740
Carolinas	1,074	607	522
Texas	1,378	647	459
Colorado	460	461	350
Consolidated total	10,999	10,811	8,611
Unconsolidated joint ventures (1):			
Southern California	138	20	301
Northern California	127	230	275
Arizona	42	4	—
Illinois	32	—	—
Total unconsolidated joint ventures	339	254	576
Total (including joint ventures) (1)	11,338	11,065	9,187

(1) Numbers presented regarding unconsolidated joint ventures reflect total deliveries, average selling prices, orders, average selling communities and backlog of such joint ventures. Our ownership interests in these joint ventures vary but are generally less than or equal to 50 percent.

Selected Operating Data (continued)

	Year Ended December 31,		
	2005	2004	2003
Average number of selling communities during the year:			
Southern California	27	24	21
Northern California	13	20	15
Total California	40	44	36
Florida	52	49	34
Arizona	16	16	20
Carolinas	19	13	9
Texas	29	21	19
Colorado	12	13	12
Consolidated total	168	156	130
Unconsolidated joint ventures (1):			
Southern California	2	1	4
Northern California	3	4	5
Arizona	1	1	—
Illinois	1	—	—
Total unconsolidated joint ventures	7	6	9
Total (including joint ventures) (1)	175	162	139

	At December 31,		
	2005	2004	2003
Backlog (in homes):			
Southern California	1,038	701	884
Northern California	298	739	483
Total California	1,336	1,440	1,367
Florida	2,276	2,803	1,730
Arizona	1,418	1,456	752
Carolinas	207	165	65
Texas	829	270	184
Colorado	210	211	171
Consolidated total	6,276	6,345	4,269
Unconsolidated joint ventures (1):			
Southern California	97	25	83
Northern California	43	119	83
Arizona	31	3	—
Illinois	32	—	—
Total unconsolidated joint ventures	203	147	166
Total (including joint ventures) (1)	6,479	6,492	4,435

(1) Numbers presented regarding unconsolidated joint ventures reflect total deliveries, average selling prices, orders, average selling communities and backlog of such joint ventures. Our ownership interests in these joint ventures vary but are generally less than or equal to 50 percent.

Selected Operating Data (continued)

	At December 31, 2005	2004	2003
Backlog (estimated dollar values in thousands):			
Southern California	$ 738,135	$ 484,328	$ 590,811
Northern California	220,436	494,203	251,184
Total California	958,571	978,531	841,995
Florida	612,362	640,922	372,377
Arizona	433,491	294,648	141,952
Carolinas	34,961	26,099	9,011
Texas	156,602	61,174	42,518
Colorado	68,882	75,351	52,205
Consolidated total	2,264,869	2,076,725	1,460,058
Unconsolidated joint ventures (1):			
Southern California	64,628	21,250	50,233
Northern California	31,073	76,899	53,460
Arizona	8,841	848	—
Illinois	13,920	—	—
Total unconsolidated joint ventures	118,462	98,997	103,693
Total (including joint ventures) (1)	$2,383,331	$2,175,722	$1,563,751
Building sites owned or controlled:			
Southern California	15,795	11,704	11,088
Northern California	7,891	5,047	5,022
Total California	23,686	16,751	16,110
Florida	15,814	15,474	12,458
Arizona	12,371	9,858	4,584
Carolinas	5,335	3,773	3,374
Texas	13,251	3,157	2,996
Colorado	1,611	2,489	1,647
Nevada	2,255	—	—
Illinois	220	—	—
Total (including joint ventures)	74,543	51,502	41,169
Total building sites owned	34,349	25,832	21,782
Total building sites optioned or subject to contract	28,810	17,355	13,702
Total joint venture lots	11,384	8,315	5,685
Total (including joint ventures)	74,543	51,502	41,169
Completed and unsold homes:			
Consolidated	318	202	152
Joint ventures	3	6	7
Total (including joint ventures)	321	208	159
Homes under construction:			
Consolidated	6,080	5,787	3,949
Joint ventures	534	157	151
Total (including joint ventures)	6,614	5,944	4,100

(1) Numbers presented regarding unconsolidated joint ventures reflect total deliveries, average selling prices, orders, average selling communities and backlog of such joint ventures. Our ownership interests in these joint ventures vary but are generally less than or equal to 50 percent.

Critical Accounting Policies

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those that impact our most critical accounting policies. We base our estimates and judgments on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies related to the following accounts or activities are those that are most critical to the portrayal of our financial condition and results of operations and require the more significant judgments and estimates:

Business Combinations and Goodwill

We account for acquisitions of other businesses under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"). Under the purchase method of accounting, the assets acquired and liabilities assumed are recorded at their estimated fair values. Any purchase price paid in excess of the net fair values of tangible and identified intangible assets less liabilities assumed is recorded as goodwill. The estimation of fair values of assets and liabilities and the allocation of purchase price requires a substantial degree of judgment by management, especially with respect to valuations of real estate inventories, which at the time of acquisition, are generally in various stages of development. Actual revenues, costs and time to complete and sell a community could vary from estimates impacting the allocation of purchase price between tangible and intangible assets. A variation in allocation of purchase price between asset groups, including inventories and goodwill, could have an impact on the timing and ultimate recognition of expenses and therefore impact our current and future operating results. Our reported income from an acquired company includes the operations of the acquired company from the date of acquisition.

The excess amount paid for business acquisitions over the net fair value of assets acquired and liabilities assumed has been capitalized as goodwill in the accompanying consolidated balance sheets in accordance with SFAS 141. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that goodwill not be amortized but instead assessed at least annually for impairment and expensed against earnings as a noncash charge if the estimated fair value of a reporting unit is less than its carrying value, including goodwill. This valuation process requires management to make comprehensive estimates of future revenues, costs and the timing of expected future cash flows, which requires a substantial degree of judgment. Due to the uncertainties associated with such estimates and judgments, actual results could differ from such estimates. For purposes of this test, each of our homebuilding operating divisions is a reporting unit.

Variable Interest Entities

Certain land purchase contracts and lot option contracts are accounted for in accordance with Financial Accounting Standards Board Interpretation No. 46 (revised December 2004), "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51 ("FIN 46R"). In addition, all of our joint ventures are reviewed and analyzed under FIN 46R to determine whether or not these arrangements are to be accounted for under the principles of FIN 46R or other accounting rules (see "Unconsolidated Homebuilding and Land Development Joint Ventures" below).

Under FIN 46R, a variable interest entity ("VIE") is created when (i) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders, (ii) the entity's equity holders as a group either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity or (iii) the entity's equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of an investor with disproportionately few voting rights. If an entity is deemed to be a VIE pursuant to FIN 46R, the enterprise that is deemed to absorb a majority of the expected losses, receive a majority of the entity's expected residual returns, or both, is considered the primary beneficiary and must consolidate the VIE. Expected losses and residual returns for VIEs are calculated based on the probability of estimated future cash flows as defined in FIN 46R. Based on the provisions of FIN 46R, whenever we enter into a land purchase contract or an option contract for land or lots with an entity and make a non-refundable deposit or enter into a homebuilding or land development joint venture, a VIE may have been created, and the arrangement is evaluated under FIN 46R. The assumptions used by us when we evaluate whether the equity investment at risk is not sufficient to permit the entity from financing its activities without additional subordinated financial support from other parties, the calculation of expected losses and expected residual returns, the probability of estimated future cash flows and the determination of the amounts recorded in our consolidated financial statements require significant judgment and are based on future events that may or may not occur.

Limited Partnerships and Limited Liability Companies

We analyze our homebuilding and land development joint ventures under FIN 46R (as discussed above) and Emerging Issues Task Force No. 04-5, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5") when determining whether the entity should be consolidated. Limited partnerships or similar entities, such as limited liability companies, that do not meet the definition of a variable interest entity under FIN 46R must be evaluated under EITF 04-5. Under EITF 04-5, the presumption is that the general partner, or the managing member in the case of a limited liability company, is deemed to have a controlling interest and therefore must consolidate the entity unless the limited partners have: (1) the ability, either by a single limited partner or through a simple majority vote, to dissolve or liquidate the entity, or kick-out the managing member/general partner without cause, or (2) substantive participatory rights that are exercised in the ordinary course of business. Examples of these participatory rights include, but are not limited to:

- selecting, terminating or setting compensation levels for management that sets policies and procedures for the entity;
- establishing and approving operating and capital decisions of the entity, including budgets, in the ordinary course of business;
- setting and approving sales price releases; and
- approving material contracts.

Evaluating whether the limited partners or non-managing member have substantive participatory rights is subjective and requires substantial judgment including the evaluation of various qualitative and quantitative factors. Some of these factors include:

- determining whether there are significant barriers that would prevent the limited partners from exercising their rights;
- analyzing the level of participatory rights possessed by the limited partners relative to the rights retained by the general partner or managing member;
- evaluating whether the limited partners exercise their rights in the ordinary course of business; and
- evaluating the ownership and economic interests of the general partner relative to the limited partners' ownership interests.

If we are the general partner or managing member and it is determined that the limited partners or non-managing member have either kick-out rights or substantive participatory rights as described above, then we account for the joint venture under the equity method of accounting. If the limited partners do not have either of these rights, then we would be required to consolidate the related joint venture under EITF 04-5. As of December 31, 2005, we have not consolidated any joint ventures under EITF 04-5.

Unconsolidated Homebuilding and Land Development Joint Ventures

Investments in our unconsolidated homebuilding and land development joint ventures are accounted for under the equity method of accounting. Under the equity method, we recognize our proportionate share of earnings and losses earned by the joint venture upon the delivery of lots or homes to third parties. All joint venture profits generated from land sales to us are deferred and recorded as a reduction to our cost basis in the lots purchased until the homes are ultimately sold by us to third parties. Our ownership interests in our unconsolidated joint ventures vary but are generally less than or equal to 50 percent. In certain instances, our ownership interest in these unconsolidated joint ventures may be greater than 50 percent; however, we account for these investments under the equity method because the entities are not VIEs in accordance with FIN 46R, we are not considered the primary beneficiary of the entities determined to be VIEs, and/or we do not have voting control.

The critical accounting policies described under "Cost of Sales" and "Inventories" below are also applicable to our unconsolidated homebuilding joint ventures.

Cost of Sales

Homebuilding revenue and the related cost of sales are recognized when homes are sold and title has transferred to the homebuyer. Cost of sales is recorded based upon total estimated costs to be allocated to each home within a community. Certain direct construction costs are specifically identified and allocated to homes while other common costs, such as land, land improvements and carrying costs, are allocated to homes within a community based upon their relative sales value. Any changes to the estimated costs are allocated to the remaining undelivered lots and homes within their respective community. These costs include all direct and indirect construction costs associated with constructing and carrying the home as well as costs related to developing the surrounding community and amenities, such as land, land improvements and other common costs. The estimation and allocation of these costs requires a substantial degree of judgment by management.

The estimation process involved in determining relative sales values is inherently uncertain because it involves estimating future sales values of homes before delivery. Additionally, in determining the allocation of costs to a particular land parcel or individual home, we rely on project budgets that are based on a variety of assumptions, including assumptions about construction schedules and future costs to be incurred. It is possible that actual results could differ from budgeted amounts for various reasons, including construction delays, increases in costs that have not been committed or unforeseen issues encountered during construction that fall outside the scope of existing contracts. While the actual results for a particular construction project are accurately reported over time, a variance between the budget and actual costs could result in the understatement or overstatement of costs and have a related impact on gross margins between reporting periods. To reduce the potential for such variances, we have procedures that have been applied on a consistent basis, including assessing and revising project budgets on a periodic basis, obtaining commitments from subcontractors and vendors for future costs to be incurred, and utilizing the most recent information available to estimate costs. We believe that these policies and procedures provide for reasonably dependable estimates for purposes of calculating amounts to be relieved from inventories and expensed to cost of sales.

Inventories

Inventories consist of land, land under development, homes under construction, completed homes and model homes and are stated at cost, net of impairment losses, if any. We capitalize direct carrying costs, including interest, property taxes and related development costs to inventories. Field construction supervision and related direct overhead are also included in the capitalized cost of inventories. Direct construction costs are specifically identified and allocated to homes while other common costs, such as land, land improvements and carrying costs, are allocated to homes within a community based upon their anticipated relative sales value.

We assess the recoverability of inventories in accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires long-lived assets, including inventories, that are expected to be held and used in operations to be carried at the lower of cost or, if impaired, the fair value of the asset. SFAS 144 requires that companies evaluate long-lived assets for impairment based on undiscounted future cash flows of the assets at the lowest level for which there is identifiable cash flows. This evaluation requires estimates of future revenues, costs and the remaining time to develop the project and requires a substantial degree of judgment by management. Actual revenues, costs and time to complete development could vary from estimates, which could affect our future results of operations (see "Cost of Sales" discussion above regarding the estimation process). We review each real estate project to determine whether or not carrying amounts have been impaired. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Warranty Accruals

In the normal course of business, we will incur warranty related costs associated with homes that have been delivered to homebuyers. Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized while indirect warranty overhead salaries and related costs are charged to cost of sales in the period incurred. Amounts accrued are based upon historical experience rates. We review the adequacy of the warranty accruals each reporting period by evaluating the historical warranty experience in each market in which we operate, and the warranty accruals are adjusted as appropriate for current quantitative and qualitative factors. Factors that affect the warranty accruals include the number of homes delivered, historical and anticipated rates of warranty claims, and cost per claim. Although we consider the warranty accruals reflected in our consolidated balance sheet to be adequate, actual future costs could differ from our currently estimated amounts.

Insurance and Litigation Accruals

Insurance and litigation accruals are established for estimated future claims cost. We maintain general liability insurance that protects us against a portion of our risk of loss from construction-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. We record estimated costs to cover our self-insured retentions and deductible amounts under these policies, estimated costs that may exceed our coverage limits, and estimated costs for claims that may not be covered by applicable insurance or indemnities. Estimation of these accruals include consideration of our claims history, current claims, and potential for recovery of costs from insurance and other sources. Because of the high degree of judgment required in determining these estimated accrual amounts, actual future claim costs could differ from our currently estimated amounts.

Stock Split

On July 27, 2005, our Board of Directors approved a two-for-one stock split effected in the form of a stock dividend. Stockholders of record at the close of business on August 8, 2005 received one additional share of our common stock for every one share of our common stock owned on that date. The additional shares were distributed on August 29, 2005. Accordingly, all share and per share amounts included in this Form 10-K have been restated to reflect such stock split for all periods presented.

Fiscal Year 2005 Compared to Fiscal Year 2004

Overview

Net income for the year ended December 31, 2005 increased 40 percent to $441.0 million, or $6.30 per diluted share, compared to $315.8 million, or $4.54 per diluted share, in 2004. The increase in net income was driven primarily by a 38 percent increase in homebuilding pretax income to $704.5 million, and to a lesser extent by an 82 percent increase in financial services pretax income to $6.3 million and a 40 basis point decrease in our effective tax rate.

The significant increase in homebuilding pretax income reflected the impact on our business of a number of positive economic factors and demographic trends combined with the positive results from our growth initiatives in our existing markets and expansion into new geographic markets over the past seven years. Historically low mortgage interest rates and a wide variety of available mortgage products combined with steady or improving employment levels in most of our larger markets helped drive demand for new housing. Demand for new homes was also supported by a number of positive demographic factors such as the aging baby boomers who are in their peak earnings and housing consumption years, increasing inflows of immigrants into the United States, and the entrance of the echo boom generation into the work force and household formation years. At the same time, we have experienced growing constraints on the availability of buildable land in many of our markets, which also contributed to increased home prices.

For the year ended December 31, 2005, our return on average stockholders' equity was 29.0 percent, which represented a 140 basis point improvement over the prior year. Investors frequently use this financial measure as a means to assess management's effectiveness in creating stockholder value through enhancing profitability and managing asset utilization. Management is also focused on generating strong financial returns, including our return on average stockholders' equity, in both its strategic decision making and day to day management of operations.

Results of operations for the year ended December 31, 2005 include the results of our new Tucson, Arizona operations acquired in the third quarter of 2004, our Bakersfield, California operations acquired in the first quarter of 2005, and our San Antonio, Texas operations, which we commenced as a start-up in March 2005 and supplemented through the acquisition of a local homebuilder in the third quarter of 2005.

Our outlook for 2006 is based on our strong backlog at December 31, 2005 and the projected opening of approximately 150 new communities in 2006. Accordingly, based on these factors, combined with our recent acquisitions and growing lot positions in our markets, we are targeting 13,000 new home deliveries, excluding 475 joint venture deliveries, and homebuilding revenues of approximately $4.9 billion for 2006.

Homebuilding

Homebuilding pretax income for 2005 increased 38 percent to $704.5 million from $509.1 million in the prior year. The increase in pretax income was driven by a 19 percent increase in homebuilding revenues, a 280 basis point improvement in our homebuilding gross margin percentage and a $15.5 million increase in homebuilding joint venture income. These increases were partially offset by a 70 basis point increase in our selling, general and administrative ("SG&A") expense rate and a $5.9 million pretax charge recorded in connection with the full redemption of our $125 million 9½% Senior Notes due 2010 (the "9½% Senior Notes"). Results for 2004 reflect a second quarter pretax charge of $10.2 million resulting from the full redemption of our $100 million 8% Senior Notes due 2008 and our $150 million 8½% Senior Notes due 2009. The early retirement charge for all of these senior notes is reflected in other income (expense) in our accompanying consolidated statements of income.

Homebuilding revenues for 2005 were a record $4.0 billion, a 19 percent increase over the $3.3 billion generated in 2004. The increase in revenues was attributable to a 29 percent increase in new home deliveries (exclusive of unconsolidated joint ventures) to 11,411 homes in 2005, partially offset by a 7 percent decrease in our consolidated average home price to $347,000.

During 2005, we delivered 3,166 new homes in California (exclusive of unconsolidated joint ventures) versus 3,307 homes in 2004, a 4 percent decrease. Deliveries were off 7 percent in Southern California to 1,993 new homes (excluding 66 from unconsolidated joint ventures), reflecting the slowdown in orders in the second half of 2004 in some of our Southern California markets. Deliveries were up 1 percent in Northern California to 1,173 new homes (excluding 203 from unconsolidated joint ventures). In Northern California, housing demand remained relatively healthy during the second half of 2004 and first half of 2005; however, the generally flat level of deliveries reflects the decrease in new home orders in the first half of 2005 due to a decline in the number of active selling communities. The lower community count was principally due to the rapid sell out of projects during late 2004 and first half of 2005, particularly in the San Francisco Bay area. In Florida, where overall housing market conditions remained healthy notwithstanding recent hurricanes and where we steadily increased the number of active selling communities, we delivered 3,576 new homes in 2005 versus 2,345 homes in 2004, a 52 percent year-over-year increase. We delivered 2,014 homes (excluding 14 from an unconsolidated joint venture) in Arizona during 2005 versus 1,676 (excluding 2 from an unconsolidated joint venture) in 2004, a 20 percent increase. The increase in new home deliveries in Arizona was due to higher new home order levels experienced in Phoenix during the fourth quarter of 2004 and the first quarter of 2005 reflecting strong demand for new housing, combined with the delivery of 211 new homes (excluding 14 from an unconsolidated joint venture) from our Tucson division, which we acquired in the third quarter of 2004. In the Carolinas, deliveries were up 104 percent to 1,032 new homes, driven primarily by order growth from new community openings and improving market conditions. New home deliveries were up 107 percent in Texas to 1,162 new homes, driven by new community growth and improving market conditions in Dallas and Austin, combined with the delivery of 334 new homes from our new San Antonio division. Deliveries were up 10 percent in Colorado year-over-year to 461 new homes due to gradually improving economic conditions.

During 2005, our consolidated average home price declined 7 percent to $347,000. The lower average selling price was primarily attributable to the shifting geographic mix of our new home deliveries whereby 72 percent of our 2005 consolidated deliveries were from outside of California compared to 62 percent in 2004 (exclusive of unconsolidated joint ventures). The average home prices in our non-California divisions are substantially lower than those in California. Our average home price in California was $680,000 for 2005, a 5 percent increase from the prior year. The modest increase in our average home price in the state reflects the impact of delivering a greater percentage of our homes from the more affordable Inland Empire, Ventura and Bakersfield divisions. The impact on our California average home price from the geographic mix shift was more than offset by the general level of price increases experienced in the state. Our average price in Florida was up 4 percent from the year ago period and primarily reflects the impact of general price increases in most regions in the state. Our average price in Arizona (exclusive of an unconsolidated joint venture) was up 18 percent to $216,000, primarily reflecting the strong level of price increases experienced in Phoenix over the past several quarters and the addition of our Tucson operation in the third quarter of 2004 where our average home price was approximately $251,000 (exclusive of an unconsolidated joint venture). Our average price was up 5 percent in the Carolinas and primarily reflected a change in delivery mix. Our average home price in Texas was down 16 percent, reflecting a shift in our product mix to more affordable homes combined with the addition of our new San Antonio division in September 2005, where our average home price was $141,000. Our average home price in Colorado was up 5 percent, also reflecting the change in our product mix.

Our homebuilding gross margin percentage for 2005 was up 280 basis points to 27.2 percent compared to 24.4 percent in 2004. The increase in the year-over-year gross margin percentage was driven primarily by higher margins in California, Florida and Arizona. Margins in the Carolinas, Texas, and Colorado, while generally improving, were still below our company-wide average and generally reflected the impact of softer housing market conditions in those regions and the less supply-constrained nature of those markets. The higher overall gross margin percentage reflected our ability to raise home prices in most of our California markets during 2004 and 2005 as a result of healthy housing demand combined with a constrained supply of buildable land. The higher year-over-year margins in Florida and Arizona reflected strong demand for new homes during 2004 and 2005 combined with increasing volume and cost efficiencies. Over the past few years, we have also seen substantial increases in the cost of labor and raw materials, including land, which, in turn, has partially offset the impact of rising home prices on our homebuilding gross margin percentage.

SG&A expenses (including corporate G&A) for 2005 increased 70 basis points to 11.0 percent of homebuilding revenues compared to 10.3 percent in 2004. The higher level of SG&A expenses as a percentage of homebuilding revenues was due to (1) the shifting geographic mix of our deliveries to outside of California, where our operations generally incur higher levels of SG&A expenses as a percentage of revenues, (2) an increase in stock-based compensation, including the cost of expensing stock options and (3) increased overhead

expenses incurred in connection with our start-up operations in San Antonio, Bakersfield, the Central Valley of California and Las Vegas.

Income from unconsolidated joint ventures increased 36 percent in 2005 to $58.9 million. The higher level of profits from unconsolidated joint ventures was driven by a $21.6 million increase in income from joint venture land sales to other builders, partially offset by a $6.1 million decrease in joint venture homebuilding income. Deliveries from our unconsolidated homebuilding joint ventures totaled 283 new homes in 2005 versus 274 in 2004. Earnings from our unconsolidated joint ventures will vary significantly from year to year based on the timing of joint venture deliveries and land sales to other builders.

Other income (expense) includes construction fee income generated from our Orlando, Jacksonville, Colorado and Tucson operations in 2005 and 2004 and our Bakersfield operations in 2005. The 2005 and 2004 construction fee income was offset by the $5.9 million and $10.2 million pretax charges, respectively, recognized in connection with the early retirement of our Senior Notes discussed above.

Net new orders companywide for 2005 were up 2 percent to 10,999 homes (excluding 339 from unconsolidated joint ventures) compared to 10,811 orders (excluding 254 from unconsolidated joint ventures) in 2004. Excluding unconsolidated joint ventures, new home orders were up 19 percent year over year in Southern California on a 13 percent higher average community count, down 49 percent in Northern California on a 35 percent lower average community count, down 11 percent in Florida on a 6 percent higher average community count and down 14 percent in Arizona on a flat average community count. Orders were up 77 percent in the Carolinas on a 46 percent higher average community count and up 113 percent in Texas on a 38 percent higher average community count. The Texas total for 2005 includes 317 new home orders from 16 communities generated from our new San Antonio division. In Colorado, orders were flat on an 8 percent lower average community count.

New orders companywide for the fourth quarter of 2005 totaled 2,154 homes (excluding 64 from unconsolidated joint ventures), an 11 percent decrease from the 2004 fourth quarter. The overall decline in orders resulted from the slowing of demand in some of our markets from the unsustainable pace of the past several quarters, and to a lesser degree, from a delay in a number of new community openings during the quarter. Since the start of 2006, we have continued to see a slowing of sales activity, particularly in markets which have experienced significant price increases and investor-driven demand in recent years, such as California and Florida.

For the fourth quarter of 2005, excluding joint ventures, net new home orders in Southern California increased 11 percent on a 12 percent higher average community count, reflecting healthy demand during this period for new homes and the generally supply-constrained nature of the Southern California region. In Northern California, new home orders were down 74 percent on a 29 percent lower average community count. The decrease in new home orders during the period reflected a slowdown in order activity from the robust pace experienced in 2004 combined with a significant reduction in active selling communities from the 2004 level due to rapid sellouts in many San Francisco Bay Area projects earlier in 2005. New home orders were down 38 percent in Florida on a 6 percent decrease in active selling communities. A number of factors contributed to the decrease in Florida order activity: (1) continued intentional slowing of orders to better align production and sales, (2) limiting the number of investor sales, (3) a long and severe hurricane season, (4) decreased customer traffic, and (5) a modest increase in the cancellation rate. In Arizona, new home orders were down 19 percent on a 44 percent higher average community count. The Phoenix market has experienced an adjustment in its market tone from the unsustainable pace of the prior several quarters. In addition, during the quarter we continued to intentionally limit the weekly number of homes available for sale at some of our Phoenix projects to address long construction cycle times. Cycle times increased in Phoenix as a result of the tightening supply of construction labor and materials brought on by the record level of demand for new homes in this market during 2005. Orders were up 15 percent in the Carolinas on a flat community count, and up 176 percent in Texas on a 65 percent higher average community count. The Texas total for the 2005 fourth quarter includes 211 new home orders from 16 communities generated from our new San Antonio division. General economic conditions in our Carolina and Texas markets continued to improve and are expected to contribute to improved housing market conditions going forward. In Colorado, orders were up 10 percent on a flat community count.

Our new home order cancellation rate for the 2005 fourth quarter was 25 percent, up from the year earlier rate of 17 percent. Our cancellation rate was noticeably higher in Northern California, up modestly in Florida and generally in line with the year earlier rates in Arizona and Southern California.

The level of new home orders in 2005 resulted in a backlog of 6,276 presold homes (excluding 203 joint venture homes) valued at an estimated $2.3 billion (excluding $118 million of joint venture backlog), an increase of 9 percent from the December 31, 2004 backlog value. No assurance can be given that all of the homes in our backlog will actually be delivered as contracted.

Financial Services

During the year ended December 31, 2005, we generated pretax income of $3.5 million from our financial services subsidiary, which offered mortgage-banking services to our homebuyers in California, Arizona, Texas, and South Florida, up from a modest profit of $531,000 generated in 2004. The increase in income was driven by a higher volume of loan sales combined with an increase in the margin on loans sold and our decision in the second half of 2004 to transition our mortgage operations in Arizona and Texas from the joint venture arrangement to our wholly owned financial services subsidiary.

Financial services joint venture income, which is derived from mortgage banking joint ventures with third party financial institutions operating in conjunction with our homebuilding divisions in Colorado, the Carolinas, and Tampa, Orlando and Southwestern Florida, was down 10% to $2.3 million. The lower level of income was primarily due to our decision in the second half of 2004 to transition our mortgage operations in Arizona and Texas from the joint venture arrangement to our wholly owned financial services subsidiary.

Fiscal Year 2004 Compared to Fiscal Year 2003

Overview

Net income for the year ended December 31, 2004 increased 55 percent to $315.8 million, or $4.54 per diluted share, compared to $204.4 million, or $3.04 per diluted share, in 2003. The increase in net income was driven by a 56 percent increase in homebuilding pretax income to $509.1 million and a 60 basis point decrease in our effective tax rate, which was partially offset by a decrease in financial services pretax income.

Homebuilding

Homebuilding pretax income for 2004 was up 56 percent to $509.1 million compared to $326.8 million in 2003. The higher level of pretax income was primarily attributable to a 43 percent increase in homebuilding revenues and a 300 basis point improvement in our homebuilding gross margin percentage. These increases were offset in part by a 60 basis point increase in SG&A expenses as a percentage of homebuilding revenues, a 19 percent decrease in income from unconsolidated homebuilding joint ventures and a $10.2 million pretax charge recorded in the second quarter of 2004 in connection with the full redemption of our $100 million 8% Senior Notes due 2008 and our $150 million 8½% Senior Notes due 2009. Results for 2003 reflect a fourth quarter pretax charge of $3.2 million resulting from the full redemption of $100 million of our 8½% Senior Notes due 2007. The early retirement charge for all of these senior notes is reflected in other income (expense) in our accompanying consolidated statements of income.

Homebuilding revenues for 2004 were $3.3 billion, a 43 percent increase over the $2.3 billion generated in 2003. The increase in revenues was attributable to a 16 percent increase in deliveries (exclusive of joint ventures) to 8,817 new homes in 2004 combined with a 23 percent increase in our consolidated average home price to $375,000.

During 2004, we delivered 3,307 new homes in California (exclusive of unconsolidated joint ventures) versus 2,607 homes in 2003, a 27 percent increase. Deliveries were off 8 percent in Southern California to 2,141 new homes (excluding 78 from unconsolidated joint ventures), while deliveries were up 86 percent in Northern

California to 1,166 new homes (including 208 homes from our new operations in Sacramento and excluding 194 from unconsolidated joint ventures). The decrease in Southern California deliveries was due to a dip in active selling communities during the middle of 2004 combined with a slowing in the rate of new home orders in some of our Southern California markets beginning in the 2004 third quarter, while housing market conditions in our San Francisco Bay area and Sacramento regions strengthened throughout 2004. In Florida, we delivered 2,345 new homes in 2004 versus 2,205 homes in 2003, a 6 percent increase despite delays in closings as a result of the severe hurricane season experienced in 2004. We delivered 1,676 homes (excluding 2 from an unconsolidated joint venture) in Arizona during 2004 versus 1,555 in 2003, an 8 percent increase. The 2004 Arizona delivery total included 41 new homes (excluding 2 from an unconsolidated joint venture) from our Tucson division, which was acquired in the third quarter of 2004. In the Carolinas, deliveries declined 6 percent to 507 new homes, and were also impacted by severe weather related delays in 2004. New home deliveries increased 33 percent in Texas and 58 percent in Colorado, in part due to the introduction of several lower-priced new home projects resulting in increased absorption rates in 2004 as compared to 2003.

During 2004, our consolidated average home price increased 23 percent to $375,000. The higher selling price was driven primarily by a 24 percent increase in our California average selling price to $646,000 (exclusive of unconsolidated joint ventures). The higher price in California represented the impact of general price increases experienced in the state during the period, and, to a lesser degree, a change in product mix during 2004 compared to 2003. Our average home price in Florida increased 20 percent to $222,000 reflecting general price increases, a shift in product mix and the addition of our Jacksonville operation, which had an average home price of $248,000 in 2004. Our average home price in Arizona (exclusive of unconsolidated joint venture) increased 2 percent to $183,000 and increased 13 percent in the Carolinas to $152,000. The increase in Arizona generally reflected an increase in new home prices in the Phoenix market while the higher average home price in the Carolinas was primarily the result of changes in our product mix. Our average home price in Texas was down 10 percent to $242,000 and was down 3 percent in Colorado to $306,000 reflecting our emphasis on delivering more affordable homes in these regions.

Our homebuilding gross margin percentage for 2004 increased 300 basis points to 24.4 percent compared to 21.4 percent in 2003. The increase in the gross margin percentage was driven primarily by higher margins in California and Arizona. Our margins in Florida for 2004 were generally in line with 2003 and reflected healthy housing market conditions in the state. Margins in Texas and Colorado, while improved, were still below our companywide average. The higher overall gross margin percentage reflected our ability to raise home prices in most of our California markets during 2004 as a result of strong housing demand and improved margins in Arizona due to healthy demand for new homes combined with volume and cost efficiencies experienced in Phoenix. In addition, our homebuilding gross margin percentage was favorably impacted by approximately 100 basis points due to the reclassification of certain overhead expenses from cost of sales to SG&A beginning in 2004.

SG&A expenses for 2004 were 10.3 percent of homebuilding revenues compared to 9.7 percent in 2003. The increase in SG&A expenses as a percentage of homebuilding revenues was due to the reclassification of certain expenses from cost of sales to SG&A discussed above. Excluding the impact of the reclassification, our SG&A rate would have been lower in 2004 by approximately 50 basis points reflecting the economies of scale due to our growth in revenues.

Income from unconsolidated joint ventures decreased 19 percent in 2004 to $43.4 million. The decrease in joint venture income was driven primarily by a 56 percent decrease in the number of joint venture deliveries in 2004 to 274 homes versus 620 homes in 2003, which was partially offset by an increase in joint venture income from land sales to other homebuilders and higher joint venture gross margins in 2004 compared to 2003.

Other expense for 2004 and 2003 reflected pretax charges of approximately $10.2 million and $3.2 million, respectively, recognized in connection with the early retirement of our Senior Notes discussed above, which was offset in part by construction fee income generated in 2004 and 2003 by our Orlando and Jacksonville operations and our Tucson operation in 2004.

Net new orders for 2004 were up 26 percent to 10,811 new homes (excluding 254 from unconsolidated joint ventures), compared to 8,611 (excluding 576 from unconsolidated joint ventures) in 2003. In addition, our cancellation rate decreased in 2004 to 16 percent versus 18 percent in 2003. Excluding unconsolidated joint ventures, new home orders were down 2 percent in Southern California on a 14 percent increase in average community count, up 66 percent in Northern California on a 33 percent increase in average community count, up 28 percent in Florida on a 44 percent increase in average community count and up 32 percent in Arizona on a 20 percent decrease in average community count. Total orders for 2004 in Arizona also include 124 orders (excluding 4 from unconsolidated joint venture) from 4 communities from our new Tucson division, which we acquired in August 2004. Orders increased 16 percent in the Carolinas on a 44 percent increase in average community count, up 41 percent in Texas on an 11 percent increase in average community count and up 32 percent in Colorado on an 8 percent increase in average community count.

Financial Services

During the year ended December 31, 2004, we generated a modest profit from our financial services subsidiary, which offered mortgage financing services to our homebuyers in California, Arizona, Texas and South Florida. In the first half of 2004, we began to transition our mortgage operations in Arizona and Texas from our joint venture arrangement to our wholly owned financial services subsidiary. The lower level of revenues and profits in 2004 compared to 2003 reflected lower margins on loan sales and capture rates due to competitive industry pressures resulting from the significant reduction in mortgage refinance activity during 2004.

Financial services joint venture income for 2004, which was derived from mortgage banking joint ventures with third party financial institutions, which operated in conjunction with our homebuilding divisions in Colorado, the Carolinas, and Tampa and Southwestern Florida, was down $678,000 to $2.5 million. The lower level of income was primarily due to the decrease in business in Arizona and Texas as we transitioned our mortgage financing services in those areas to our wholly owned financial services subsidiary.

Liquidity and Capital Resources

Our principal uses of cash have been for land acquisitions, construction and development expenditures, operating expenses, market expansion (including acquisitions), investments in land development and homebuilding joint ventures, principal and interest payments on debt, share repurchases, and dividends to our stockholders. Cash requirements have been met by internally generated funds, outside borrowings, including our public note offerings and by our bank revolving credit facility, land option contracts, joint venture financings, land seller notes, assessment district bond financings, and through the sale of our common equity through public offerings. To a lesser extent, capital has been provided through the issuance of common stock as acquisition consideration as well as from proceeds received upon the exercise of employee stock options. In addition, our mortgage financing subsidiary requires funding to finance its mortgage lending operations. Its cash needs are funded from mortgage credit facilities and internally generated funds. Based on our current business plan and market conditions, we believe that these sources of cash should be sufficient to finance our current working capital requirements and other needs.

During 2005, our homebuilding debt increased by approximately $479.0 million. These funds, in addition to cash flow from operations and cash balances available at the beginning of the period, were used to finance our $1,226.1 million increase in homebuilding assets as well as fund $52.0 million in stock repurchases and $10.9 million in dividends during the year. The increased investment in our homebuilding operations was made to support our growth initiatives, which consist of expansion into new geographic markets as well as increasing delivery volume in our established divisions. We expect to further increase our net investment in homebuilding assets in 2006 as we continue to pursue our growth initiatives.

An important focus of management is controlling our leverage. Careful consideration is given to balancing our desire to further our strategic growth initiatives while maintaining a targeted balance of our debt levels

relative to our stockholders' equity. Our leverage has generally fluctuated over the past several years in the range of 45 percent to 55 percent (as measured by adjusted net homebuilding debt, which reflects the offset of homebuilding cash and excludes indebtedness of our financial services subsidiary and liabilities from inventories not owned, to total book capitalization). Our leverage and debt levels, including usage of our bank revolving credit facility, can be impacted quarter-to-quarter by seasonal cash flow factors, as well as other factors, such as the timing and magnitude of deliveries, land purchases and acquisitions of other homebuilders.

In August 2005, we amended our unsecured revolving credit facility with our bank group to, among other things, increase the lending commitments under the credit facility to $925 million, extend the maturity date to August 2009 and revise certain financial and other covenants. In addition, the amended revolving credit facility contains an accordion provision allowing us, at our option, to increase the total aggregate commitment under the revolving credit facility up to $1.1 billion, subject to certain conditions, including the availability of additional bank lending commitments. Certain of our wholly owned subsidiaries guarantee our obligations under the facility.

The revolving credit facility contains financial covenants, including the following:

- a covenant that, as of December 31, 2005, requires us to maintain not less than $1,261.6 million of consolidated tangible net worth (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings);
- a leverage covenant that prohibits any of the following:
  - our ratio of combined total homebuilding debt to adjusted consolidated tangible net worth from being in excess of 2.25 to 1.0;
  - our ratio of the carrying value of unsold land to adjusted consolidated tangible net worth from being in excess of 1.60 to 1.0; and
- an interest coverage covenant that prohibits our ratio of homebuilding EBITDA to consolidated homebuilding interest incurred for any period consisting of the preceding four consecutive fiscal quarters from being less than 1.75 to 1.0.

The revolving credit facility also limits, among other items, our investments in joint ventures. These covenants, as well as a borrowing base provision, limit the amount we may borrow or keep outstanding under the revolving credit facility and from other sources. At December 31, 2005, we had $183.1 million of borrowings outstanding and had issued approximately $67.7 million of letters of credit under the revolving credit facility. As of December 31, 2005, we were in compliance with the covenants of this revolving credit facility. As of February 17, 2006, we had $587.4 million of borrowings outstanding and had issued approximately $76.9 million of letters of credit under our revolving credit facility and were in compliance with the covenants of this revolving credit facility. The increase in the balance since December 31, 2005 was primarily due to the timing of significant land purchases and seasonal working capital needs. Our ability to renew and extend the term of this revolving credit facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders, and our financial condition and strength.

We utilize three mortgage credit facilities to fund mortgage loans originated by our financial services subsidiary with a total aggregate commitment of $170 million. During certain periods, one of the mortgage credit facilities provides $30 million in additional borrowing capacity, which is not included in the total aggregate commitment amount above. Mortgage loans are typically financed under the mortgage credit facilities for a short period of time, approximately 15 to 60 days, prior to completion of the sale of such loans to third party investors. The mortgage credit facilities, which have LIBOR based pricing, also contain certain financial covenants relating to our financial services subsidiary including leverage and net worth covenants and have current maturity dates ranging from April 26, 2006 to June 24, 2006. It is our intention to renew these facilities. At December 31, 2005, we had approximately $123.4 million advanced under these mortgage credit facilities.

In August 2005, we issued $175 million of 6 ½% Senior Notes that mature on August 15, 2010 (the "6 ½% Senior Notes") and $175 million of 7% Senior Notes that mature on August 15, 2015 (the "7% Senior Notes"). Net proceeds from these notes were approximately $346.3 million, and $130.9 million was used in September 2005 to redeem in full our 9 ½% Senior Notes due 2010 with the balance used for general corporate purposes.

On February 22, 2006, our wholly owned direct and indirect subsidiaries (collectively, the "Guarantor Subsidiaries"), other than our financial services subsidiary, title services subsidiary and certain other immaterial subsidiaries, entered into supplemental indentures to the indentures governing our outstanding senior notes and our senior subordinated notes, pursuant to which the Guarantor Subsidiaries guaranteed payment of our outstanding notes. The guarantees are full and unconditional, and joint and several.

Pursuant to the terms of the 6 ½% Senior Notes and 7% Senior Notes and our other outstanding public senior and senior subordinated notes, we will, under certain circumstances, be obligated to make an offer to purchase all or a portion of the notes in the event of certain asset sales. In addition, these notes contain other restrictive covenants that, among other items, impose certain limitations on our ability to (1) incur additional indebtedness, (2) create liens, (3) make restricted payments (including payments of dividends, other distributions, and investments in unrestricted subsidiaries and unconsolidated joint ventures) and (4) sell assets. Also, upon a change in control, we are required to make an offer to purchase these notes at 101 percent of their principal amount.

In March 2004, the Securities and Exchange Commission (the "SEC") declared effective our $800 million universal shelf registration statement on Form S-3. The universal shelf permits us to issue from time to time common stock, preferred stock, debt securities and warrants. Currently, $450 million of securities remain available for future issuance by us under this registration statement. We evaluate our capital needs and public capital market conditions on a continual basis to determine if and when it may be advantageous to issue additional securities. There may be times when the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we may not be able to access capital from these sources and may need to seek additional capital from our bank group, other sources or adjust our capital outlays and expenditures accordingly. In addition, a weakening of our financial condition or strength, including in particular a material increase in our leverage or decrease in our profitability or our interest coverage ratio, could result in a credit ratings downgrade or change in outlook or otherwise increase our cost of borrowing and adversely affect our ability to obtain necessary funds.

From time to time, we use purchase money mortgage financing to finance land acquisitions. We also use community development district ("CDD"), community facilities district or other similar assessment district bond financings from time to time to finance land development costs. Subject to certain exceptions in Florida, we generally are not responsible for the repayment of these assessment district bonds. At December 31, 2005, we had approximately $97.0 million outstanding in trust deed and other notes payable, including CDD bonds, under which we had a repayment obligation.

We paid approximately $10.9 million, or $0.16 per common share, in dividends to our stockholders during the year ended December 31, 2005. We expect that this dividend policy will continue but is subject to regular review by our Board of Directors. Common stock dividends are paid at the discretion of our Board of Directors and are dependent upon various factors, including our future earnings, our financial condition and liquidity, our capital requirements, and applicable legal and contractual restrictions. Additionally, our revolving credit facility and public note indentures impose restrictions on the amount of dividends we may be able to pay. On February 1, 2006, our Board of Directors declared a quarterly cash dividend of $0.04 per share of common stock. This dividend will be paid on February 23, 2006 to stockholders of record on February 9, 2006.

During the year ended December 31, 2005, we issued 1,161,130 shares of common stock pursuant to the exercise of stock options for cash consideration of approximately $11.4 million.

From January 1, 2005 through January 31, 2006, we repurchased 1,462,158 shares of common stock for approximately $54.6 million. On February 1, 2006, our Board of Directors authorized a new $100 million stock repurchase plan. Through February 17, 2006, we had repurchased 254,500 shares of common stock for approximately $9.0 million under the new stock repurchase plan, leaving a balance of approximately $91.0 million for future repurchases.

Contractual Obligations

The following table summarizes our future estimated cash payments under existing contractual obligations as of December 31, 2005, including estimated cash payments due by period. Our purchase obligations primarily represent commitments for land purchases under land purchase and land option contracts with non-refundable deposits, estimated future payments under price and profit participation agreements with land sellers and commitments for subcontractor labor and material to be utilized in the normal course of business.

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(Dollars in thousands)				
Long-term debt (1)	$2,140,884	$ 177,579	$406,064	$653,262	$903,979
Operating leases (2)	44,264	10,030	17,468	13,485	3,281
Purchase obligations (3)	2,725.844	2,217,238	474,767	27,140	6,699
Total	$4,910.992	$2,404,847	$898.299	$693,887	$913,959

(1) Long-term debt represents indebtedness included in liabilities from inventories not owned, revolving credit facility, trust deed and other notes payable, senior and senior subordinated notes paynble and related interest payments. For a more detailed description of our long-term debt, refer to footnotes 2(o), 4, 5 and 6 in our accompanying consolidated financial statements.

(2) For a more detailed description of our operating leases, refer to footnote 9 in our accompanying consolidated financial statements.

(3) Includes approximately $1,809.2 million (net of deposits) in land purchase and option contracts for which we have made non-refundable deposits. For a more detailed description of our land purchase and option contracts, see "—Off-Balance Sheet Arrangements" below and footnote 9 in our accompanying consolidated finnncinl statements.

Our existing revolving credit facility and mortgage credit facilities commitments and available capacity as of December 31, 2005 are summarized below (dollars in thousands):

	Total Amounts Committed	Available Capacity
Revolving credit facility (1)	$ 925,000	$674,221
Mortgage credit facilities (2)	170,000	46,574
Total	$1,095,000	$720,795

(1) For a more detailed description of our revolving credit facility, refer to footnote 4(a) in our accompanying consolidated financial statements. As of February 17, 2006, we had $587.4 million of borrowings outstanding, issued approximately $76.9 million of letters of credit, and $260.7 million in available capacity under our revolving credit facility.

(2) For a more detailed description of our mortgage credit facilities, refer to footnote 7 in our accompanying consolidated financial statements.

Off-Balance Sheet Arrangements

We are subject to customary obligations associated with entering into contracts for the purchase of land and improved homesites. These purchase contracts typically require a cash deposit or delivery of a letter of credit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. At December 31, 2005, we had cash deposits and letters of credit outstanding of approximately $134.3 million on land purchase contracts having a total remaining purchase price of approximately $1,433.6 million.

Approximately $338.8 million of the remaining purchase price is included in inventories not owned in the accompanying consolidated balance sheets.

We also utilize option contracts with land sellers and third-party financial entities as a method of acquiring land in staged takedowns and reducing the use of funds from our revolving credit facility and other corporate financing sources. These option contracts also help us manage the financial and market risk associated with land holdings. Option contracts generally require the payment of a non-refundable cash deposit or the issuance of a letter of credit for the right to acquire lots over a specified period of time at predetermined prices. We generally have the right at our discretion to terminate our obligations under these option agreements by forfeiting our cash deposit or by repaying amounts drawn under the letter of credit with no further financial responsibility. At December 31, 2005, we had cash deposits and letters of credit outstanding of approximately $49.6 million on option contracts having a total remaining purchase price of approximately $718.2 million. Approximately $103.4 million of the remaining purchase price is included in inventories not owned in the accompanying consolidated balance sheets. Our utilization of option contracts is dependent on, among other things, the availability of capital to the option provider, general housing market conditions and geographic preferences. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

We enter into land development and homebuilding joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile and leveraging our capital base. These joint ventures typically obtain secured acquisition, development and construction financing, which reduces the use of funds from our revolving credit facility and other corporate financing sources. We plan to continue using these types of arrangements to finance the development of properties as opportunities arise. At December 31, 2005, our unconsolidated joint ventures had borrowings outstanding that totaled approximately $658.2 million that, in accordance with U.S. generally accepted accounting principles, are not recorded in the accompanying consolidated balance sheets and equity that totaled $838.5 million. We and our joint venture partners generally provide credit enhancements to these borrowings in the form of loan-to-value maintenance agreements, which require us under certain circumstances to repay the venture's borrowings to the extent such borrowings plus construction completion costs exceed a specified percentage of the value of the property securing the loan. Either a decrease in the value of the property securing the loan or an increase in construction completion costs could trigger this payment obligation. Typically, we share these obligations with our other partners, and in some instances, these obligations are subject to limitations on the amount that we could be required to pay down. At December 31, 2005, approximately $369.6 million of our unconsolidated joint venture borrowings were subject to these credit enhancements by us and our partners (exclusive of credit enhancements of our partners with respect to which we are not liable).

In addition, we and our joint venture partners are generally obligated to the project lenders to complete land development improvements and the construction of planned homes if the joint venture does not perform the required development and construction. Provided we and the other joint venture partners are in compliance with these completion obligations, the project lenders would be obligated to fund these improvements through any financing commitments available under the applicable joint venture development and construction loans. We and our joint venture partners have from time to time provided unsecured environmental indemnities to joint venture project lenders. In some instances, these indemnities are subject to caps. In each case, we have performed due diligence on potential environmental risks. These indemnities obligate us to reimburse the project lenders for claims related to environmental matters for which they are held responsible.

We and our joint venture partners have also agreed to indemnify third party surety providers with respect to performance bonds issued on behalf of certain of our joint ventures. If a joint venture does not perform its obligations, the surety bond could be called. If these surety bonds are called and the joint venture fails to reimburse the surety, we and our joint venture partners would be obligated to indemnify the surety. These surety indemnity arrangements are generally joint and several obligations with our joint venture partners. At December 31, 2005, our joint ventures had approximately $186.1 million of surety bonds outstanding subject to these indemnity arrangements by us and our partners.

As discussed above, we also use community development district, community facilities or other similar assessment district bond financings from time to time to finance land development and infrastructure costs. Subject to certain exceptions in Florida, we are generally not responsible for the repayment of these assessment district bonds. As of December 31, 2005, we had approximately $12.2 million in other reimbursement obligations and outstanding letters of credit guaranteeing a portion of the payment of principal and interest on outstanding assessment district bonds.

We have no other material commitments or off-balance sheet financing arrangements that under current market conditions we expect to materially affect our future liquidity.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans. SFAS 123R applies to all awards granted after the effective date and to awards modified, repurchased or cancelled after that date. SFAS 123R is effective for fiscal years beginning after June 15, 2005. As of the effective date, all public entities that used the fair-value-based method for either recognition or disclosure under SFAS 123 will apply SFAS 123R using a modified version of prospective application. Under that transition method, compensation cost is recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosures. In 2003, we adopted the fair value recognition provisions of SFAS 123 using the prospective method as permitted by SFAS 148. We recognize compensation expense related to stock-based awards granted, modified or settled after December 31, 2002, as further described in Note 2(l), "Summary of Significant Accounting Policies—Stock-Based Compensation," to our consolidated financial statements included elsewhere in this report. We have evaluated the impact of adopting SFAS 123R, and we do not believe the adoption of SFAS 123R will have a material impact on our financial condition or results of operations.

On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the Staff's interpretation of share-based payments. This interpretation expresses the views of the Staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and provide the Staff's views regarding the valuation of share-based payment arrangements for public companies. We will adopt SAB 107 in connection with our adoption of SFAS 123R. We do not believe the adoption of SAB 107 will have a material impact on our financial condition or results of operations.

On June 29, 2005, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5"). The scope of EITF 04-5 is limited to limited partnerships or similar entities (such as limited liability companies that have governing provisions that are the functional equivalent of a limited partnership) that are not variable interest entities under FIN 46R and provides a new framework for addressing when a general partner in a limited partnership, or managing member in the case of a limited liability company, controls the entity. Under EITF 04-5, we may be required to consolidate certain investments in which we hold a general partner or managing member interest. EITF 04-5 is effective after June 29, 2005 for new entities formed after such date and for existing entities for which the agreements are subsequently modified and is effective for our fiscal year beginning January 1, 2006 for all other entities. The adoption of EITF 04-5 did not have any impact on our financial statements as of December 31, 2005 for arrangements entered into subsequent to June 29, 2005. We have not yet determined the anticipated impact of adopting EITF 04-5 for our arrangements existing at June 29, 2005; however, we do not believe the adoption of EITF 04-5 for arrangements existing at June 29, 2005 will have a material impact on our financial position or results of operations.

FORWARD-LOOKING STATEMENTS

This Form 10-K and our 2005 Annual Report to Stockholders (the "Annual Report") contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. In addition, other statements we may make from time to time, such as press releases, oral statements made by Company officials and other reports we file with the Securities and Exchange Commission, may also contain such forward-looking statements. These statements, which represent our expectations or beliefs regarding future events, may include, but are not limited to, statements regarding:

- our strategies;
- the strength of our markets;
- expected revenues, deliveries, product mix, average home prices and gross margins;
- sales orders and our backlog of homes and their estimated sales value;
- our growth opportunities and desire to expand in our existing markets and enter new geographic markets;
- the sufficiency of our infrastructure and technology to support our growth;
- our ability to maintain and continue expanding our product platform and price points;
- our ability to react to increases or decreases in demand for housing;
- our ability to rapidly take advantage of local market opportunities as they arise;
- our ability to continue to grow in California, Florida, Arizona and our other markets;
- our ability to achieve a top tier share in our markets;
- the adequacy of our inventory of building sites and our competitive edge in acquiring new building sites;
- our ability to export our high density expertise from Southern California to our other divisions;
- planned new home community openings and the expected number of active selling communities;
- the potential impact of best practice and cost reduction initiatives;
- our ability to minimize overhead and operating expenses;
- our relationship with our employees and subcontractors;
- contingent earn-out payments in connection with acquisitions;
- the sufficiency of our capital resources;
- our intention to renew our mortgage credit facilities;
- our planned continued use of joint ventures and expected joint venture deliveries;
- our review and assessment of goodwill for impairment;
- the expected impact of new accounting pronouncements;
- our expectation that our commitments and off-balance sheet financing arrangements will not materially affect our liquidity;
- our exposure to market risks, including fluctuations in interest rates;
- the effectiveness and adequacy of our disclosure and internal controls;
- the time typically required to complete construction of a home;
- the expected impact of outstanding claims and actions on our results of operations and financial position;

- the likelihood of realization of a net deferred tax asset; and
- the potential value of and expense related to stock option grants.

Forward-looking statements are based on current expectations or beliefs regarding future events or circumstances, and you should not place undue reliance on these statements. Such statements involve known and unknown risks, uncertainties, assumptions and other factors—many of which are out of our control and difficult to forecast—that may cause actual results to differ materially from those that may be described or implied. Such factors include, but are not limited to, the following:

- local and general economic and market conditions, including consumer confidence, employment rates, interest rates, the cost and availability of mortgage financing, and stock market, home and land valuations;
- the impact on economic conditions of terrorist attacks or the outbreak or escalation of armed conflict involving the United States;
- the cost and availability of suitable undeveloped land, building materials and labor;
- the cost and availability of construction financing and corporate debt and equity capital;
- the significant amount of our debt and the impact of the restrictive covenants in our credit agreements and public notes;
- the demand for single-family homes and the growth potential of our markets;
- cancellations of purchase contracts by homebuyers;
- the cyclical and competitive nature of our business;
- governmental regulation, including the impact of "slow growth," "no growth" or similar initiatives;
- delays in the land entitlement and other approval processes, development, construction, or the opening of new home communities;
- adverse weather conditions and natural disasters;
- environmental matters;
- risks relating to our mortgage operations, including hedging activities;
- future business decisions and our ability to successfully implement our operational, growth and other strategies;
- risks relating to acquisitions;
- litigation and warranty claims; and
- other factors included in this Form 10-K.

We assume no, and hereby disclaim any, obligation to update any of the foregoing or any other forward-looking statements. We nonetheless reserve the right to make such updates from time to time by press release, periodic report or other method of public disclosure without the need for specific reference to this Form 10-K or the Annual Report. No such update shall be deemed to indicate that other statements not addressed by such update remain correct or create an obligation to provide any other updates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to fluctuations in interest rates on our rate-locked loan commitments, mortgage loans held for sale and outstanding variable rate debt. Other than forward sale commitments of mortgage-backed securities entered into by our financial services subsidiary for the purpose of hedging interest rate risk as described below, we did not utilize swaps, forward or option contracts on interest rates, foreign currencies or commodities, or other types of derivative financial instruments as of or during the year ended December 31, 2005. We do not enter into or hold derivatives for trading or speculative purposes. The purpose of the following analysis is to provide a framework to understand our sensitivity to hypothetical changes in interest rates as of December 31, 2005. You should be aware that many of the statements contained in this section are forward looking and should be read in conjunction with our disclosures under the heading "Forward-Looking Statements."

As part of our ongoing operations, we provide mortgage loans to our homebuyers through our financial services subsidiary, Family Lending, and our joint ventures, Westfield Home Mortgage and Home First Funding. Our mortgage banking joint ventures, and to a lesser extent, Family Lending, manage the interest rate risk associated with making loan commitments and holding loans for sale by preselling loans. Preselling loans consists of obtaining commitments (subject to certain conditions) from investors to purchase the mortgage loans while concurrently extending interest rate locks to loan applicants. In the case of our financial services joint ventures, these loans are presold and promptly transferred to their respective financial institution partners or third party investors. In the case of Family Lending, these loans are presold to third party investors. Before completing the sale to these investors, Family Lending finances these loans under its mortgage credit facilities for a short period of time (typically for 15 to 30 days), while the investors complete their administrative review of the applicable loan documents. Due to the frequency of these loan sales and the commitments from its third party investors, we believe the market rate risk associated with loans originated on this basis by Family Lending is minimal. As of December 31, 2005, Family Lending held approximately $9.9 million in closed mortgage loans that were presold to third party investors subject to completion of the investors' administrative review of the applicable loan documents.

To enhance potential returns on the sale of mortgage loans, Family Lending also originates a substantial portion of its mortgage loans on a non-presold basis. When originating on a non-presold basis, Family Lending locks interest rates with its customers and funds loans prior to obtaining purchase commitments from third party investors, thereby creating interest rate risk. To hedge this interest rate risk, Family Lending enters into forward sale commitments of mortgage-backed securities. Loans originated in this manner are typically held by Family Lending and financed under its mortgage credit facilities for 15 to 60 days before the loans are sold to third party investors. Family Lending utilizes the services of a third party advisory firm to assist with the execution of its hedging strategy for loans originated on a non-presold basis. While this hedging strategy is designed to assist Family Lending in mitigating risk associated with originating loans on a non-presold basis, these instruments involve elements of market risk that could result in losses on loans originated in this manner. In addition, volatility in mortgage interest rates can also increase the costs associated with this hedging program and therefore, adversely impact margins on loan sales. As of December 31, 2005, Family Lending had approximately $137.0 million of closed mortgage loans held for sale and loans in process that were originated on a non-presold basis, of which approximately $127.1 million were hedged by forward sale commitments of mortgage-backed securities.

There are also certain loans in Family Lending's mortgage loan portfolio that were contributed to Family Lending in connection with its initial capitalization. These mortgage loans are accounted for as loans held for sale and include both fixed and variable rate loans.

We utilize debt financing primarily for acquiring and developing land, constructing and selling homes, funding market expansion through acquisitions, and for other operating purposes. Historically, we have made short-term borrowings under our revolving credit facility to fund these expenditures, and when market conditions were appropriate, based on our judgment, we would issue stock or fixed rate debt to provide longer-term financing. In addition, as discussed above, our financial services subsidiary utilizes short-term borrowings under its mortgage credit facilities to finance mortgage loan originations for our homebuyers. Borrowings under these revolving credit facilities are at variable rates.

For our fixed rate debt, changes in interest rates generally affect the fair market value of each debt instrument but not our earnings or cash flows. Conversely, for our variable rate debt, changes in interest rates generally do not impact the fair market value of the debt instrument but do affect our earnings and cash flows. We do not have any obligations that currently require us to prepay fixed rate debt prior to maturity, and as a

result, interest rate risk and changes in fair market value should not have a significant impact on the fixed rate debt until we would be required to refinance such debt. Holding our variable rate debt balance constant as of December 31, 2005, each one percentage point increase in interest rates would result in an increase in variable rate interest incurred for the coming year of approximately $3.1 million. A one percentage point increase in interest rates on our average variable rate debt outstanding during 2005 would have resulted in an increase in variable rate interest costs of approximately $2.2 million. In addition, holding our combined homebuilding joint venture variable rate debt balance constant as of December 31, 2005, each one percentage point increase in interest rates would result in an approximately $6.6 million increase in the interest costs of the unconsolidated joint ventures.

The table below details the principal amount and the average interest rates for the mortgage loans held for sale and outstanding debt for each category based upon the expected maturity or disposition dates. Certain mortgage loans held for sale require periodic principal payments prior to the expected maturity date. The fair value estimates for these mortgage loans held for sale are based upon future discounted cash flows of similar type notes or quoted market prices for similar loans. The carrying value of our variable rate debt approximates fair value due to the frequency of repricing of this debt. Our fixed rate debt consists of indebtedness included in inventories not owned, trust deed and other notes payable, senior notes payable and senior subordinated notes payable. The interest rates on our indebtedness included in inventories not owned, trust deed and other notes payable approximate the current rates available for secured real estate financing with similar terms and maturities and, as a result, their carrying amounts approximate fair value. Our senior notes payable and senior subordinated notes payable are publicly traded debt instruments and their fair values are based on their quoted market prices as of December 31, 2005.

	Expected Maturity Date							
December 31,	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**	**Estimated Fair Value**
	(Dollars in thousands)							
Assets:								
Mortgage loans held for sale (1)	$129,508	$ 34	$ 16	$ 18	$ 19	$ 240	$ 129,835	$ 130,339
Average interest rate	5.6%	9.8%	9.6%	9.6%	9.6%	9.8%	5.7%	
Liabilities:								
Fixed rate debt	$ 74,344	$61,553	$150,780	$153,500	$175,000	$773,277	$1,388,454	$1,353,204
Average interest rate	4.9%	4.8%	6.5%	5. 0%	6.5%	7.4%	6.7%	
Variable rate debt	$123,426	$ —	$ —	$183,100	$ —	$ —	$ 306,526	$ 306,526
Average interest rate	5.3%	—	—	5.8%	—	—	5.6%	
Off-Balance Sheet Financial Instruments:								
Forward sale commitments of mortgage-backed securities:								
Notional amount	$127,104	$ —	$ —	$ —	$ —	$ —	$ 127,104	$ 127,876
Average interest rate	5.0%	—	—	—	—	—	5.0%	
Commitments to originate mortgage loans:								
Notional amount	$ 32,612	$ —	$ —	$ —	$ —	$ —	$ 32,612	$ 32,992
Average interest rate	7.2%	—	—	—	—	—	7.2%	

(1) Substantially all of the amounts presented in this line item for 2006 reflect the expected date of disposition of certain loans rather than the actual scheduled maturity dates of these mortgages.

Based on the current interest rate management policies we have in place with respect to most of our mortgage loans held for sale, commitments to originate rate-locked mortgage loans and outstanding debt, we do not believe that the future market rate risks related to the above securities will have a material adverse impact on our financial position, results of operations or liquidity.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Standard Pacific Corp.:

We have audited the accompanying consolidated balance sheets of Standard Pacific Corp. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Standard Pacific Corp. and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Standard Pacific Corp. and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Irvine, California
February 22, 2006

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands, except per share amounts)		
Homebuilding:			
Revenues	$ 3,993,082	$ 3,341,600	$ 2,341,180
Cost of sales	(2,908,422)	(2,525,797)	(1,839,066)
Gross margin	1,084,660	815,803	502,114
Selling, general and administrative expenses	(439,850)	(343,869)	(227,831)
Income from unconsolidated joint ventures	58,944	43,415	53,900
Other income (expense)	746	(6,203)	(1,433)
Homebuilding pretax income	704,500	509,146	326,750
Financial Services:			
Revenues	18,279	12,854	13,724
Expenses	(14,821)	(12,323)	(8,926)
Income from unconsolidated joint ventures	2,252	2,491	3,169
Other income	604	448	381
Financial services pretax income	6,314	3,470	8,348
Income before taxes	710,814	512,616	335,098
Provision for income taxes	(269,830)	(196,799)	(130,719)
Net Income	$ 440,984	$ 315,817	$ 204,379
Earnings Per Share:			
Basic	$ 6.52	$ 4.69	$ 3.14
Diluted	$ 6.30	$ 4.54	$ 3.04
Weighted Average Common Shares Outstanding:			
Basic	67,621,717	67,374,432	65,110,378
Diluted	69,969,466	69,572,206	67,221,470
Cash dividends per share	$ 0.16	$ 0.16	$ 0.16

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

STANDARD PACIFIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004
	(Dollars in thousands)	
ASSETS		
Homebuilding:		
Cash and equivalents	$ 18,824	$ 141,697
Trade and other receivables	74,986	27,049
Inventories:		
Owned	2,928,850	2,111,868
Not owned	590,315	268,028
Investments in and advances to unconsolidated joint ventures	285,760	205,429
Deferred income taxes	58,681	37,981
Goodwill and other intangibles, net	120,396	85,849
Other assets	60,052	33,857
	4,137,864	2,911,758
Financial Services:		
Cash and equivalents	9,799	9,107
Mortgage loans held for sale	129,835	88,570
Other assets	3,344	3,798
	142,978	101,475
Total Assets	$4,280,842	$3,013,233
LIABILITIES AND STOCKHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	$ 115,082	$ 96,470
Accrued liabilities	345,294	286,125
Liabilities from inventories not owned	48,737	32,390
Revolving credit facility	183,100	—
Trust deed and other notes payable	97,031	26,340
Senior notes payable	1,099,153	874,068
Senior subordinated notes payable	149,124	149,026
	2,037,521	1,464,419
Financial Services:		
Accounts payable and other liabilities	2,246	2,127
Mortgage credit facilities	123,426	81,892
	125,672	84,019
Total Liabilities	2,163,193	1,548,438
Minority Interests	378,490	142,800
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 67,129,010 and 67,234,698 shares outstanding, respectively	671	672
Additional paid-in capital	405,638	418,591
Retained earnings	1,332,850	902,732
Total Stockholders' Equity	1,739,159	1,321,995
Total Liabilities and Stockholders' Equity	$4,280,842	$3,013,233

The accompanying notes are an integral part of these consolidated balance sheets.

STANDARD PACIFIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2003, 2004 and 2005	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	(Dollars in thousands, except per share amounts)				
Balance, December 31, 2002	64,367,260	$644	$369,401	$ 403,713	$ 773,758
Stock issuances under employee plans, including income tax benefits	1,483,776	14	16,177	—	16,191
Repurchase of and retirement of common stock, net of expenses	(126,600)	(1)	(1,607)	—	(1,608)
Cash dividends declared ($0.16 per share)	—	—	—	(10,394)	(10,394)
Issuance of common stock, net of expenses	2,000,000	20	49,980	—	50,000
Amortization of stock-based compensation	—	—	875	—	875
Net income	—	—	—	204,379	204,379
Balance, December 31, 2003	67,724,436	677	434,826	597,698	1,033,201
Stock issuances under employee plans, including income tax benefits	1,146,462	11	16,005	—	16,016
Repurchase of and retirement of common stock, net of expenses	(1,636,200)	(16)	(38,738)	—	(38,754)
Cash dividends declared ($0.16 per share)	—	—	—	(10,783)	(10,783)
Amortization of stock-based compensation	—	—	6,498	—	6,498
Net income	—	—	—	315,817	315,817
Balance, December 31, 2004	67,234,698	672	418,591	902,732	1,321,995
Stock issuances under employee plans, including income tax benefits	1,286,470	13	25,818	—	25,831
Repurchase of and retirement of common stock, net of expenses	(1,392,158)	(14)	(52,021)	—	(52,035)
Cash dividends declared ($0.16 per share)	—	—	—	(10,866)	(10,866)
Amortization of stock-based compensation	—	—	13,250	—	13,250
Net income	—	—	—	440,984	440,984
Balance, December 31, 2005	67,129,010	$671	$405,638	$1,332,850	$1,739,159

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

STANDARD PACIFIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Cash Flows from Operating Activities:			
Net income	$ 440,984	$ 315,817	$ 204,379
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Income from unconsolidated joint ventures	(61,196)	(45,906)	(57,069)
Cash distributions of income from unconsolidated joint ventures	61,725	67,457	63,905
Depreciation and amortization	5,941	4,044	3,636
Loss on early extinguishment of debt	5,938	10,154	3,203
Amortization of stock-based compensation	13,250	6,498	875
Changes in cash and equivalents due to:			
Trade and other receivables	(89,134)	(6,507)	38,236
Inventories-owned	(559,766)	(281,171)	(335,020)
Inventories-not owned	(69,407)	(50,611)	65,325
Deferred income taxes	(20,700)	(11,620)	(7,750)
Other assets	(14,114)	(5,594)	18,081
Accounts payable	16,267	16,326	5,602
Accrued liabilities	64,968	84,738	59,292
Liabilities from inventories not owned	—	(3,958)	(42,197)
Net cash provided by (used in) operating activities	(205,244)	99,667	20,498
Cash Flows from Investing Activities:			
Net cash paid for acquisitions	(115,609)	(25,078)	(113,224)
Investments in and advances to unconsolidated homebuilding joint ventures	(219,627)	(160,746)	(130,979)
Capital distributions and repayments of advances from unconsolidated homebuilding joint ventures	90,441	84,151	53,086
Net additions to property and equipment	(12,499)	(6,627)	(2,706)
Net cash provided by (used in) investing activities	(257,294)	(108,300)	(193,823)
Cash Flows from Financing Activities:			
Net proceeds from revolving credit facility	183,100	—	—
Principal payments on trust deed and other notes payable	(48,177)	(32,087)	(22,576)
Redemption of senior notes payable	(130,938)	(259,045)	(102,883)
Proceeds from the issuance of senior notes payable	346,330	297,240	444,669
Net proceeds from (payments on) mortgage credit facilities	41,534	22,575	(52,671)
Proceeds from issuance of common stock	—	—	50,300
Dividends paid	(10,866)	(10,783)	(10,394)
Repurchase of common stock	(52,035)	(38,754)	(1,608)
Proceeds from the exercise of stock options	11,409	9,808	11,320
Net cash provided by (used in) financing activities	340,357	(11,046)	316,157
Net increase (decrease) in cash and equivalents	(122,181)	(19,679)	142,832
Cash and equivalents at beginning of year	150,804	170,483	27,651
Cash and equivalents at end of year	$ 28,623	$ 150,804	$ 170,483

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

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	$ 85,381	$ 80,624	$ 68,033
Income taxes	283,659	178,698	124,055
Supplemental Disclosures of Noncash Activities:			
Inventory financed by trust deed and other notes payable	$118,868	$ 33,519	$ 29,366
Inventory received as distributions from unconsolidated homebuilding joint ventures	59,254	13,960	29,323
Deferred purchase price recorded in connection with acquisitions	13,129	6,982	4,698
Expenses capitalized in connection with the issuance of senior notes payable	3,670	2,760	4,257
Income tax benefit credited in connection with the exercise of stock options	14,422	6,208	4,871
Inventories not owned	252,880	88,964	85,389
Liabilities from inventories not owned	16,347	16,733	15,657
Minority interests	236,533	72,231	69,732

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

1. Company Organization and Operations

We operate as a geographically diversified builder of single-family attached and detached homes for use as primary residences with operations in the major metropolitan markets in California, Texas, Arizona, Colorado, Florida, the Carolinas and Nevada. We also provide mortgage financing and title services to our homebuyers through our subsidiaries and joint ventures. Unless the context otherwise requires, the terms "we," "us" and "our" refer to Standard Pacific Corp. and its subsidiaries.

Our percentage of home deliveries by state (excluding deliveries by unconsolidated joint ventures) for the years ended December 31, 2005, 2004 and 2003 were as follows:

State	Year Ended December 31, 2005	2004	2003
California	28%	38%	34%
Florida	31	26	29
Arizona	18	19	20
Carolinas	9	6	7
Texas	10	6	6
Colorado	4	5	4
Total	100%	100%	100%

Although we have increased our geographic diversification in recent years, we still conduct a significant portion of our business in California and generate a disproportionate amount of our revenues and profits in the state. Demand for new homes, and in some instances home prices, has declined from time to time in California. There can be no assurance that the demand for new homes or home sales prices in California or the other markets in which we operate will not decline in the future.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The consolidated financial statements include the accounts of Standard Pacific Corp., its wholly owned subsidiaries and accounts of consolidated variable interest entities. All significant intercompany accounts and transactions have been eliminated.

b. Stock Split

On July 27, 2005, the Board of Directors approved a two-for-one stock split effected in the form of a stock dividend. Stockholders of record at the close of business on August 8, 2005 received one additional share of our common stock for every one share of our common stock owned on that date. The additional shares were distributed on August 29, 2005. Accordingly, all share and per share amounts included in this Form 10-K have been restated to reflect such stock split for all periods presented.

c. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Segment Reporting

We report our consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). Our homebuilding operating divisions and our mortgage financing and title service operations are our operating segments. Our homebuilding operating divisions have similar economic characteristics; therefore, we aggregate them into a single homebuilding reportable segment in accordance with SFAS 131. Our mortgage financing and title services operations are included in our financial services reporting segment. These two segments are segregated in the accompanying consolidated financial statements under "Homebuilding" and "Financial Services," respectively.

e. Business Combinations

Acquisitions of businesses are accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"). Under the purchase method of accounting, the assets acquired and liabilities assumed are recorded at their estimated fair values. Any purchase price paid in excess of the net fair values of tangible and identified intangible assets less liabilities assumed is recorded as goodwill. Our reported income from an acquired company includes the operations of the acquired company from the effective date of acquisition.

In October 2003, we acquired Coppenbarger Homes, a longtime homebuilder in the Jacksonville, Florida metropolitan area. In December 2003, we acquired Lucas and Mercier Development, Inc.'s Sacramento homebuilding operations. In August 2004, we acquired Kemmerly Homes, a homebuilder in the Tucson, Arizona area. In March 2005, we acquired substantially all of the homebuilding assets of Probuilt Homes, a homebuilder in the Bakersfield, California area. In September 2005, we acquired substantially all of the homebuilding assets of Eagle Valley Homes, a homebuilder in the San Antonio, Texas area. None of these acquisitions were material individually or in the aggregate.

f. Variable Interest Entities

We account for variable interest entities under Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51 ("FIN 46R"). Under FIN 46R, a variable interest entity ("VIE") is created when (i) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders, (ii) the entity's equity holders as a group either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity or (iii) the entity's equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of an investor with disproportionately few voting rights. If an entity is deemed to be a VIE pursuant to FIN 46R, the enterprise that is deemed to absorb a majority of the expected losses, receive a majority of the entity's expected residual returns, or both, is considered the primary beneficiary and must consolidate the VIE. Expected losses and residual returns for VIEs are calculated based on the probability of estimated future cash flows as defined in FIN 46R.

g. Limited Partnerships and Limited Liability Companies

We account for limited partnerships and limited liability companies under Emerging Issues Task Force ("EITF") No. 04-5, "Determining whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5"), which the EITF reached a consensus on EITF 04-5 on June 29, 2005. The scope of EITF 04-5 is limited to limited partnerships or similar entities (such as limited liability companies that have governing provisions that are the functional equivalent of a limited partnership) that are not variable interest entities under FIN 46R and provides a new framework for addressing when a general partner in a limited partnership, or a managing member in the case of a limited liability company, controls the entity. Under EITF 04-5, we may be required to consolidate certain investments in which we hold a general partner or managing member interest. EITF 04-5 is effective after June 29, 2005 for new entities formed after such date and for existing entities for which the agreements are subsequently modified and is effective for our fiscal year beginning January 1, 2006 for all other entities. The adoption of EITF 04-5 did not have any impact on our financial statements as of December 31, 2005 for arrangements entered into subsequent to June 29, 2005. We have not yet determined the anticipated impact of adopting EITF 04-5 for our arrangements existing at June 29, 2005; however, we do not believe the adoption of EITF 04-5 for arrangements existing at June 29, 2005 will have a material impact on our financial position or results of operations.

h. Revenue Recognition

Homebuilding revenues are recorded after construction is completed, a sufficient down payment has been received, title has passed to the homebuyer and collection of the purchase price is reasonably assured.

We recognize loan origination fees and expenses and gains and losses on loans when the related mortgage loans are sold. Our policy is to sell all mortgage loans originated. These sales generally occur within 60 days of origination. Mortgage loan interest is accrued only so long as it is deemed collectible.

i. Cost of Sales

Homebuilding cost of sales is recognized when homes are sold and title has transferred to the homebuyer. Cost of sales is recorded based upon total estimated costs to be allocated to each home within a community. Certain direct construction costs are specifically identified and allocated to homes while other common costs, such as land, land improvements and carrying costs, are allocated to homes within a community based upon their anticipated relative sales value. Any changes to the estimated costs are allocated to the remaining undelivered lots and homes within their respective community. These costs include all direct and indirect construction costs associated with constructing and carrying the home as well as costs related to developing the surrounding community and amenities, such as land, land improvements and other common costs. The estimation of these costs requires a substantial degree of judgment by management.

j. Warranty Costs

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized. Amounts accrued are based upon historical experience rates. Beginning January 1, 2004, indirect warranty overhead salaries and related costs are charged to cost of sales in the period incurred. We periodically assess the adequacy of accrued warranty and adjust the amounts recorded if necessary. Accrued warranty is included in accrued liabilities in our consolidated balance sheets. Changes in our accrued warranty are detailed in the table set forth below:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Accrued warranty, beginning of the year	$ 23,560	$ 23,522	$ 16,984
Warranty costs accrued and other adjustments during the year	24,159	12,243	22,380
Warranty costs paid during the year	(17,816)	(12,205)	(15,842)
Accrued warranty, end of the year	$ 29,903	$ 23,560	$ 23,522

k. Earnings Per Share

We compute earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). This statement requires the presentation of both basic and diluted earnings per share for financial statement purposes. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share includes the effect of the potential shares outstanding, including dilutive stock options, nonvested performance share awards and nonvested restricted stock, using the treasury stock method. The table set forth below reconciles the components of the basic earnings per share calculation to diluted earnings per share.

	Year Ended December 31,								
	2005			2004			2003		
	Net Income	Shares	EPS	Net Income	Shares	EPS	Net Income	Shares	EPS
	(Dollars in thousands, except per share amounts)								
Basic earnings per share	$440,984	67,621,717	$6.52	$315,817	67,374,432	$4.69	$204,379	65,110,378	$3.14
Effect of dilutive securities (1):									
Stock options	—	2,178,425		—	2,197,774		—	2,111,092	
Nonvested performance share awards	—	161,778		—	—		—	—	
Nonvested restricted stock	—	7,546		—	—		—	—	
Diluted earnings per share	$440,984	69,969,466	$6.30	$315,817	69,572,206	$4.54	$204,379	67,221,470	$3.04

(1) For the years ended December 31, 2005, 2004 and 2003, antidilutive stock options not included in the calculation of diluted earnings per share were 763,400, 1,182,100 and 714,100, respectively.

l. Stock-Based Compensation

At December 31, 2005, we have stock option plans that are further described in Note 12. In 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). We selected the prospective method of adopting SFAS 123 as permitted by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" ("SFAS 148"). Under the prospective method, the fair value recognition provisions are applied to all stock-based awards granted, modified or settled after December 31, 2002. Under the fair value recognition provisions of SFAS 123, total compensation expense related to stock-based awards is determined using the fair value of the stock-based awards on the date of grant. Total compensation expense is recognized on a straight-line basis over the vesting period as if adoption had occurred effective January 1, 2003.

Grants made prior to January 1, 2003 will continue to be accounted for under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations until we adopt Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), on January 1, 2006 as further described in Note

2(w) below. However, all grants made prior to January 1, 2003 will be fully vested on January 1, 2006, and, as a result, no additional compensation expense will be recognized relating to these awards upon adopting SFAS 123R. In accordance with the intrinsic value method of accounting relating to stock-based awards granted prior to January 1, 2003, no stock-based employee compensation expense is reflected in net income, as all stock-based awards granted under those plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant and vesting is not dependent on any future conditions other than continued employment.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123 to our stock-based compensation plans in each period:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands, except per share amounts)		
Net income, as reported	$440,984	$315,817	$204,379
Add: Total stock-based employee compensation expense determined under the fair value method included in reported net income, net of related tax effects	8,220	4,003	534
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(8,849)	(5,610)	(3,211)
Net income, as adjusted	$440,355	$314,210	$201,702
Earnings per share:			
Basic—as reported	$ 6.52	$ 4.69	$ 3.14
Basic—as adjusted	$ 6.51	$ 4.66	$ 3.10
Diluted—as reported	$ 6.30	$ 4.54	$ 3.04
Diluted—as adjusted (1)	$ 6.29	$ 4.51	$ 3.00

(1) The number of diluted shares used to compute diluted earnings per share if we had applied the fair value recognition provisions of SFAS 123 to all of our stock-based compensation plans for the years ended December 31, 2005, 2004 and 2003 were 70,035,626, 69,643,442 and 67,177,904, respectively.

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future values.

The fair value of each stock option granted during each of the three years ended December 31, 2005, 2004 and 2003 was estimated using the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	2005	2004	2003
Dividend yield	0.37%	0.58%	0.96%
Expected volatility	39.35%	47.65%	53.76%
Risk-free interest rate	3.81%	3.52%	3.08%
Expected life	3.3 years	5.0 years	5.0 years

Based on the above assumptions, the weighted average per share fair value of options granted during the years ended December 31, 2005, 2004 and 2003 was $13.72, $12.03 and $7.62, respectively.

m. Cash and Equivalents

For purposes of the consolidated statements of cash flows, cash and equivalents include cash on hand, demand deposits and all highly liquid short-term investments, including interest-bearing securities purchased with a maturity of three months or less from the date of purchase.

n. Mortgage Loans Held for Sale

Mortgage loans held for sale are reported at the lower of cost or market on an aggregate basis. We estimate the market value of our loans held for sale based on quoted market prices for similar loans. Loan origination fees, net of the related direct origination costs, and loan discount points are deferred as an adjustment to the carrying value of the related mortgage loans held for sale and are recognized as income upon the sale of mortgage loans, which generally occurs within 60 days of origination. We recognize net interest income on loans held for sale from the date of origination through the date of disposition.

o. Inventories

Inventories consisted of the following at:

	December 31,	
	2005	2004
	(Dollars in thousands)	
Inventories owned:		
Land and land under development	$1,801,874	$1,138,766
Homes completed and under construction	1,003,679	855,585
Model homes	123,297	117,517
Total inventories owned	$2,928,850	$2,111,868
Inventories not owned:		
Land purchase and land option deposits	$ 163,083	$ 93,675
Variable interest entities, net of deposits	421,641	171,590
Other land option contracts, net of deposits	5,591	2,763
Total inventories not owned	$ 590,315	$ 268,028

Inventories owned consists of land, land under development, homes under construction, completed homes and model homes and are stated at cost, net of impairment losses, if any. We capitalize direct carrying costs, including interest, property taxes and related development costs to inventories. Field construction supervision and related direct overhead are also included in the capitalized cost of inventories. Direct construction costs are specifically identified and allocated to homes while other common costs, such as land, land improvements and carrying costs, are allocated to homes within a community based upon their anticipated relative sales value.

Under FIN 46R, a non-refundable deposit paid to an entity is deemed to be a variable interest that will absorb some or all of the entity's expected losses if they occur. Therefore, whenever we enter into a land option or purchase contract with an entity and make a non-refundable deposit, a VIE may have been created. If a VIE exists and we have a variable interest in that entity, FIN 46R may require us to calculate expected losses and residual returns for the VIE, based on the probability of estimated future cash flows as described in FIN 46R. If we are deemed to be the primary beneficiary of a VIE based on such calculations, we are required to consolidate the VIE on our balance sheet.

At December 31, 2005 and 2004, we consolidated 32 and 17 VIEs, respectively, as a result of our option to purchase land or lots from the selling entities. We made cash deposits to these VIEs totaling approximately $56.0 million and $19.7 million as of December 31, 2005 and 2004, respectively, which are included in land purchase and land option deposits in the table above. Our option deposits generally represent our maximum exposure to loss if we elect not to purchase the optioned property. We consolidated these VIEs because we were considered the primary beneficiary in accordance with FIN 46R. As a result, included in our consolidated balance sheets at

December 31, 2005 and 2004, were inventories not owned related to these VIEs of approximately $477.7 million and $191.3 million (which includes $56.0 million and $19.7 million in deposits), liabilities from inventories not owned of approximately $43.2 million and $29.6 million, and minority interests of approximately $378.5 million and $142.0 million, respectively. These amounts were recorded based on their estimated fair values upon consolidation. Creditors of these VIEs, if any, have no recourse against us.

We account and report for the impairment or disposal of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires long-lived assets, including inventories, that are expected to be held and used in operations to be carried at the lower of cost or, if impaired, the fair value of the asset. SFAS 144 requires that companies evaluate long-lived assets for impairment based on undiscounted future cash flows of the assets at the lowest level for which there is identifiable cash flows. This evaluation requires estimates of future revenues, costs and the remaining time to develop the project and requires a substantial degree of judgment by management. Actual revenues, costs and time to complete development could vary from estimates, which could affect our future results of operations. We review each real estate project to determine whether or not carrying amounts have been impaired. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

p. Capitalization of Interest

We follow the practice of capitalizing interest to inventories owned during the period of development in accordance with Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost" and to investments in and advances to unconsolidated joint ventures in accordance with Statement of Financial Accounting Standards No. 58, "Capitalization of Interest Cost in Financial Statements That Include Investments Accounted for by the Equity Method (an amendment of FASB Statement No. 34)." Homebuilding interest capitalized as a cost of inventories owned is included in cost of sales as related units are sold. In addition, we capitalize interest to our investments in unconsolidated homebuilding and land development joint ventures. Interest capitalized to investments in unconsolidated joint ventures is included as a reduction to income from unconsolidated joint ventures as the related homes or lots are sold. The following is a summary of homebuilding interest capitalized to inventories owned and investments in unconsolidated joint ventures and expensed to cost of sales and income from unconsolidated joint ventures for the following periods:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Homebuilding interest capitalized in inventories owned and investments in and advances to unconsolidated joint ventures, beginning of year	$ 58,620	$ 38,438	$ 31,860
Homebuilding interest incurred and capitalized	95,554	87,085	76,032
Homebuilding interest previously capitalized and amortized	(73,186)	(66,903)	(69,454)
Homebuilding interest capitalized in inventories owned and investments in and advances to unconsolidated joint ventures, end of year	$ 80,988	$ 58,620	$ 38,438
Capitalized interest as a percentage of inventories owned and investments in and advances to unconsolidated joint ventures, end of year	2.5%	2.5%	2.0%

q. Unconsolidated Homebuilding and Land Development Joint Ventures

Investments in our unconsolidated homebuilding and land development joint ventures are accounted for under the equity method of accounting. Under the equity method, we recognize our proportionate share of earnings and losses generated by the joint venture upon the delivery of lots or homes to third parties. All joint venture profits generated from land sales to us are deferred and recorded as a reduction to our cost basis in the lots purchased until the homes are ultimately sold by us to third parties. Our ownership interests in our unconsolidated joint ventures vary, but are generally less than or equal to 50 percent. In certain instances, our ownership interest in these unconsolidated joint ventures may be greater than 50 percent; however, we account for these investments under the equity method because the entities are not VIEs in accordance with FIN 46R, we are not considered the primary beneficiary of the entities determined to be VIEs, we do not have voting control, and/or, in the case of joint ventures where we are the general partner or managing member, the limited partners (or non-managing members) have either sufficient kick-out rights or substantive participatory rights in accordance with EITF 04-5.

r. Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This statement requires a liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

s. Goodwill

The excess amount paid for business acquisitions over the net fair value of assets acquired and liabilities assumed has been capitalized as goodwill in the accompanying consolidated balance sheets in accordance with SFAS 141. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that goodwill not be amortized but instead assessed at least annually for impairment and expensed against earnings as a noncash charge if the estimated fair value of a reporting unit is less than its carrying value, including goodwill. For purposes of this test, each of our homebuilding operating divisions has been treated as a reporting unit. We performed our annual impairment test of goodwill in accordance with SFAS 142 as of October 1, 2005 and determined there was no impairment.

t. Insurance and Litigation Accruals

Insurance and litigation accruals are established for estimated future claims costs. We maintain general liability insurance that protects us against a portion of our risk of loss from construction-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. We record estimated costs to cover our self-insured retentions and deductible amounts under these policies, estimated costs that may exceed our coverage limits, and estimated costs for claims that may not be covered by applicable insurance or indemnities. Estimation of these accruals includes consideration of our claims history, current claims, and potential for recovery of costs from insurance and other sources.

u. Derivative Instruments and Hedging Activities

We account for derivatives and certain hedging activities in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as subsequently amended by Statement of Financial Accounting Standards No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133 requires all derivatives to be recorded as either assets or liabilities in the consolidated balance sheets and to measure these instruments at fair value.

v. Accounting for Guarantees

We account for guarantees in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). Under FIN 45, recognition of a liability is recorded at its estimated fair value based on the present value of the expected contingent payments under the guarantee arrangement. The types of guarantees that we generally provide that are subject to FIN 45 generally are made to third parties on behalf of our unconsolidated homebuilding and land development joint ventures. As of December 31, 2005, these guarantees included, but were not limited to, loan-to-value maintenance agreements, construction completion guarantees, environmental indemnities and surety bond indemnities (see Note 9 for further discussion).

w. Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS 123R. SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans. SFAS 123R applies to all awards granted after the effective date and to awards modified, repurchased or cancelled after that date. SFAS 123R is effective for fiscal years beginning after June 15, 2005. As of the effective date, all public entities that used the fair-value-based method for either recognition or disclosure under SFAS 123 will apply SFAS 123R using a modified version of prospective application. Under that transition method, compensation cost is recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosures. In 2003, we adopted the fair value recognition provisions of SFAS 123 using the prospective method as permitted by SFAS 148. We recognize compensation expense related to stock-based awards granted, modified or settled after December 31, 2002, as further described in Note 2(l). We have evaluated the impact of adopting SFAS 123R, and we do not believe the adoption of SFAS 123R will have a material impact on our financial condition or results of operations.

On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the Staff's interpretation of share-based payments. This interpretation expresses the views of the Staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and provide the Staff's views regarding the valuation of share-based payment arrangements for public companies. We will adopt SAB 107 in connection with our adoption of SFAS 123R. We do not believe the adoption of SAB 107 will have a material impact on our financial condition or results of operations.

x. Reclassifications

Certain items in prior year financial statements have been reclassified to conform with current year presentation.

3. Investments in Unconsolidated Land Development and Homebuilding Joint Ventures

We enter into land development and homebuilding joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile and leveraging our capital base. These joint ventures are typically entered into with developers, other homebuilders, land sellers, and financial partners. The tables set forth below summarize the combined financial information related to our unconsolidated land development and homebuilding joint ventures accounted for under the equity method:

	December 31,	
	2005	2004
	(Dollars in thousands)	
Assets:		
Cash	$ 58,335	$ 48,926
Inventories	1,480,166	1,181,958
Other assets	128,927	10,044
Total Assets	$1,667,428	$1,240,928
Liabilities and Equity:		
Accounts payable and accrued liabilities	$ 170,808	$ 104,168
Construction loans and trust deed notes payable	658,160	554,620
Equity	838,460	582,140
Total Liabilities and Equity	$1,667,428	$1,240,928

Our share of equity shown above was approximately $282.3 million and $201.1 million at December 31, 2005 and 2004, respectively. Additionally, as of December 31, 2005 and 2004, we had advances outstanding of approximately $3.5 million and $4.3 million to these unconsolidated joint ventures, which were included in accounts payable and accrued liabilities in the table above.

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Revenues	$ 468,731	$ 283,714	$ 460,403
Cost of sales and expenses	(287,883)	(181,947)	(295,796)
Net income	$ 180,848	$ 101,767	$ 164,607

Income from unconsolidated joint ventures as presented in the accompanying consolidated financial statements reflects our proportionate share of the income of these unconsolidated homebuilding and land development joint ventures. Our ownership interests in the joint ventures vary but are generally less than or equal to 50 percent.

For certain joint ventures for which we are the managing member, we receive management fees, which represent overhead and other reimbursements for costs associated with managing the related real estate projects. During the years ended December 31, 2005, 2004 and 2003, we recognized approximately $11.2 million, $4.2 million and $8.8 million, respectively, in management fees and recorded these amounts as a reduction of general and administrative and construction overhead costs. As of December 31, 2005 and 2004, we had approximately

$459,000 and $516,000, respectively, in management fees receivable from various joint ventures, which were included in trade and other receivables in the accompanying consolidated balance sheets.

4. Revolving Credit Facility and Trust Deed and Other Notes Payable

a. Revolving Credit Facility

In August 2005, we amended our unsecured revolving credit facility with our bank group to, among other things, increase the lending commitments under the revolving credit facility to $925 million, extend the maturity date to August 2009 and revise certain financial and other covenants. In addition, the amended revolving credit facility contains an accordion provision allowing us, at our option, to increase the total aggregate commitment under the revolving credit facility up to $1.1 billion, subject to certain conditions, including the availability of additional bank lending commitments. The financial covenants contained in the revolving credit facility require us to, among other requirements, maintain a minimum level of consolidated stockholders' equity, maintain a minimum interest coverage ratio and to not exceed certain leverage ratios. The revolving credit facility also limits our investments in joint ventures. These covenants, as well as a borrowing base provision, limit the amount we may borrow under the revolving credit facility and from other sources. Certain of our wholly owned subsidiaries guarantee our obligations under the revolving credit facility. At December 31, 2005, we had $183.1 million in borrowings outstanding and had issued approximately $67.7 million in letters of credit under this revolving credit facility. Interest rates charged under this revolving credit facility include LIBOR and prime rate pricing options. In addition, there are fees charged on the unused portion of the revolving credit facility. As of December 31, 2005, and throughout the year, we were in compliance with the covenants of the revolving credit facility. As of February 17, 2006, we had $587.4 million of borrowings outstanding and had issued approximately $76.9 million of letters of credit under our revolving credit facility and were in compliance with the covenants of this revolving credit facility.

b. Trust Deed and Other Notes Payable

From time to time, we use purchase money mortgage financing to finance land acquisitions. We also use community district ("CDD"), community facilities district or other similar assessment district bond financings from time to time to finance land development costs. Subject to certain exceptions in Florida, we generally are not responsible for the repayment of these assessment district bonds. At December 31, 2005 and 2004, we had approximately $97.0 million and $26.3 million, respectively, outstanding in trust deed and other notes payable, including CDD bonds, under which we have a repayment obligation.

c. Borrowings and Maturities

The following summarizes the borrowings outstanding under the unsecured revolving credit facility and trust deed and other notes payable (excluding indebtedness included in liabilities from inventories not owned—see Note 2(o) above, and senior and senior subordinated notes payable—see Notes 5 and 6 below) during the three years ended December 31:

	2005	2004	2003
	(Dollars in thousands)		
Maximum borrowings outstanding during the year at month end	$412,574	$222,873	$115,959
Average outstanding balance during the year	$215,904	$ 86,664	$ 36,520
Weighted average interest rate for the year	5.8%	4.8%	3.4%
Weighted average interest rate on borrowings outstanding at year end	6.2%	7.2%	4.5%

Maturities of the indebtedness included in liabilities from inventories not owned (see Note 2(o) above), revolving credit facility, trust deed and other notes payable, and senior and senior subordinated notes payable (see Notes 5 and 6 below) are as follows as of December 31, 2005:

	Year Ended December 31,
	(Dollars in thousands)
2006	$ 74,344
2007	61,553
2008	150,780
2009	336,600
2010	175,000
Thereafter	773,277
	$1,571,554

5. Senior Notes Payable

Senior notes payable consist of the following:

	December 31, 2005	December 31, 2004
	(Dollars in thousands)	
6 ½% Senior Notes due 2008	$ 150,000	$150,000
5 ⅛% Senior Notes due 2009	150,000	150,000
9 ½% Senior Notes due 2010	—	125,000
6 ½% Senior Notes due 2010	175,000	—
6 ⅞% Senior Notes due 2011	175,000	175,000
7 ¾% Senior Notes due 2013, net	124,153	124,068
6 ¼% Senior Notes due 2014	150,000	150,000
7% Senior Notes due 2015	175,000	—
	$1,099,153	$874,068

In September 2000, we issued $125 million of 9 ½% Senior Notes due September 15, 2010. In September 2005, the 9 ½% Senior Notes were redeemed in full.

In March 2003, we issued $125 million of 7 ¾% Senior Notes due March 15, 2013. These notes were issued at a discount to yield approximately 7.88 percent under the effective interest method and have been reflected net of the unamortized discount in the accompanying consolidated balance sheets. Interest on these notes is payable on March 15 and September 15 of each year until maturity. The notes are redeemable at our option, in whole or in part, commencing March 15, 2008 at 103.875 percent of par, with the call price reducing ratably to par on March 15, 2011. Prior to March 15, 2008, the notes are redeemable pursuant to a "make whole" formula. Net proceeds were approximately $122.7 million and were used to repay borrowings outstanding under our revolving credit facility.

In May 2003, we issued $175 million of 6 ⅞% Senior Notes due May 15, 2011. Interest on these notes is due and payable on May 15 and November 15 of each year until maturity, with the initial payment made on November 15, 2003. The notes are redeemable at our option, in whole or in part, pursuant to a "make whole" formula. Net proceeds from the 6 ⅞% Senior Notes were approximately $173.4 million and were used to pay off borrowings outstanding under our revolving credit facility with the balance used for general corporate purposes.

In September 2003, we issued $150 million of 6 ½% Senior Notes due October 1, 2008. These notes were issued at par with interest due and payable on April 1 and October 1 of each year until maturity, with the initial payment made on April 1, 2004. The notes are redeemable at our option, in whole or in part, pursuant to a "make whole" formula. Net proceeds were approximately $148.6 million and $102.9 million was used in October 2003 to redeem in full our 8 ½% Senior Notes due 2007 with the balance used for general corporate purposes. In connection with the redemption, we incurred a pretax charge of approximately $3.2 million. This charge included the redemption premium paid to the note holders and the expensing of other transaction related costs, including the write-off of the remaining unamortized bond discount, and was included in other income (expense) in the accompanying consolidated statements of income.

In March 2004, we issued $150 million of 5 ⅛% Senior Notes due April 1, 2009 and $150 million of 6 ¼% Senior Notes due April 1, 2014. These notes were issued at par with interest due and payable on April 1 and October 1 of each year until maturity, with the initial payments made on October 1, 2004. The notes are redeemable at our option, in whole or in part, pursuant to a "make whole" formula. Net proceeds from these notes were approximately $297.2 million, and $259.0 million was used in April 2004 to redeem in full our 8% Senior Notes due 2008 and 8 ½% Senior Notes due 2009 with the balance used for general corporate purposes. In connection with these redemptions, we incurred a pretax charge of approximately $10.2 million. This charge included the redemption premium paid to the note holders and the expensing of other transaction related costs, including the write-off of the remaining unamortized bond discount, and was included in other income (expense) in the accompanying consolidated statements of income.

In August 2005, we issued $175 million of 6 ½% Senior Notes due August 15, 2010 and $175 million of 7% Senior Notes due August 15, 2015. These notes were issued at par with interest due and payable on February 15 and August 15 of each year until maturity, with the initial payment made on February 15, 2006. The notes are redeemable at our option, in whole or in part, pursuant to a "make whole" formula. Net proceeds from these notes were approximately $346.3 million, and $130.9 million was used in September 2005 to redeem in full our 9 ½% Senior Notes due 2010 with the balance used for general corporate purposes. In connection with this redemption, we incurred a pretax charge of approximately $5.9 million. This charge included the redemption premium paid to the note holders and the expensing of other transaction related costs and was included in other income (expense) in the accompanying consolidated statements of income.

The senior notes payable described above are all senior unsecured obligations and rank equally with our other existing senior unsecured indebtedness, including borrowings under our revolving credit facility. We will, under certain circumstances, be obligated to make an offer to purchase a portion of the notes in the event of certain asset sales. In addition, these notes contain other restrictive covenants which, among other things, impose certain limitations on our ability to (1) incur additional indebtedness, (2) create liens, (3) make restricted payments (including payments of dividends, other distributions, share repurchases, and investments in unrestricted subsidiaries and unconsolidated joint ventures) and (4) sell assets. Also, upon a change in control, as defined in the governing indentures, we are required to make an offer to purchase these notes at 101 percent of the principal amount. As of December 31, 2005, and throughout the year, we were in compliance with all of the covenants under the notes.

On February 22, 2006, our wholly owned direct and indirect subsidiaries (collectively, the "Guarantor Subsidiaries"), other than our financial services subsidiary, title services subsidiary and certain other immaterial subsidiaries, entered into supplemental indentures to the indentures governing our outstanding senior notes and our senior subordinated notes, pursuant to which the Guarantor Subsidiaries guaranteed payment of our outstanding notes. The guarantees are full and unconditional, and joint and several.

6. Senior Subordinated Notes Payable

On April 15, 2002, we issued $150 million of 9 ¼% Senior Subordinated Notes that mature on April 15, 2012. These notes were issued at a discount to yield approximately 9.38 percent under the effective interest method and have been reflected net of the unamortized discount in the accompanying consolidated balance sheets and are unsecured obligations that are junior to our senior unsecured indebtedness. Interest on these notes is payable on April 15 and October 15 of each year until maturity. Net proceeds after underwriting expenses were approximately $147.0 million. We will, under certain circumstances, be obligated to make an offer to purchase all or a portion of these notes in the event of certain asset sales. In addition, these notes contain restrictive covenants which, among other things, impose certain limitations on our ability to (1) incur additional indebtedness, (2) create liens, (3) make restricted payments (including payments of dividends, other distributions, share repurchases, and investments in unrestricted subsidiaries and unconsolidated joint ventures) and (4) sell assets. Also, upon a change in control we are required to make an offer to purchase these notes at 101 percent of the principal amount. As of December 31, 2005, we were in compliance with all of the covenants under the notes.

7. Mortgage Credit Facilities

Our financial services subsidiary, Family Lending Services, utilizes three mortgage credit facilities to fund mortgage loans, which serve as collateral, with a total aggregate commitment of $170 million. Under these mortgage credit facilities, mortgage loans presold to investors are financed for a short period of time (typically for 15 to 30 days), while the investor completes its administrative review of the applicable loan documents. Loans originated on a non-presold basis are typically financed for 15 to 60 days, before sale to third party investors. The mortgage credit facilities have current maturity dates ranging from April 26, 2006 to June 24, 2006. Maximum borrowings outstanding under these facilities during 2005, 2004 and 2003 were approximately $123.4 million, $82.1 million and $84.0 million, respectively. Average borrowings outstanding during the years ended December 31, 2005, 2004 and 2003 were approximately $82.1 million, $59.7 million and $66.7 million, respectively. The weighted average interest rate of borrowings under the mortgage credit facilities, which have LIBOR based pricing, during the years ended December 31, 2005, 2004 and 2003 were 4.4 percent, 2.5 percent and 2.2 percent, respectively. In addition, the mortgage credit facilities also contain certain financial covenants including leverage and net worth covenants. As of December 31, 2005, and throughout the year, Family Lending was in compliance with all covenants under the mortgage credit facilities.

8. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate:

Cash and Equivalents—The carrying amount is a reasonable estimate of fair value as these assets primarily consist of short-term investments and demand deposits.

Mortgage Loans Held for Sale—These consist primarily of first and second mortgages on single-family residences. Fair values of these loans are based on quoted market prices for similar loans.

Indebtedness Included in Liabilities from Inventories Not Owned—These consist primarily of seller financing notes and acquisition and development notes. These notes were discounted at an interest rate that is commensurate with market rates of similar secured real estate financing.

Revolving Credit Facility and Mortgage Credit Facilities—The carrying amounts of these credit obligations approximate market value because of the frequency of repricing the borrowings (generally every 7 to 90 days).

Trust Deed and Other Notes Payable—These notes are for purchase money deeds of trust on land acquired and certain other real estate inventory construction, including community development district bonds. The notes were discounted at an interest rate that is commensurate with market rates of similar secured real estate financing.

Senior and Senior Subordinated Notes Payable—These issues are publicly traded over the counter and their fair values were based upon the values of their last trade at year end.

The estimated fair values of financial instruments are as follows:

	December 31, 2005 Carrying Amount	2005 Fair Value	2004 Carrying Amount	2004 Fair Value
	(Dollars in thousands)			
Financial assets:				
Homebuilding:				
Cash and equivalents	$ 18,824	$ 18,824	$141,697	$141,697
Financial services:				
Cash and equivalents	9,799	9,799	9,107	9,107
Mortgage loans held for sale	129,835	130,339	88,570	89,092
Financial liabilities:				
Homebuilding:				
Indebtedness included in liabilities from inventories not owned	$ 43,146	$ 43,146	$ 29,627	$ 29,627
Revolving credit facility	183,100	183,100	—	—
Trust deed and other notes payable	97,031	97,031	26,340	26,340
Senior notes payable, net	1,099,153	1,060,361	874,068	906,844
Senior subordinated notes payable, net	149,124	152,666	149,026	174,375
Financial services:				
Mortgage credit facilities	123,426	123,426	81,892	81,892

9. Commitments and Contingencies

We lease office facilities and certain equipment under noncancelable operating leases. Future minimum rental payments under these leases, net of related subleases, having an initial term in excess of one year as of December 31, 2005 are as follows:

	Year Ended December 31, (Dollars in thousands)
2006	$10,030
2007	8,898
2008	8,570
2009	8,177
2010	5,308
Thereafter	3,281
Subtotal	44,264
Less—Sublease income	(1,381)
Net rental obligations	$42,883

Rent expense under noncancelable operating leases, net of sublease income, for each of the years ended December 31, 2005, 2004 and 2003 was approximately $8.8 million, $7.5 million and $5.8 million, respectively.

We are subject to customary obligations associated with entering into contracts for the purchase of land and improved homesites. These purchase contracts typically require a cash deposit or delivery of a letter of credit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. As of December 31, 2005, we had cash deposits and letters of credit outstanding of approximately $134.3 million on land purchase contracts having a total remaining purchase price of $1,433.6 million. Approximately $338.8 million of the remaining purchase price is included in inventories not owned in the accompanying consolidated balance sheets.

In addition, we utilize option contracts with land sellers and third-party financial entities as a method of acquiring land. Option contracts generally require the payment of a non-refundable cash deposit or the issuance of a letter of credit for the right to acquire lots over a specified period of time at predetermined prices. We generally have the right at our discretion to terminate our obligations under these option agreements by forfeiting our cash deposit or by repaying amounts drawn under the letter of credit with no further financial responsibility. As of December 31, 2005, we had cash deposits and letters of credit outstanding of approximately $49.6 million on option contracts having a total remaining purchase price of approximately $718.2 million. Approximately $103.4 million of the remaining purchase price is included in inventories not owned in the accompanying consolidated balance sheets.

We also enter into land development and homebuilding joint ventures. These joint ventures typically obtain secured acquisition, development and construction financing. At December 31, 2005, our unconsolidated joint ventures had borrowings outstanding of approximately $658.2 million that, in accordance with U.S. generally accepted accounting principles, are not recorded in the accompanying consolidated balance sheets and equity that totaled $838.5 million. We and our joint venture partners generally provide credit enhancements to these borrowings in the form of loan-to-value maintenance agreements, which require us under certain circumstances to repay the venture's borrowings to the extent such borrowings plus construction completion costs exceed a specified percentage of the value of the property securing the loan. Either a decrease in the value of the property securing the loan or an increase in construction completion costs could trigger this payment obligation. Typically, we share these obligations with our other partners and, in some instances, these obligations are subject to limitations on the amount that we could be required to pay down. As of December 31, 2005, approximately $369.6 million of our unconsolidated joint venture borrowings were subject to these credit enhancements by us and our partners (exclusive of credit enhancements of our partners with respect to which we are not liable).

We and our joint venture partners are also generally obligated to the project lenders to complete land development improvements and the construction of planned homes if the joint venture does not perform the required development and construction. Provided we and the other joint venture partners are in compliance with these completion obligations, the project lenders would be obligated to fund these improvements through any financing commitments available under the applicable joint venture development and construction loans. In addition, we and our joint venture partners have from time to time provided unsecured environmental indemnities to joint venture project lenders. In some instances, these indemnities are subject to caps. In each case, we have performed due diligence on potential environmental risks. These indemnities obligate us to reimburse the project lenders for claims related to environmental matters for which they are held responsible.

Additionally, we and our joint venture partners have agreed to indemnify third party surety providers with respect to performance bonds issued on behalf of certain of our joint ventures. If a joint venture does not perform its obligations, the surety bond could be called. If these surety bonds are called and the joint venture fails to reimburse the surety, we and our joint venture partners would be obligated to indemnify the surety. These surety indemnity arrangements are generally joint and several obligations with our other joint venture partners. As of December 31, 2005, there were approximately $186.1 million of surety bonds outstanding, all of which are subject to these indemnity arrangements by us and our partners.

We use community development district, community facilities or other similar assessment district bond financings from time to time to finance land development and infrastructure costs. Subject to certain exceptions in Florida, we are generally not responsible for the repayment of these assessment districts. As of December 31, 2005, we had approximately $12.2 million in other reimbursement obligations and outstanding letters of credit guaranteeing a portion of the payment of principal and interest on outstanding assessment district bonds.

We commit to making mortgage loans to our homebuyers through our mortgage financing subsidiary, Family Lending Services. Mortgage loans in process for which interest rates were committed to borrowers totaled approximately $32.6 million at December 31, 2005, and carried a weighted average interest rate of approximately 7.2 percent. Interest rate risks related to these obligations are generally mitigated by Family Lending preselling the loans to third party investors or through its interest rate hedging program. As of December 31, 2005, Family Lending had approximately $137.0 million of closed mortgage loans held for sale and loans in process that were originated on a non-presold basis, of which approximately $127.1 million were hedged by forward sale commitments of mortgage-backed securities. In addition, as of December 31, 2005, Family Lending held approximately $9.9 million in closed mortgage loans that were presold to third party investors subject to completion of the investors' administrative review of the applicable loan documents.

We are party to claims and litigation proceedings arising in the normal course of business. Although the legal responsibility and financial impact with respect to certain claims and litigation cannot presently be ascertained, we do not believe that these matters will result in us making a payment of monetary damages that, in the aggregate, would have a material impact on our financial position, results of operations or liquidity. It is possible that the accrual provided for by us with respect to such claims and litigation could change in the near term.

10. Income Taxes

The provision for income taxes includes the following components:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Current:			
Federal	$248,466	$176,997	$117,067
State	42,064	31,422	21,402
	290,530	208,419	138,469
Deferred:			
Federal	(19,538)	(11,276)	(6,749)
State	(1,162)	(344)	(1,001)
	(20,700)	(11,620)	(7,750)
Provision for income taxes	$269,830	$196,799	$130,719

The components of our net deferred income tax asset are as follows:

	December 31,	
	2005	2004
	(Dollars in thousands)	
Inventory adjustments	$15,821	$13,111
Financial accruals	34,340	18,010
State income taxes	14,722	10,998
Amortization of goodwill	(6,036)	(3,585)
Other	(166)	(553)
	$58,681	$37,981

At December 31, 2005, we had a consolidated net deferred tax asset of approximately $58.7 million. Although realization is not assured, management believes it is more likely than not that the net deferred tax asset will be realized in future years. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced or if our effective tax rate declines.

The effective tax rate differs from the federal statutory rate of 35 percent due to the following items:

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Income before taxes	$710,814	$512,616	$335,098
Provision for income taxes at federal statutory rate	$248,785	$179,416	$117,284
Increases (decreases) in tax resulting from:			
State income taxes, net of federal benefit	26,586	20,201	13,261
Other, net	(5,541)	(2,818)	174
Provision for income taxes	$269,830	$196,799	$130,719
Effective tax rate	38.0%	38.4%	39.0%

11. Stock Incentive Plans

In 1991, we adopted the 1991 Employee Stock Incentive Plan (the "1991 Plan") pursuant to which our officers, directors and employees were eligible to receive options to purchase shares of our common stock. Under the 1991 Plan, the maximum number of shares of common stock that may be issued is two million. The 1991 Plan has been terminated, and thus no additional awards will be made under the plan. In 1997 our stockholders approved the 1997 Stock Incentive Plan (the "1997 Plan"). Under the 1997 Plan, the maximum number of shares of common stock that may be issued is four million. On May 18, 2000, our stockholders approved the 2000 Stock Incentive Plan (the "2000 Plan"). On May 15, 2002, our stockholders approved an amendment to the 2000 Plan approving the issuance of an additional three million shares under the plan, such that the maximum number of shares of common stock that may be issued under the plan is five million. On May 10, 2005, our stockholders approved our 2005 Stock Incentive Plan (the "2005 Plan"). Under the 2005 Plan, the maximum number of shares of common stock that may be issued is four million. On April 24, 2001, Standard Pacific's Board of Directors approved the 2001 Non-Executive Officer Stock Incentive Plan under which a maximum of 1.05 million shares of common stock may be issued.

a. Stock Options

Stock options granted under the plans discussed above are granted at prices equal to the fair market value of the shares of our common stock at the date of grant. These options typically vest over a one to four year period and generally expire 5 or 10 years after the date of grant. When the options are exercised, the proceeds are credited to equity, including the related income tax benefits, if any.

The following is a summary of stock option transactions relating to the four plans on a combined basis for the years ended December 31, 2005, 2004 and 2003:

	2005		2004		2003	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	5,417,070	$12.18	5,834,686	$ 9.36	6,817,424	$ 8.29
Granted	782,500	43.52	831,500	27.59	722,000	16.64
Exercised	(1,161,130)	9.82	(1,146,462)	8.55	(1,483,776)	7.62
Canceled	(53,755)	31.19	(102,654)	16.87	(220,962)	11.52
Options outstanding, end of year	4,984,685	$17.45	5,417,070	$12.18	5,834,686	$ 9.36
Options exercisable at end of year	3,529,242	$10.46	3,742,374	$ 8.44	3,822,964	$ 7.66
Options available for future grant	4,187,935		1,330,680		2,059,526	

Total compensation expense recognized related to stock options for the years ended December 31, 2005, 2004 and 2003 was approximately $6.0 million, $3.9 million and $0.9 million, respectively. As of December 31, 2005, there was approximately $13.6 million of unrecognized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a remaining weighted-average period of 1.9 years.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2005:

Options Outstanding					Options Exercisable	
Exercise Prices Low	Exercise Prices High	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price
$ 3.00	$ 8.25	1,511,422	$ 6.10	3.2 years	1,511,422	$ 6.10
$ 8.50	$11.69	1,461,922	$10.97	5.5 years	1,461,922	$10.97
$14.82	$27.59	1,247,941	$22.83	8.0 years	555,898	$20.99
$36.00	$43.53	763,400	$43.52	5.8 years	—	$ —

b. Performance Share Awards

Performance share awards can result in the issuance of shares of our common stock ("Shares") contingent upon the degree to which we achieve a targeted return on equity during the applicable fiscal year period and the subjective evaluation of the Compensation Committee of our Board of Directors of management's effectiveness during such period. One-third of any Shares issued vest on each of the first three anniversaries of the grant date if the executive remains an employee through the vesting dates.

On January 29, 2004, the Compensation Committee of our Board of Directors granted eight executive officers performance share awards under our 2000 Stock Incentive Plan. The closing price of our common stock on the grant date of the 2004 awards was $23.06 per share. These performance share awards resulted in the issuance of 376,000 Shares on February 1, 2005, of which 125,340 Shares vested upon issuance. As of December 31, 2005, 250,660 nonvested Shares were outstanding relating to these awards.

On March 18, 2005, the Compensation Committee of our Board of Directors granted nine executive officers performance share awards under our 2000 Stock Incentive Plan. The closing price of our common stock on the grant date of the 2005 awards was $36.92 per share. On February 1, 2006, the Compensation Committee of the Board of Directors approved the issuance of 369,000 Shares subject to this plan. These Shares were issued on February 16, 2006, of which 123,005 Shares vested upon issuance.

Total compensation expense recognized related to performance share awards for the years ended December 31, 2005 and 2004 was approximately $6.6 million and $2.6 million, respectively. As of December 31, 2005, there was approximately $13.1 million of unrecognized stock-based compensation expense related to nonvested performance share awards, which is expected to be recognized over a remaining weighted-average period of 1.9 years.

c. Restricted Stock

Under certain of our stock incentive plans, we may grant restricted stock to key employees and non-employee directors. Restricted stock typically vests over a one to three year period. The following is a summary of restricted stock activity, excluding the Shares issued under performance share awards, for the year ended December 31, 2005:

	Shares	Weighted Average Closing Price of Our Common Stock on Date of Grant
Nonvested restricted stock, beginning of year	—	—
Granted	38,000	$39.93
Vested	—	—
Forfeited	—	—
Nonvested restricted stock, end of year	38,000	$39.93

Total compensation expense recognized related to restricted stock for the year ended December 31, 2005 was approximately $627,000. As of December 31, 2005, there was approximately $890,000 of unrecognized stock-based compensation expense related to nonvested restricted stock, which is expected to be recognized over a remaining weighted-average period of 1.3 years.

12. Employee Benefit and Deferred Compensation Plans

We have a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code. Employees may contribute to the plan a percentage of their compensation through salary deferrals, subject to certain dollar limitations, and we match up to 2 percent of eligible compensation of employees electing to contribute. In addition, we contribute 3 percent of all eligible compensation subject to certain limits, which vests ratably over five years. Our contributions to the plan for the years ended December 31, 2005, 2004 and 2003 were $6.5 million, $5.1 million and $4.2 million, respectively.

We have two non-qualified deferred compensation plans pursuant to which eligible employees have been permitted to defer a portion of their compensation. The first plan was closed to new contributions on December 31, 2004. The second plan was opened to new contributions beginning January 1, 2005. Participants elect deemed investments for their deferrals from a variety of benchmark funds, except that recipients of restricted common stock grants that elect to defer receipt of Shares under the plan are deemed to hold an investment in the Shares. The return on the underlying benchmark fund or Shares, as applicable, determines the amount of earnings or losses that are credited or debited to the participant's account. A participant may elect to receive such deferred amounts in one payment or in annual installments no sooner than two years following each initial annual election. Participant contributions, adjusted for investment gains and losses, are 100 percent vested. As of December 31, 2005 and 2004, we had $10.5 million and $6.2 million, respectively, in assets relating to the plan, which is included in other assets in our consolidated balance sheets, and we had accrued $10.9 million and $6.4 million, respectively, for our obligations under the plan, which is included in accrued liabilities in our consolidated balance sheets.

13. Stockholder Rights Plan and Common Stock Repurchase Plan

Effective December 31, 2001, Standard Pacific's Board of Directors approved the adoption of a new stockholder rights agreement (the "Agreement"). Under the Agreement, one preferred stock purchase right was granted for each share of outstanding common stock payable to holders of record on December 31, 2001. The rights issued under the Agreement replace rights previously issued by Standard Pacific in 1991 under the prior rights plan, which rights expired on December 31, 2001. Each right entitles the holder, in certain takeover situations, as defined, and upon paying the exercise price (currently $57.50), to purchase common stock or other securities having a market value equal to two times the exercise price. Also, if we merge into another corporation, or if 50 percent or more of our assets are sold, the rightholders may be entitled, upon payment of the exercise price, to buy common shares of the acquiring corporation at a 50 percent discount from the then-current market value. In either situation, these rights are not exercisable by the acquiring party. Until the occurrence of certain events, the rights may be terminated at any time or redeemed by Standard Pacific's Board of Directors including if it believes a proposed transaction to be in the best interests of our stockholders, at the rate of $.001 per right. The rights will expire on December 31, 2011, unless earlier terminated, redeemed or exchanged. If the rights are separated from the common shares, the rights expire ten years from the date they were separated.

In October 2005, the Board of Directors authorized a $100 million stock repurchase plan (the "October 2005 Plan"), which replaced our previously authorized stock repurchase plan. Prior to October 2005 and during the year, we repurchased 224,358 shares of common stock for approximately $8.2 million under the previous stock repurchase plan, and through December 31, 2005, we had repurchased an aggregate of 1,167,800 shares of common stock for approximately $43.8 million under the October 2005 Plan. On February 1, 2006, our Board of Directors authorized a new $100 million stock repurchase plan, which replaced the October 2005 Plan.

14. Results of Quarterly Operations (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total (1)
	(Dollars in thousands, except per share amounts)				
2005:					
Revenues	$840,202	$957,071	$941,437	$1,272,651	$4.011,361
Homebuilding gross margin	$217,167	$261,957	$253,893	$ 351.643	$1,084,660
Income before taxes	$131,548	$174,376	$155,028	$ 249,862	$ 710.814
Net income	$ 82,115	$107,601	$ 96.376	$ 154,892	$ 440,984
Diluted earnings per share	$ 1.18	$ 1.54	$ 1.37	$ 2.22	$ 6.30
2004:					
Revenues	$537,385	$771,072	$869.753	$1,176.244	$3,354,454
Homebuilding gross margin	$121,431	$180,515	$199,070	$ 314,787	$ 815.803
Income before taxes	$ 69,413	$ 97,189	$120,361	$ 225,653	$ 512,616
Net income	$ 42,391	$ 59.996	$ 74,594	$ 138,836	$ 315,817
Diluted earnings per share	$ 0.60	$ 0.86	$ 1.08	$ 2.01	$ 4.54

(1) Some amounts do not add across due to rounding differences in quarterly amounts and due to the impact of differences between the quarterly and annual weighted average share calculations.

15. Supplemental Guarantor Information

On February 22, 2006, our wholly owned direct and indirect subsidiaries ("Guarantor Subsidiaries"), other than our financial services subsidiary, title services subsidiary, and certain other immaterial subsidiaries (collectively, "Non-Guarantor Subsidiaries") guaranteed our outstanding senior notes payable and senior subordinated notes payable. The guarantees are full and unconditional and joint and several. Presented below are condensed consolidated financial statements for our Guarantor Subsidiaries and Non-Guarantor Subsidiaries. Separate financial statements and other disclosures specific to each guarantor subsidiary are not presented separately because management has determined such separate financial statements are not material to investors to evaluate the sufficiency of the guarantee.

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2005
(Dollars in thousands, except per share amounts)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Homebuilding:					
Revenues	$ 2,081,834	$ 1,911,248	$ —	$ —	$ 3,993,082
Cost of sales	(1,460.730)	(1,447,692)	—	—	(2,908,422)
Gross margin	621.104	463,556	—	—	1,084,660
Selling, general and administrative expenses	(218,734)	(221,116)	—	—	(439,850)
Income from unconsolidated joint ventures	28.974	29,970	—	—	58,944
Equity income of subsidiaries	195,004	—	—	(195.004)	—
Other income (expense)	(4,457)	5.280	(77)	—	746
Homebuilding pretax income	621.891	277,690	(77)	(195,004)	704,500
Financial Services:					
Revenues	—	—	18.279	—	18.279
Expenses	—	—	(14,821)	—	(14,821)
Income from unconsolidated joint ventures	—	2,252	—	—	2,252
Other income (expense)	(377)	604	377	—	604
Financial services pretax income	(377)	2,856	3.835	—	6.314
Income before taxes	621,514	280,546	3.758	(195,004)	710.814
Provision for income taxes	(180,530)	(87,934)	(1,366)	—	(269,830)
Net Income	$ 440,984	$ 192,612	$ 2,392	$(195.004)	$ 440,984

STANDARD PACIFIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2004
(Dollars in thousands, except per share amounts)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Homebuilding:					
Revenues	$ 2,016,610	$ 1,324,990	$ —	$ —	$ 3,341,600
Cost of sales	(1,468,980)	(1,056,817)	—	—	(2,525,797)
Gross margin	547,630	268,173	—	—	815,803
Selling, general and administrative expenses	(184,487)	(159,382)	—	—	(343,869)
Income from unconsolidated joint ventures	16,967	26,448	—	—	43,415
Equity income of subsidiaries	97,454	—	—	(97,454)	—
Other income (expense)	(9,632)	3,428	1	—	(6,203)
Homebuilding pretax income	467,932	138,667	1	(97,454)	509,146
Financial Services:					
Revenues	—	—	12,854	—	12,854
Expenses	—	—	(12,323)	—	(12,323)
Income from unconsolidated joint ventures	—	2,491	—	—	2,491
Other income (expense)	(299)	448	299	—	448
Financial services pretax income	(299)	2,939	830	—	3,470
Income before taxes	467,633	141,606	831	(97,454)	512,616
Provision for income taxes	(151,816)	(44,722)	(261)	—	(196,799)
Net Income	$ 315,817	$ 96,884	$ 570	$(97,454)	$ 315,817

STANDARD PACIFIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands, except per share amounts)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Homebuilding:					
Revenues	$ 1,325,898	$1,015,282	$ —	$ —	$ 2,341,180
Cost of sales	(1,015,717)	(823,349)	—	—	(1,839,066)
Gross margin	310,181	191,933	—	—	502,114
Selling, general and administrative expenses	(110,515)	(117,316)	—	—	(227,831)
Income from unconsolidated joint ventures	12,145	41,755	—	—	53,900
Equity income of subsidiaries	81,406	—	—	(81,406)	—
Other income (expense)	(3,193)	1,758	2	—	(1,433)
Homebuilding pretax income	290,024	118,130	2	(81,406)	326,750
Financial Services:					
Revenues	—	—	13,724	—	13,724
Expenses	—	—	(8,926)	—	(8,926)
Income from unconsolidated joint ventures	—	3,169	—	—	3,169
Other income (expense)	(184)	386	179	—	381
Financial services pretax income	(184)	3,555	4,977	—	8,348
Income before taxes	289,840	121,685	4,979	(81,406)	335,098
Provision for income taxes	(85,461)	(43,404)	(1,854)	—	(130,719)
Net Income	$ 204,379	$ 78,281	$ 3,125	$(81,406)	$ 204,379

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2005
(Dollars in thousands)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
ASSETS					
Homebuilding:					
Cash and equivalents	$ 16,911	$ 1,907	$ 6	$ —	$ 18,824
Trade and other receivables	799,089	(726,534)	2,431	—	74,986
Inventories:					
Owned	1,458,498	1,470,352	—	—	2,928,850
Not Owned	357,609	232,706	—	—	590,315
Investments in and advances to unconsolidated joint ventures	184,600	101,160	—	—	285,760
Investments in subsidiaries	868,355	—	—	(868,355)	—
Deferred income taxes	58,240	—	—	441	58,681
Goodwill and other intangibles, net	3,108	117,288	—	—	120,396
Other assets	44,893	15,133	26	—	60,052
	3,791,303	1,212,012	2,463	(867,914)	4,137,864
Financial Services:					
Cash and equivalents	—	—	9,799	—	9,799
Mortgage loans held for sale	—	—	129,835	—	129,835
Other assets	—	—	3,785	(441)	3,344
	—	—	143,419	(441)	142,978
Total Assets	$3,791,303	$1,212,012	$145,882	$(868,355)	$4,280,842
LIABILITIES AND STOCKHOLDER'S EQUITY					
Homebuilding:					
Accounts payable	$ 65,830	$ 49,252	$ —	$ —	$ 115,082
Accrued liabilities	266,348	77,205	28	1,713	345,294
Liabilities from inventories not owned	10,764	37,973	—	—	48,737
Revolving credit facility	183,100	—	—	—	183,100
Trust deed and other notes payable	46,315	50,716	—	—	97,031
Senior notes payable	1,099,153	—	—	—	1,099,153
Senior subordinated notes payable	149,124	—	—	—	149,124
	1,820,634	215,146	28	1,713	2,037,521
Financial Services:					
Accounts payable and other liabilities	—	—	3,959	(1,713)	2,246
Mortgage credit facilities	—	—	123,426	—	123,426
	—	—	127,385	(1,713)	125,672
Total Liabilities	1,820,634	215,146	127,413	—	2,163,193
Minority Interests	231,510	146,980	—	—	378,490
Stockholders Equity:					
Total Stockholder's Equity	1,739,159	849,886	18,469	(868,355)	1,739,159
Total Liabilities and Stockholder's Equity	$3,791,303	$1,212,012	$145,882	$(868,355)	$4,280,842

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2004
(Dollars in thousands)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
ASSETS					
Homebuilding:					
Cash and equivalents	$ 140,796	$ 898	$ 3	$ —	$ 141,697
Trade and other receivables	380,605	(355,615)	2,059	—	27,049
Inventories:					
Owned	1,122,509	989,359	—	—	2,111,868
Not Owned	139,341	128,687	—	—	268,028
Investments in and advances to unconsolidated joint ventures	158,947	46,482	—	—	205,429
Investments in subsidiaries	671,599	—	—	(671,599)	—
Deferred income taxes	37,800	—	—	181	37,981
Goodwill and other intangibles, net	2,691	83,158	—	—	85,849
Other assets	21,690	12,075	92	—	33,857
	2,675,978	905,044	2,154	(671,418)	2,911,758
Financial Services:					
Cash and equivalents	—	—	9,107	—	9,107
Mortgage loans held for sale	—	—	88,570	—	88,570
Other assets	—	—	3,979	(181)	3,798
	—	—	101,656	(181)	101,475
Total Assets	$2,675,978	$ 905,044	$103,810	$(671,599)	$3,013,233
LIABILITIES AND STOCKHOLDER'S EQUITY					
Homebuilding:					
Accounts payable	$ 54,239	$ 42,231	$ —	$ —	$ 96,470
Accrued liabilities	208,237	74,174	19	3,695	286,125
Liabilities from inventories not owned	170	32,220	—	—	32,390
Revolving credit facility	—	—	—	—	—
Trust deed and other notes payable	3,770	22,570	—	—	26,340
Senior notes payable	874,068	—	—	—	874,068
Senior subordinated notes payable	149,026	—	—	—	149,026
	1,289,510	171,195	19	3,695	1,464,419
Financial Services:					
Accounts payable and other liabilities	—	—	5,822	(3,695)	2,127
Mortgage credit facilities	—	—	81,892	—	81,892
	—	—	87,714	(3,695)	84,019
Total Liabilities	1,289,510	171,195	87,733	—	1,548,438
Minority Interests	64,473	78,327	—	—	142,800
Stockholders Equity:					
Total Stockholder's Equity	1,321,995	655,522	16,077	(671,599)	1,321,995
Total Liabilities and Stockholder's Equity	$2,675,978	$ 905,044	$103,810	$(671,599)	$3,013,233

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005
(Dollars in thousands)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$(230,827)	$ 65,864	$(40,281)	$ —	$(205,244)
Cash Flows From Investing Activities:					
Net cash paid for acquisitions	(115,609)	—	—	—	(115,609)
Investments in and advances to unconsolidated homebuilding joint ventures	(159,538)	(60,089)	—	—	(219,627)
Capital distributions and repayments of advances from unconsolidated homebuilding joint ventures	78,327	12,114	—	—	90,441
Net additions to property and equipment	(9,638)	(2,303)	(558)	—	(12,499)
Net cash provided by (used in) investing activities	(206,458)	(50,278)	(558)	—	(257,294)
Cash Flows From Financing Activities:					
Net proceeds from revolving credit facility	183,100	—	—	—	183,100
Principal payments on trust deed and other notes payable	(33,600)	(14,577)	—	—	(48,177)
Redemption of senior notes payable	(130,938)	—	—	—	(130,938)
Proceeds from the issuance of senior notes payable	346,330	—	—	—	346,330
Net proceeds from mortgage credit facilities	—	—	41,534	—	41,534
Dividends paid	(10,866)	—	—	—	(10,866)
Repurchase of common stock	(52,035)	—	—	—	(52,035)
Proceeds from the exercise of stock options	11,409	—	—	—	11,409
Net cash provided by (used in) financing activities	313,400	(14,577)	41,534	—	340,357
Net increase (decrease) in cash and equivalents	(123,885)	1,009	695	—	(122,181)
Cash and equivalents at beginning of year	140,796	898	9,110	—	150,804
Cash and equivalents at end of year	$ 16,911	$ 1,907	$ 9,805	$ —	$ 28,623

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(Dollars in thousands)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ 99,033	$ 23,817	$(23,183)	$ —	$ 99,667
Cash Flows From Investing Activities:					
Net cash paid for acquisitions	(25,078)	—	—	—	(25,078)
Investments in and advances to unconsolidated homebuilding joint ventures	(139,474)	(21,272)	—	—	(160,746)
Capital distributions and repayments of advances from unconsolidated homebuilding joint ventures	73,774	10,377	—	—	84,151
Net additions to property and equipment	(2,975)	(2,539)	(1,113)	—	(6,627)
Net cash provided by (used in) investing activities	(93,753)	(13,434)	(1,113)	—	(108,300)
Cash Flows From Financing Activities:					
Principal payments on trust deed and other notes payable	(18,634)	(13,453)	—	—	(32,087)
Redemption of senior notes payable	(259,045)	—	—	—	(259,045)
Proceeds from the issuance of senior notes payable	297,240	—	—	—	297,240
Net proceeds from mortgage credit facilities	—	—	22,575	—	22,575
Dividends paid	(10,783)	—	—	—	(10,783)
Repurchase of common stock	(38,754)	—	—	—	(38,754)
Proceeds from the exercise of stock options	9,808	—	—	—	9,808
Net cash provided by (used in) financing activities	(20,168)	(13,453)	22,575	—	(11,046)
Net decrease in cash and equivalents	(14,888)	(3,070)	(1,721)	—	(19,679)
Cash and equivalents at beginning of year	155,684	3,968	10,831	—	170,483
Cash and equivalents at end of year	$ 140,796	$ 898	$ 9,110	$ —	$ 150,804

STANDARD PACIFIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

STANDARD PACIFIC CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

	Standard Pacific Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Standard Pacific Corp.
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ (82,189)	$ 40,323	$ 62,364	$ —	$ 20,498
Cash Flows From Investing Activities:					
Net cash paid for acquisitions	(113,224)	—	—	—	(113,224)
Investments in and advances to unconsolidated homebuilding joint ventures	(99,294)	(31,685)	—	—	(130,979)
Investments in subsidiaries	4,001	—	—	(4,001)	—
Capital distributions and repayments of advances from unconsolidated homebuilding joint ventures	43,663	9,423	—	—	53,086
Net additions to property and equipment	(1,775)	(658)	(273)	—	(2,706)
Net cash provided by (used in) investing activities	(166,629)	(22,920)	(273)	(4,001)	(193,823)
Cash Flows From Financing Activities:					
Principal payments on trust deed and other notes payable	(11,069)	(11,507)	—	—	(22,576)
Redemption of senior notes payable	(102,883)	—	—	—	(102,883)
Proceeds from the issuance of senior notes payable	444,669	—	—	—	444,669
Net payments on mortgage credit facilities	—	—	(52,671)	—	(52,671)
Net proceeds from issuance of common stock	50,300	—	—	—	50,300
Dividends paid	(10,394)	—	(4,001)	4,001	(10,394)
Repurchase of common stock	(1,608)	—	—	—	(1,608)
Proceeds from the exercise of stock options	11,320	—	—	—	11,320
Net cash provided by (used in) financing activities	380,335	(11,507)	(56,672)	4,001	316,157
Net increase in cash and equivalents	131,517	5,896	5,419	—	142,832
Cash and equivalents at beginning of year	24,167	(1,928)	5,412	—	27,651
Cash and equivalents at end of year	$ 155,684	$ 3,968	$ 10,831	$ —	$ 170,483

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e), including controls and procedures to timely alert management to material information relating to Standard Pacific Corp. and subsidiaries required to be included in our periodic SEC filings. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that is included herein.

Changes in Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal control over financial reporting to determine whether any changes occurred during the fourth quarter of the year ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there have been no such changes during the fourth quarter of the period covered by this report.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Standard Pacific Corp.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that Standard Pacific Corp. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The management of Standard Pacific Corp. and subsidiaries is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Standard Pacific Corp. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Standard Pacific Corp. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Standard Pacific Corp. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005 and our report dated February 22, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Irvine, California
February 22, 2006

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers' ages, positions and brief accounts of their business experience as of February 17, 2006, are set forth below.

Name	Age	Position
Stephen J. Scarborough	57	Chairman of the Board and Chief Executive Officer
Michael C. Cortney	58	President; Director
Andrew H. Parnes	47	Executive Vice President—Finance and Chief Financial Officer; Director
Clay A. Halvorsen	46	Executive Vice President, General Counsel and Secretary
Jari L. Kartozian	47	Senior Vice President
Scott D. Stowell	48	President, Southern California Region
Kathleen R. Wade	52	President, Southwest Region
Douglas C. Krah	52	President, Northern California Region
Bruce F. Dickson	52	President, Southeast Region

Stephen J. Scarborough has served as Chief Executive Officer since January 2000 and Chairman of the Board since May 2001. Mr. Scarborough has been a Director since 1996 and served as President from October 1996 through May 2001. From January 1996 to October 1996, Mr. Scarborough served as Executive Vice President. Mr. Scarborough joined the Company in 1981 as President of our Orange County, California homebuilding division.

Michael C. Cortney has served as President since May 2001 and was appointed to the Board of Directors in May 2000. From January 2000 until May 2001, Mr. Cortney served as Executive Vice President. Mr. Cortney served as Senior Vice President from January 1998 until December 1999. From 1985 until August 2000, Mr. Cortney also served as the President of our Northern California homebuilding division. Mr. Cortney joined the Company in 1982.

Andrew H. Parnes has served as Executive Vice President—Finance since January 2004 and as Senior Vice President—Finance prior to this and since January 2001. From January 1997 until January 2001, Mr. Parnes served as Vice President—Finance. In May 2001, Mr. Parnes was appointed to the Board of Directors. In addition, he has served as our Chief Financial Officer since July 1996. Mr. Parnes served as our Treasurer from January 1991 until May 2001. From December 1989 until July 1996, Mr. Parnes served as our Controller.

Clay A. Halvorsen has served as Executive Vice President, General Counsel and Secretary since January 2004 and Senior Vice President, General Counsel and Secretary prior to this and since January 2001. From January 1998 until January 2001, Mr. Halvorsen served as Vice President, General Counsel and Secretary. Prior to joining the Company, Mr. Halvorsen was a partner in the law firm of Gibson, Dunn & Crutcher LLP.

Jari L. Kartozian has served as Senior Vice President since January 2004 and prior to this as Vice President since January 2000. Ms. Kartozian served as Senior Vice President Sales and Marketing of our Orange County, California homebuilding division from September 1998 to December 1999 and as Vice President Sales and Marketing of this division prior to this and since August 1991. Ms. Kartozian joined the Company in 1981.

Scott D. Stowell has served as President of our Southern California Region since September 2002. From April 1996 until September 2002, Mr. Stowell served as President of our Orange County division. Mr. Stowell joined the Company in 1986 as a project manager.

Kathleen R. Wade has served as President of our Southwest Region since November 2002. From December 2000 until October 2002, Ms. Wade served as Chief Executive Officer of our Arizona division and as President of this division from September 1998 to December 2000. Prior to joining Standard Pacific, Ms. Wade served as President of the Arizona division of UDC Homes and, prior thereto, as Co-CEO of Continental Homes, a publicly traded homebuilder.

Douglas C. Krah has served as President of our Northern California Region since January 2004. From July 1999 until December 2004, Mr. Krah served as President of our Northern California—East Bay division. Mr. Krah served as Division President of our Northern California—South Bay division from January 1998 until June 1999. Mr. Krah joined the Company in November 1994 as Director of Project Management for the Northern California—East Bay division.

Bruce F. Dickson has served as President of our Southeast Region since August 2004 and prior to that served as the President for our Austin division since November 2002. Prior to joining Standard Pacific, Mr. Dickson held various positions in homebuilding and financial services, including a Regional President position with D.R. Horton.

The remaining information required by Items 401, 405 and 406 of Regulation S-K will be set forth in the Company's 2006 Annual Meeting Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2005 (the "2006 Proxy Statement"). For the limited purpose of providing the information necessary to comply with this Item 10, the 2006 Proxy Statement is incorporated herein by this reference. All references to the 2006 Proxy Statement in this Part III are exclusive of the information set forth under the captions "Report of the Compensation Committee," "Report of the Audit Committee" and "Company Performance."

Code of Business Conduct and Ethics and Corporate Governance Guidelines

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our senior financial and executive officers, as well as our directors. We will disclose any waivers of, or amendments to, any provision of the Code of Business Conduct and Ethics that applies to our directors and senior financial and executive officers on our website, *www.standardpacifichomes.com* through the "Investor Relations" link under the heading, "Corporate Governance."

In addition, we have adopted Corporate Governance Guidelines and charters for each of the Board of Director's standing committees, which include the Audit, Compensation, Nominating and Corporate Governance, and Executive committees. Our Code of Business Conduct and Ethics and the charters for each of the aforementioned committees are accessible via our website at *www.standardpacifichomes.com* through the "Investor Relations" link under the heading, "Corporate Governance." In addition, stockholders may also request a copy of any of the foregoing documents, which will be provided at no cost, by writing or calling us at the following address or telephone number:

Corporate Secretary
Standard Pacific Corp.
15326 Alton Parkway
Irvine, California 92618-2338
Telephone: (949) 789-1600

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K will be set forth in the 2006 Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 11, the 2006 Proxy Statement is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Items 201(d) and 403 of Regulation S-K will be set forth in the 2006 Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 12, the 2006 Proxy Statement is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 404 of Regulation S-K will be set forth in the 2006 Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 13, the 2006 Proxy Statement is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

This information required by Item 9(e) of Schedule 14A will be set forth in the 2006 Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 14, the 2006 Proxy Statement is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(2) Financial Statement Schedules:

Financial Statement Schedules are omitted since the required information is not present or is not present in the amounts sufficient to require submission of a schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

(3) Index to Exhibits

See Index to Exhibits on pages 83-87 below.

(b) Index to Exhibits. See Index to Exhibits on pages 83-87 below.

(c) Financial Statements required by Regulation S-X excluded from the annual report to shareholders by Rule 14a-3(b). Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, California, on the 23rd day of February 2006.

STANDARD PACIFIC CORP.
(Registrant)

By: /s/ STEPHEN J. SCARBOROUGH
Stephen J. Scarborough
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ STEPHEN J. SCARBOROUGH (Stephen J. Scarborough)	Chairman of the Board of Directors and Chief Executive Officer	February 23, 2006
/s/ ANDREW H. PARNES (Andrew H. Parnes)	Executive Vice President—Finance, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	February 23, 2006
/s/ MICHAEL C. CORTNEY (Michael C. Cortney)	President and Director	February 23, 2006
/s/ JAMES L. DOTI (James L. Doti)	Director	February 23, 2006
/s/ RONALD R. FOELL (Ronald R. Foell)	Director	February 23, 2006
/s/ DOUGLAS C. JACOBS (Douglas C. Jacobs)	Director	February 23, 2006
/s/ LARRY D. MCNABB (Larry D. McNabb)	Director	February 23, 2006
/s/ FRANK E. O'BRYAN (Frank E. O'Bryan)	Director	February 23, 2006
/s/ JEFFREY V. PETERSON (Jeffrey V. Peterson)	Director	February 23, 2006

INDEX TO EXHIBITS

*3.1 Certificate of Incorporation of the Registrant incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-4 (file no. 33-42293), filed with the Securities and Exchange Commission on August 16, 1991.

*3.2 Certificate of Correction of Certificate of Incorporation of the Registrant incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 8-B, filed with the Securities and Exchange Commission on December 17, 1991.

*3.3 Form of Certificate of Amendment to Certificate of Incorporation of the Registrant incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form 8-B, filed with the Securities and Exchange Commission on December 17, 1991.

*3.4 Form of Certificate of Merger of the Registrant incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form 8-B, filed with the Securities and Exchange Commission on December 17, 1991.

*3.5 Amended and Restated Bylaws of the Registrant incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2005.

*4.1 Form of Specimen Stock Certificate, incorporated by reference to Exhibit 28.3 of the Registrant's Registration Statement on Form S-4 (file no. 33-42293), as filed with the Securities and Exchange Commission on August 16, 1991.

*4.2 Amended and Restated Rights Agreement, dated as of July 24, 2003, between the Registrant and Mellon Investor Services LLC, as Rights Agent, incorporated by reference to Exhibit 4.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

*4.3 Indenture, dated as of April 1, 1999, by and between the Registrant and The First National Bank of Chicago, as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 1999.

*4.4 Fourth Supplemental Indenture relating to the Registrant's 7¾% Senior Notes due 2013, dated as of March 7, 2003, by and between the Registrant and Bank One Trust Company, N.A., as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on March 7, 2003.

*4.5 Fifth Supplemental Indenture relating to the Registrant's 6⅞% Senior Notes due 2011, dated as of May 12, 2003, by and between the Registrant and Bank One Trust Company, N.A., as Trustee, incorporated by reference to Exhibit 4.2 of the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2003.

*4.6 Sixth Supplemental Indenture relating to the Registrant's 6½% Senior Notes due 2008, dated as of September 23, 2003, by and between the Registrant and Bank One Trust Company, N.A., as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on September 26, 2003.

*4.7 Seventh Supplemental Indenture relating to the Registrant's 5⅛% Senior Notes due 2009, dated as of March 11, 2004, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on March 16, 2004.

*4.8 Eighth Supplemental Indenture relating to the Registrant's 6¼% Senior Notes due 2014, dated as of March 11, 2004, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on March 16, 2004.

*4.9 Ninth Supplemental Indenture relating to the Registrant's 6½% Senior Notes due 2010, dated as of August 1, 2005, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on August 5, 2005.

*4.10 Tenth Supplemental Indenture relating to the Registrant's 7% Senior Notes due 2015, dated as of August 1, 2005, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on August 5, 2005.

4.11 Eleventh Supplemental Indenture relating to the addition of certain of the Registrant's wholly owned subsidiaries as guarantors of all of the Registrant's outstanding Senior Notes (including the form of guaranty), dated as of February 22, 2006, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee.

*4.12 Senior Subordinated Debt Securities Indenture dated as of April 10, 2002 by and between the Registrant and Bank One Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 15, 2002.

*4.13 First Supplemental Indenture relating to the Registrant's 9¼% Senior Subordinated Notes due 2012, dated as of April 10, 2002, by and between the Registrant and Bank One Trust Company, N.A., as trustee, with Form of Note attached, incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 15, 2002.

4.14 Second Supplemental Indenture relating to the addition of certain of the Registrant's wholly owned subsidiaries as guarantors of all of the Registrant's outstanding Senior Subordinated Notes (including the form of guaranty), dated as of February 22, 2006, by and between the Registrant and J.P. Morgan Trust Company, National Association, as trustee.

*10.1 Revolving Credit Agreement, dated as of August 31, 2005, by and among Standard Pacific Corp., Bank of American, N.A., and the several lenders named therein, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on September 1, 2005.

*10.2 Industrial Lease between Irvine Technology Partners III and the Registrant, incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

*10.3 Second Amendment to Lease dated February 22, 2005, by and between Irvine Technology Partners III and the Registrant, incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2005.

*10.4 Stock Purchase Agreement dated April 6, 2002 between Newmark Homes Corp. and the Registrant, relating to the acquisition of Westbrooke Homes, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

*10.5 Stock Purchase Agreement dated May 13, 2002 between Larry Godwin, Robert Godwin, Colony Communities, Inc. and the Registrant, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

*10.6 Stock Purchase Agreement dated August 9, 2002 between the shareholders of Westfield Homes USA, Inc., WF Acquisition, Inc. and the Registrant, relating to the acquisition of Westfield Homes USA, Inc., incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

*10.7 Amendment No. 1 to Westfield Homes Stock Purchase Agreement Dated June 1, 2004, by and among the Registrant, Westfield Homes USA, Inc., a wholly owned subsidiary of the Registrant, and the former shareholders of Westfield Homes USA, Inc., incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

+*10.8	Standard Pacific Corp. Deferred Compensation Plan, effective February 1, 2002, incorporated by reference to Exhibit 99.9 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2005.
+*10.9	Standard Pacific Corp. 2005 Deferred Compensation Plan, effective January 1, 2005, incorporated by reference to Exhibit 99.10 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2005.
+*10.10	Change of Control Agreement, dated December 1, 2000, between the Registrant and Stephen J. Scarborough, incorporated by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
+*10.11	Form of Change of Control Agreement, between the Registrant and each of Michael C. Cortney, Andrew H. Parnes, Clay A. Halvorsen, Jari L. Kartozian, Scott D. Stowell, Kathleen R. Wade, Douglas C. Krah, and Bruce F. Dickson incorporated by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
+*10.12	Standard Pacific Corp. 1991 Employee Stock Incentive Plan, incorporated by reference to Annex B of the Registrant's prospectus dated October 11, 1991, filed with the Securities and Exchange Commission pursuant to Rule 424(b).
+*10.13	Form of Stock Option Agreement to be used in connection with the Standard Pacific Corp. 1991 Employee Stock Incentive Plan, incorporated by reference to Exhibit 28.2 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 3, 1992.
+*10.14	Standard Pacific Corp. 1997 Stock Incentive Plan, incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 21, 1997.
+*10.15	Form of Non-Qualified Stock Option Agreement to be used in connection with Registrant's 1997 Stock Incentive Plan, incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 21, 1997.
+*10.16	Form of Non-Qualified Director's Stock Option Agreement to be used in connection with the Registrant's 1997 Stock Incentive Plan, incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 21, 1997.
+*10.17	Form of Incentive Stock Option Agreement to be used in connection with the Registrant's 1997 Stock Incentive Plan, incorporated by reference to Exhibit 99.4 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 21, 1997.
+*10.18	2000 Stock Incentive Plan of Standard Pacific Corp., as amended and restated, effective May 12, 2004, incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 2, 2004.
+*10.19	Standard Terms and Conditions for Non-Qualified Stock Options to be used in connection with the Registrant's 2000 Amended and Restated Stock Incentive Plan, incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
+*10.20	Standard Terms and Conditions for Non-Employee Director Non-Qualified Stock Options to be used in connection with the Registrant's 2000 Amended and Restated Stock Incentive Plan, incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
+*10.21	Standard Terms and Conditions for Incentive Stock Options to be used in connection with the Registrant's 2000 Amended and Restated Stock Incentive Plan, incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.

+*10.22	Form of Performance Share Award Agreement to be used in connection with the Registrant's 2000 Stock Incentive Plan, incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
+*10.23	Form of Performance Share Award Agreement to be used in connection with the Registrant's 2000 Stock Incentive Plan, incorporated by reference to Exhibit 99.7 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2005.
+*10.24	Form of Restricted Share Award Agreement to be used in connection with the Registrant's 2000 Stock Incentive Plan incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2005.
+*10.25	Standard Pacific Corp. 2001 Non-Executive Officer Stock Incentive Plan, incorporated by reference to Exhibit 10.9 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
+*10.26	Standard Pacific Corp. 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 11, 2005.
+*10.27	Standard Terms and Conditions for Non-Qualified Stock Options to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.28	Standard Terms and Conditions for Incentive Stock Options to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.29	Standard Terms and Conditions for Non-Employee Director Non-Qualified Stock Options to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.30	Form of Performance Share Award Agreement to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.31	Form of Restricted Share Award Agreement to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.32	Form of Restricted Share Award Agreement for Non-Employee Directors to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 17, 2005.
+*10.33	Director Compensation Program, incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2006.
+*10.34	2006 Executive Officer Compensation, incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2006.
+*10.35	Form of Share Award Agreement to be used in connection with the Company's Stock Incentive Plans, incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2006.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.

(*) Previously filed.
(+) Management contract, compensation plan or arrangement.

Exhibit 4.11

ELEVENTH SUPPLEMENTAL INDENTURE

by and among

STANDARD PACIFIC CORP. AND THE GUARANTORS PARTY HERETO

and

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Dated as of February 22, 2006

(Supplemental to the Indenture dated as of April 1, 1999)

ELEVENTH SUPPLEMENTAL INDENTURE

This Eleventh Supplemental Indenture, dated as of February 22, 2006 (the "Eleventh Supplemental Indenture"), is entered into among Standard Pacific Corp., a Delaware corporation (the "Company"), the guarantors listed on the signature page hereto (the "Initial Guarantors"), and J.P. Morgan Trust Company, National Association (as successor in interest to Bank One Trust Company, N.A. and First National Bank of Chicago), as trustee (the "Trustee").

WITNESSETH:

WHEREAS, this Eleventh Supplemental Indenture is supplemental to the Indenture, dated as of April 1, 1999 (the "Original Indenture"), as previously supplemented by that certain First Supplemental Indenture dated as of April 13, 1999, Second Supplemental Indenture dated as of September 5, 2000, Third Supplemental Indenture dated as of December 28, 2001, Fourth Supplemental Indenture dated as of March 4, 2003, Fifth Supplemental Indenture dated as of May 12, 2003, Sixth Supplemental Indenture dated as of September 23, 2003, Seventh and Eighth Supplemental Indentures, each dated as of March 11, 2004, and Ninth and Tenth Supplemental Indentures, each dated as of August 1, 2005 (the Original Indenture, as supplemented, the "Indenture"), by and between the Company and the Trustee;

WHEREAS, the following notes have been previously issued by the Company and remain outstanding under the Indenture: 7% Senior Notes due 2015 in the aggregate amount of $175,000,000 issued pursuant to the Tenth Supplemental Indenture; 6 1/4% Senior Notes due 2014 in the aggregate amount of $150,000,000 issued pursuant to the Eighth Supplemental Indenture; 7 3/4% Senior Notes due 2013 in the aggregate amount of $125,000,000 issued pursuant to the Fourth Supplemental Indenture; 6 7/8% Senior Notes due 2011 in the aggregate amount of $175,000,000 issued pursuant to the Fifth Supplemental Indenture; 6 1/2% Senior Notes due 2010 in the aggregate amount of $175,000,000 issued pursuant to the Ninth Supplemental Indenture; 5 1/8% Senior Notes due 2009 in the aggregate amount of $150,000,000 issued pursuant to the Seventh Supplemental Indenture; and 6 1/2% Senior Notes due 2008 in the aggregate amount of $150,000,000 issued pursuant to the Sixth Supplemental Indenture (collectively, the "Notes");

WHEREAS, the Company and the Initial Guarantors desire to amend the Indenture to add the Initial Guarantors to guarantee the payment of the Notes;

WHEREAS, pursuant to Section 6.11 of the Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Supplemental Indentures, the Company shall not permit any of its Restricted Subsidiaries (as defined in the Indenture), to guarantee any notes issued by the Company unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for the guarantee of the notes issued under such supplemental indenture on the same terms;

WHEREAS, pursuant to Section 9.01 of the Original Indenture, the Company and the Trustee may execute a supplemental indenture without the consent of the holders of the Outstanding Notes to make any change that does not adversely affect the rights of the holders; and

WHEREAS, all things necessary to make this Eleventh Supplemental Indenture a valid agreement of the Company, the Initial Guarantors and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Indenture have been done.

NOW, THEREFORE, the parties hereto agree, as follows:

ARTICLE ONE
SCOPE OF ELEVENTH SUPPLEMENTAL INDENTURE

Section 1.01. Scope. This Eleventh Supplemental Indenture constitutes an integral part of the Indenture and this Eleventh Supplemental Indenture shall be read together with the Indenture as though all the provisions thereof are contained in one instrument. Except as expressly amended by this Eleventh Supplemental Indenture, the terms and provisions of the Indenture shall remain in full force and effect.

Section 1.02. Definitions.

(a) "Guarantee" means any guarantee by a Guarantor of the Notes or other Securities that may be issued under the Indenture, executed pursuant to the terms of the Indenture, as amended or supplemented from time to time.

(b) "Guarantors" means (i) with respect to each Series of the Notes, (A) initially, the Initial Guarantors and (B) each of the Company's other subsidiaries that executes a Guarantee of the Notes of such Series pursuant to the terms of the Indenture, as amended or supplemented from time to time, and (ii) with respect to other Securities that may be issued under the Indenture, each of the Company's subsidiaries that executes a Guarantee of such Securities pursuant to the terms of the Indenture, as amended or supplemented from time to time; provided that, upon release or discharge of such Person from its Guarantee in accordance with the provisions of the Indenture, as amended or supplemented from time to time, such Person shall cease to be a Guarantor.

(c) Any capitalized term used in this Eleventh Supplemental Indenture and not defined herein that is defined in the Indenture shall have the meaning specified in the Indenture, unless the context shall otherwise require.

ARTICLE TWO
GUARANTEES OF THE NOTES

Section 2.01. Unconditional Guarantees. Each Guarantor hereby unconditionally, jointly and severally, and irrevocably guarantees (each such guarantee to be referred to herein as a Guarantee) to each Holder of the Notes and its successors and assigns, that: (i) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest of the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder, will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise, subject, however, to the limitations set forth in Section 2.04. Each Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that, subject to Section 2.03, this Guarantee will not be discharged except by complete performance of the obligations of the Company contained in the respective Notes and the Indenture with respect to the respective Series of Notes. If any Holder or the Trustee is required by any court or otherwise to return to the Company, any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Guarantor, any amount paid by the Company or any Guarantor to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between each Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by each Guarantor for the purpose of this Guarantee.

Section 2.02. Severability. In case any provision of this Guarantee shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.03. Release of a Guarantor; Termination of Guarantee. Upon (i) subject to Section 2.05, the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Guarantor (or all or substantially all its assets or its Capital Stock) to an entity which is not (after giving effect to such transaction) a Restricted Subsidiary and which sale or disposition is otherwise in compliance with the terms of the Indenture, (ii) the Legal Defeasance of the respective Series of Notes and the Guarantees, or (iii) the designation of any Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture, then in each such case such Guarantor shall be deemed automatically and unconditionally released and discharged from all the Guarantor's obligations under the Guarantee with respect to the Notes (or respective Series thereof) without any further action required on the part of the Guarantor, the Company, the Trustee or any Holder. In the event of a transfer of all or substantially all of the assets or Capital Stock of such Guarantor, unless required pursuant to Section 2.05(a)(1), the Person acquiring such assets or stock of such Guarantor shall not be subject to the Guarantor's obligations under the Guarantee with respect to any Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under this Article Two upon notice from the Company to the Trustee to such effect, without any further action required on the part of the Guarantor, the Company, the Trustee or any Holder.

The Guarantee with respect to any Series of Notes shall terminate and be of no further force or effect upon the redemption in full, retirement or other discharge of such Series of Notes.

The Trustee shall deliver an appropriate instrument evidencing any such release upon receipt of a request by the Company accompanied by an Officers' Certificate and Opinion of Counsel certifying as to the compliance with this Section 2.03.

Any Guarantor not released in accordance with this Section 2.03 remains liable for the full amount of principal of and interest on the Securities as provided in this Article Two.

Section 2.04. Limitation of a Subsidiary Guarantor's Liability. Notwithstanding anything contained herein to the contrary, it is the intention of the parties that the guarantee by each Guarantor pursuant to its Guarantee not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar Federal or state law. To effectuate the foregoing intention, the parties hereby irrevocably agree that the obligations of each Guarantor under its Guarantee of the Notes shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to Section 2.06), result in the obligations of such Guarantor under its Guarantee not constituting such fraudulent transfer or conveyance.

Section 2.05. Guarantors May Consolidate, etc., on Certain Terms.

(a) No Guarantor may transfer all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor in a transaction to which subsection (b) applies, unless:

(1) the Person acquiring the property in any such transfer or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under this Indenture (including its Guarantee of the Notes) pursuant to an agreement reasonably satisfactory to the trustee;

(2) such transfer, consolidation or merger is not an Asset Disposition and the Person acquiring such assets, or surviving such consolidation or merger, is not a Restricted Subsidiary; or

(3) such transfer, consolidation or merger is an Asset Disposition that complies with Section 6.05 of the Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Supplemental Indentures, as applicable.

(b) Nothing contained in the Indenture or in any of the Notes shall prevent any consolidation or merger of a Guarantor with or into the Company or another Restricted Subsidiary that is a Guarantor, or shall prevent any sale of assets or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Restricted Subsidiary that is a Guarantor. Upon any such consolidation, merger, sale or conveyance between a Guarantor and the Company or another Guarantor, the Guarantee with respect to the Notes given by the non-surviving or transferring Guarantor in the transaction shall no longer have any force or effect.

Section 2.06. Contribution. In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under its Guarantee with respect to the Notes, such Funding Guarantor shall be entitled to a contribution from all other Guarantors in a pro rata amount based on the Adjusted Net Assets of each Guarantor (including the Funding Guarantor) for all payments, damages and expenses incurred by that Funding Guarantor in discharging the Company's obligations with respect to any Notes or any other Guarantor's obligations with respect to the Guarantee of the Notes. "Adjusted Net Assets" of such Guarantor at any date shall mean the lesser of the amount by which (x) the fair value of the property of such Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any other Subsidiary of the Guarantor in respect of the obligations of its Guarantee of the Notes), but excluding liabilities under the Guarantee of the Notes, of such Guarantor at such date and (y) the present fair salable value of the assets of such Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Guarantor on its debts (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any other Subsidiary of the Company in respect of the obligations of such Guarantor under its Guarantee of the Notes), excluding debt in respect of the Guarantee of the Notes of such Guarantor, as they become absolute and matured.

Section 2.07. Waiver of Subrogation. Until all guaranteed obligations under the Indenture and with respect to all Notes are paid in full, each Guarantor hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under the Guarantee of the Notes and the Indenture, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Holder of Notes against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the Notes, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied upon the Notes, whether matured or unmatured, in accordance with the terms of the Indenture. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and that the waiver set forth in this Section 2.07 is knowingly made in contemplation of such benefits.

Section 2.08. Execution of Guarantee. To evidence their guarantee to the Holders of the Notes, the Guarantors hereby agree to execute the Guarantee in substantially the form included in Exhibit B. Each Guarantor hereby agrees that its Guarantee set forth in this Article Two shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. Such signatures upon the Guarantee may be by manual or facsimile signature of such officers and may be imprinted or otherwise reproduced on the Guarantee.

Section 2.09. Compensation and Indemnity. Each of the Guarantors agrees to jointly and severally, with the Company, indemnify the Trustee as set forth in Section 7.07 of the Original Indenture.

Section 2.10. Legal Defeasance. Section 8.01(b) of the Original Indenture is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

Upon the Company's exercise under paragraph (a) of the option applicable to this paragraph (b), the Company and each of the Guarantors shall be deemed to have been released and discharged from its obligations with respect to the outstanding Securities of a Series (including Guarantees) on the date the applicable conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company and each Guarantor shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities of a Series (including Guarantees), which shall thereafter be deemed to be "outstanding" only for the purposes of the Sections and matters under this Indenture referred to in (i) and (ii) below, and to have satisfied all its other obligations under such Securities, the Guarantees and this Indenture insofar as such Securities and Guarantees are concerned, except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding Securities of a Series to receive solely from the trust fund described in paragraph (d) below and as more fully set forth in such paragraph, payments in respect of the principal of and interest on such Securities when such payments are due and (ii) obligations listed in Section 8.02, subject to compliance with this Section 8.01. The Company may exercise its option under this paragraph (b) notwithstanding the prior exercise of its option under paragraph (c) below with respect to such Securities and Guarantees.

Section 2.11. Event of Default. In addition to the Events of Default specified in the Indenture, it shall constitute an Event of Default if, except as permitted by the Indenture, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Guarantee.

ARTICLE THREE
MISCELLANEOUS

Section 3.01 Governing Law. The laws of the State of New York shall govern this Eleventh Supplemental Indenture, the Notes and the Guarantees.

Section 3.02. No Adverse Interpretation of Other Agreements. This Eleventh Supplemental Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Eleventh Supplemental Indenture.

Section 3.03. No Recourse Against Others. A director, officer, employee, controlling person, manager or equity holder, as such, of the Company or the Guarantors shall not have any liability for any obligations of the Company or the Guarantors under the Notes, the Guarantees, or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting the Notes and the Guarantees waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes and the Guarantees.

Section 3.04. Successors and Assigns. All covenants and agreements of the Company and the Guarantors in this Eleventh Supplemental Indenture, the Notes and the Guarantees shall bind their respective successors and assigns. All agreements of the Trustee in this Eleventh Supplemental Indenture shall bind its successors and assigns.

Section 3.05 Duplicate Originals. The parties may sign any number of copies of this Eleventh Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 3.06 Severability. In case any one or more of the provisions contained in this Eleventh Supplemental Indenture, the Notes or the Guarantees shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Eleventh Supplemental Indenture, the Notes or the Guarantees.

Section 3.07. Notices. Any order, consent, notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

If to any Guarantor:

c/o Standard Pacific Corp.
15326 Alton Parkway
Irvine, California 92618
Attn: Secretary

Section 3.08. Amendment and Modification. This Eleventh Supplemental Indenture may be amended, modified, or supplemented only by written agreement of each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Eleventh Supplemental Indenture by their officers thereunto as of this 22nd day of February, 2006.

STANDARD PACIFIC CORP.

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Executive Vice President – Finance and
Chief Financial Officer

By: /s/ John M. Stephens
John M. Stephens
Vice President and Corporate Controller

GUARANTORS:

LB/L – Duc II-Franceschi, LLC
By: Standard Pacific Corp., its Manager
LMD El Dorado 134, LLC
By: Standard Pacific Corp., its Manager
LMD Rocklin 89, LLC
By: Standard Pacific Corp., its Manager
StanPac LMD, LLC
By: Standard Pacific Corp., its Manager
Standard Pacific 1, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 2, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 3, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 4, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 5, LLC.
By: Standard Pacific Corp., its sole member
Standard Pacific 6, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 7, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 8, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 9, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 10, LLC
By: Standard Pacific Corp., its sole member
SPNS Golden Gate, LLC
By: Standard Pacific Corp., its Managing Member
Standard Pacific of Tonner Hills, LLC
By: Standard Pacific Corp., its sole member
The Grove at Indian Wells, LLC
By: Standard Pacific Corp., its Manager

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Chairman and Chief Executive Officer

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Executive Vice President and
Chief Financial Officer

Standard Pacific of Colorado, Inc.

By: /s/ Timothy C. Little
Name: Timothy C. Little
Title: President

By: /s/ Robert R. Reid
Name: Robert R. Reid
Title: Senior Vice President

CH Construction, Inc.
Hilltop Residential, Ltd.
By: Residential Acquisition GP, LLC,
its general partner
CH Florida, Inc.
HSP Arizona, Inc.
HSP Tucson, Inc.
HWB Construction, Inc.
HWB Investments, Inc.
OLP Forty Development, LLC
By: Standard Pacific of Jacksonville,
its Manager and Sole Member
By: Standard Pacific of Jacksonville GP, Inc.,
its Managing Partner
Residential Acquisition GP, LLC
SP Colony Investments, Inc.
SP Coppenbarger Investments, Inc.
SP La Floresta, Inc.
SPLB, Inc.
Standard Pacific of Arizona, Inc.
Standard Pacific of Central Florida GP, Inc.
Standard Pacific of Central Florida
By: Standard Pacific of Central Florida GP,
Inc., its Managing Partner
Standard Pacific of Fullerton, Inc.
Standard Pacific of Jacksonville GP, Inc.
Standard Pacific of Jacksonville
By: Standard Pacific of Jacksonville GP,
Inc., its Managing Partner
Standard Pacific of Orange County, Inc.
Standard Pacific of Tucson, Inc.
Standard Pacific of Walnut Hills, Inc.
Westbrooke Companies, Inc.
Westbrooke Homes
By: Westbrooke Companies, Inc.,
its Managing Partner
Walnut Hills Development 268, LLC,
By: Standard Pacific of Walnut Hills, Inc.,
its Member

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Assistant Treasurer

Pala Village Investments, Inc.
Standard Pacific of Texas GP, Inc.
Standard Pacific of Texas, L.P.
By: Standard Pacific of Texas GP, Inc.
its general partner

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Treasurer

SP Texas Investments, Inc.
Standard Pacific Active Adult Communities, Inc.
Standard Pacific of Illinois, Inc.
Westfield Homes USA, Inc.
Standard Pacific 1, Inc.
Standard Pacific 2, Inc.
Standard Pacific 3, Inc.
Standard Pacific 4, Inc.
Standard Pacific 5, Inc.
Standard Pacific 6, Inc.
Standard Pacific 7, Inc.
Standard Pacific 8, Inc.
Standard Pacific 9, Inc.
Standard Pacific 10, Inc.

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
President

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Vice President & Treasurer

SP Ventura Investments, Inc.
Standard Pacific of Las Vegas, Inc.
Standard Pacific of Southwest Florida GP, Inc.
Standard Pacific of Southwest Florida
By: Standard Pacific of Southwest Florida GP, Inc., its Managing Partner
Westfield Homes of Florida, Inc.
Westfield Homes of Florida
By: Westfield Homes of Florida, Inc., its Managing Partner
Westfield Homes of the Carolinas, LLC

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Vice President & Treasurer

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Sharon McGrath
Name: Sharon McGrath
Title: Vice President

EXHIBIT A

List of Subsidiary Guarantors

CH Construction, Inc.
CH Florida, Inc.
Hilltop Residential, Ltd.
HSP Arizona, Inc.
HSP Tucson, Inc.
HWB Construction, Inc.
HWB Investments, Inc.
LB/L-Duc II Franceschi, LLC
LMD El Dorado 134, LLC
LMD Rocklin 89, LLC
OLP Forty Development, LLC
Pala Village Investments, Inc.
Residential Acquisition GP, LLC
SP Colony Investments, Inc.
SP Coppenbarger Investments, Inc.
SP La Floresta, Inc.
SP Texas Investments, Inc.
SP Ventura Investments, Inc.
SPLB, Inc.
SPNS Golden Gate, LLC
Standard Pacific 1, Inc.
Standard Pacific 2, Inc.
Standard Pacific 3, Inc.
Standard Pacific 4, Inc.
Standard Pacific 5, Inc.
Standard Pacific 6, Inc.
Standard Pacific 7, Inc.
Standard Pacific 8, Inc.
Standard Pacific 9, Inc.
Standard Pacific 10, Inc.
Standard Pacific 1, LLC
Standard Pacific 2, LLC
Standard Pacific 3, LLC
Standard Pacific 4, LLC
Standard Pacific 5, LLC
Standard Pacific 6, LLC
Standard Pacific 7, LLC
Standard Pacific 8, LLC
Standard Pacific 9, LLC
Standard Pacific 10, LLC
Standard Pacific Active Adult Communities, Inc.
Standard Pacific of Arizona, Inc.
Standard Pacific of Central Florida GP, Inc.
Standard Pacific of Central Florida, general partnership
Standard Pacific of Colorado, Inc.
Standard Pacific of Fullerton, Inc.
Standard Pacific of Illinois, Inc.
Standard Pacific of Jacksonville GP, Inc.
Standard Pacific of Jacksonville, general partnership
Standard Pacific of Las Vegas, Inc.
Standard Pacific of Orange County, Inc.
Standard Pacific of Southwest Florida GP, Inc.
Standard Pacific of Southwest Florida, general partnership
Standard Pacific of Texas GP, Inc.
Standard Pacific of Texas, L.P.
Standard Pacific of Tonner Hills, LLC
Standard Pacific of Tucson, Inc.
Standard Pacific of Walnut Hills, Inc.
StanPac LMD, LLC
The Grove at Indian Wells, LLC
Walnut Hills Development 268, LLC
Westbrooke Companies, Inc.
Westbrooke Homes, general partnership
Westfield Homes of Florida, general partnership
Westfield Homes of Florida, Inc.
Westfield Homes of the Carolinas, LLC
Westfield Homes USA, Inc.

EXHIBIT B

Form of Guarantee

FOR VALUE RECEIVED, the undersigned hereby unconditionally guarantee to the Holders of the Company's 7% Senior Notes due 2015 in the aggregate amount of $175,000,000; 6 1/4% Senior Notes due 2014 in the aggregate amount of $150,000,000; 7 3/4% Senior Notes due 2013 in the aggregate amount of $125,000,000; 6 7/8% Senior Notes due 2011 in the aggregate amount of $175,000,000; 6 1/2% Senior Notes due 2010 in the aggregate amount of $175,000,000; 5 1/8% Senior Notes due 2009 in the aggregate amount of $150,000,000; and 6 1/2% Senior Notes due 2008 in the aggregate amount of $150,000,000 (collectively, the "Notes") that (i) the principal of and interest on each series of the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest of the Notes and all other obligations of the Company to the Holders or the Trustee thereunder, will be promptly paid in full or performed, all in accordance with the terms thereof; and (ii) in case of any extension of time of payment or renewal of any series of the Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise; all in accordance with and subject to the terms and limitations of the Notes, Article 2 of the Eleventh Supplemental Indenture among the Company, the guarantors party thereto, and the Trustee (the "Eleventh Supplemental Indenture") and this Guarantee. This Guarantee will become effective on the date hereof. The validity and enforceability of this Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

The obligations of the undersigned to the Holders of the Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 2 of the Eleventh Supplemental Indenture and reference is hereby made to the Eleventh Supplemental Indenture for the precise terms of the Guarantee and all of the other provisions of the Indenture to which this Guarantee relates.

Any capitalized term used in this Guarantee and not defined herein shall have the meaning specified in the Indenture, unless the context shall otherwise require.

This Guarantee as to any series or all of the Notes is subject to release and termination upon the terms set forth in the Eleventh Supplemental Indenture.

This Guarantee may be executed in one or more counterparts, each of which will be deemed to be an original, and all of which, when taken together, will be deemed to constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Guarantee to be duly executed as of this [__] day of February, 2006.

GUARANTORS:
[______________________________]

By: ______________________________
[______________________________]
[______________________________]

Exhibit 4.14

SECOND SUPPLEMENTAL INDENTURE

by and among

STANDARD PACIFIC CORP. AND THE GUARANTORS PARTY HERETO

and

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Dated as of February 22, 2006

(Supplemental to the Indenture dated as of April 10, 2002)

SECOND SUPPLEMENTAL INDENTURE

This Second Supplemental Indenture, dated as of February 22, 2006 (the "Second Supplemental Indenture"), is entered into among Standard Pacific Corp., a Delaware corporation (the "Company"), the guarantors listed on the signature page hereto (the "Initial Guarantors"), and J.P. Morgan Trust Company, National Association (as successor in interest to Bank One Trust Company, N.A.), as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, this Second Supplemental Indenture is supplemental to the Indenture, dated as of April 10, 2002 (the "Original Indenture"), as previously supplemented by that certain First Supplemental Indenture dated as of April 10, 2002 (the "First Supplemental Indenture") by and between the Company and the Trustee (the Original Indenture, as supplemented, the "Indenture");

WHEREAS, 9 1/4% Senior Subordinated Notes due 2012 in the aggregate amount of $150,000,000 have been previously issued by the Company and remain outstanding under the Indenture (the "Notes");

WHEREAS, the Company and the Initial Guarantors desire to amend the Indenture to add the Initial Guarantors to guarantee the payment of the Notes;

WHEREAS, pursuant to Section 6.11 of the First Supplemental Indenture, the Company shall not permit any of its Restricted Subsidiaries (as defined in the Indenture), to guarantee any notes issued by the Company unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for the guarantee of the Notes on the same terms except that the guarantee under such supplemental indenture shall be subordinated to the guarantee of the Senior Notes (as defined in the Indenture) to the same extent as the Notes are subordinated to such Senior Notes under the Indenture;

WHEREAS, pursuant to Section 9.01 of the Original Indenture, the Company and the Trustee may execute a supplemental indenture without the consent of the holders of the Notes to make any change that does not adversely affect the rights of the holders; and

WHEREAS, all things necessary to make this Second Supplemental Indenture a valid agreement of the Company, the Initial Guarantors and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Indenture have been done.

NOW, THEREFORE, the parties hereto agree, as follows:

ARTICLE ONE
SCOPE OF SECOND SUPPLEMENTAL INDENTURE

Section 1.01. Scope. This Second Supplemental Indenture constitutes an integral part of the Indenture and this Second Supplemental Indenture shall be read together with the Indenture as though all the provisions thereof are contained in one instrument. Except as

expressly amended by this Second Supplemental Indenture, the terms and provisions of the Indenture shall remain in full force and effect.

Section 1.02. Definitions.

(a) "Guarantee" means any guarantee by a Guarantor of the Notes or other Securities that may be issued under the Indenture, executed pursuant to the terms of the Indenture, as amended or supplemented from time to time.

(b) "Guarantors" means (i) with respect to the Notes, (A) initially, the Initial Guarantors and (B) each of the Company's other subsidiaries that executes a Guarantee of the Notes pursuant to the terms of the Indenture, as amended or supplemented from time to time, and (ii) with respect to other Securities that may be issued under the Indenture, each of the Company's subsidiaries that executes a Guarantee of such Securities pursuant to the terms of the Indenture, as amended or supplemented from time to time; provided that, upon release or discharge of such Person from its Guarantee in accordance with the provisions of the Indenture, as amended or supplemented from time to time, such Person shall cease to be a Guarantor.

(c) "Guarantor Senior Indebtedness" means, at any date, all Indebtedness of any Guarantor, including principal, premium, if any, and interest (including Post-Petition Interest), fees and other amounts payable in connection with such Indebtedness, unless the instrument under which such Indebtedness of the Guarantor is incurred expressly provides that such Indebtedness is not senior or superior in right of payment to such Guarantor's Guarantee of the Securities of the applicable Series, and all renewals, extensions, modifications, amendments, restructurings or refinancings thereof. Without limiting the generality of the foregoing, "Guarantor Senior Indebtedness" shall also include the principal of, premium, if any, interest (including any Post-Petition Interest) on, and all other amounts owing in respect of (1) all monetary obligations of every nature of any Guarantor under, or with respect to, any Bank Credit Facility permitted to be Incurred under any supplemental indenture to the Indenture applicable to such Securities, including without limitation obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof) and (2) all Interest Rate Agreements (and guarantees thereof) permitted to be Incurred under any supplemental indenture to the Indenture applicable to such Securities; in each case whether outstanding on the date that such Securities are originally issued pursuant to the Indenture and the applicable supplemental indenture or thereafter incurred. Notwithstanding the foregoing, Guarantor Senior Indebtedness shall not include (a) to the extent that it may constitute Indebtedness, any obligation for federal, state, local or other taxes; (b) any Indebtedness between the Guarantor and the Company; (c) to the extent that it may constitute Indebtedness, any obligation in respect of any trade payable incurred for the purchase of goods or materials, or for services obtained, in the ordinary course of business; (d) that portion of any Indebtedness that is incurred in violation of any covenant in any supplemental indenture applicable to such Securities limiting or restricting the incurrence of additional Indebtedness by any Guarantor or the incurrence of any Indebtedness by any Guarantor that purports to be subordinated to any Indebtedness of any Guarantor but that by its terms is not expressly stated to be pari passu with or subordinated to such Guarantor's Guarantee of all Series of Securities then outstanding guaranteed by such Guarantor; (e) Indebtedness evidenced by such Guarantor's Guarantee of any

Securities; and (f) to the extent that it may constitute Indebtedness, any obligation owing under leases (other than Capitalized Lease Obligations).

(c) Any capitalized term used in this Second Supplemental Indenture and not defined herein that is defined in the Indenture shall have the meaning specified in the Indenture, unless the context shall otherwise require.

ARTICLE TWO
GUARANTEES OF THE NOTES

Section 2.01. Unconditional Guarantees. Each Guarantor hereby unconditionally, jointly and severally, and irrevocably guarantees (each such guarantee to be referred to herein as a Guarantee) to each Holder of the Notes and its successors and assigns, that: (i) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest of the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder, will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise, subject, however, to the limitations set forth in Section 2.04. Each Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that, subject to Section 2.03, this Guarantee will not be discharged except by complete performance of the obligations of the Company contained in the Notes and the Indenture with respect to the Notes. If any Holder or the Trustee is required by any court or otherwise to return to the Company, any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Guarantor, any amount paid by the Company or any Guarantor to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between each Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by each Guarantor for the purpose of this Guarantee.

Section 2.02. Severability. In case any provision of this Guarantee shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.03. Release of a Guarantor; Termination of Guarantee. Upon (i) subject to Section 2.05, the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Guarantor (or all or substantially all its assets or its Capital Stock) to an entity whieh is not (after giving effect to such transaction) a Restricted Subsidiary and which sale or disposition is otherwise in compliance with the terms of the Indenture, (ii) the Legal Defeasance of the Notes and the Guarantees, or (iii) the designation of any Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture, then in each such case such Guarantor shall be deemed automatically and unconditionally released and discharged from all the Guarantor's obligations under the Guarantee with respect to any Notes without any further action required on the part of the Guarantor, the Company, the Trustee or any Holder. In the event of a transfer of all or substantially all of the assets or Capital Stock of such Guarantor, unless required pursuant to Section 2.05(a)(1), the Person acquiring such assets or stock of such Guarantor shall not be subject to the Guarantor's obligations under the Guarantee with respect to any Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under this Article Two upon notice from the Company to the Trustee to such effect, without any further action required on the part of the Guarantor, the Company, the Trustee or any Holder.

The Guarantee with respect to any Notes shall terminate and be of no further force or effect upon the redemption in full, retirement or other discharge of such Notes.

The Trustee shall deliver an appropriate instrument evidencing any such release upon receipt of a request by the Company accompanied by an Officers' Certificate and Opinion of Counsel certifying as to the compliance with this Section 2.03.

Any Guarantor not released in accordance with this Section 2.03 remains liable for the full amount of principal of and interest on the Securities as provided in this Article Two.

Section 2.04. Limitation of a Subsidiary Guarantor's Liability. Notwithstanding anything contained herein to the contrary, it is the intention of the parties that the guarantee by each Guarantor pursuant to its Guarantee not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar Federal or state law. To effectuate the foregoing intention, the parties hereby irrevocably agree that the obligations of each Guarantor under its Guarantee of the Notes shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to Section 2.06), result in the obligations of such Guarantor under its Guarantee not constituting such fraudulent transfer or conveyance.

Section 2.05. Guarantors May Consolidate, etc., on Certain Terms.

(a) No Guarantor may transfer all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor in a transaction to which subsection (b) applies, unless:

(1) the Person acquiring the property in any such transfer or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under this Indenture (including its Guarantee of the Notes) pursuant to an agreement reasonably satisfactory to the trustee;

(2) such transfer, consolidation or merger is not an Asset Disposition and the Person acquiring such assets, or surviving such consolidation or merger, is not a Restricted Subsidiary; or

(3) such transfer, consolidation or merger is an Asset Disposition that complies with Section 6.05 of the First Supplemental Indenture.

(b) Nothing contained in the Indenture or in any of the Notes shall prevent any consolidation or merger of a Guarantor with or into the Company or another Restricted Subsidiary that is a Guarantor, or shall prevent any sale of assets or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Restricted Subsidiary that is a Guarantor. Upon any such consolidation, merger, sale or conveyance between a Guarantor and the Company or another Guarantor, the Guarantee with respect to the Notes given by the non-surviving or transferring Guarantor in the transaction shall no longer have any force or effect.

Section 2.06. Contribution. In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under its Guarantee with respect to the Notes, such Funding Guarantor shall be entitled to a contribution from all other Guarantors in a pro rata amount based on the Adjusted Net Assets of each Guarantor (including the Funding Guarantor) for all payments, damages and expenses incurred by that Funding Guarantor in discharging the Company's obligations with respect to any Notes or any other Guarantor's obligations with respect to the Guarantee of the Notes. "Adjusted Net Assets" of such Guarantor at any date shall mean the lesser of the amount by which (x) the fair value of the property of such Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any other Subsidiary of the Guarantor in respect of the obligations of its Guarantee of the Notes), but excluding liabilities under the Guarantee of the Notes, of such Guarantor at such date and (y) the present fair salable value of the assets of such Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Guarantor on its debts (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any other Subsidiary of the Company in respect of the obligations of such Guarantor under

its Guarantee of the Notes), excluding debt in respect of the Guarantee of the Notes of such Guarantor, as they become absolute and matured.

Section 2.07. Waiver of Subrogation. Until all guaranteed obligations under the Indenture and with respect to all Notes are paid in full, each Guarantor hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under the Guarantee of the Notes and the Indenture, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Holder of Notes against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the Notes, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied upon the Notes, whether matured or unmatured, in accordance with the terms of the Indenture. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and that the waiver set forth in this Section 2.07 is knowingly made in contemplation of such benefits.

Section 2.08. Execution of Guarantee. To evidence their guarantee to the Holders of the Notes, the Guarantors hereby agree to execute the Guarantee in substantially the form included in Exhibit B. Each Guarantor hereby agrees that its Guarantee set forth in this Article Two shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. Such signatures upon the Guarantee may be by manual or facsimile signature of such officers and may be imprinted or otherwise reproduced on the Guarantee.

Section 2.09. Subordination of Guarantee. The Obligations of each Guarantor under its Guarantee with respect to the Notes are subordinated in right of payment to the Obligations of each Guarantor under its Guarantor Senior Indebtedness in the same manner and to the same extent that the Notes are subordinated to Senior Indebtedness of the Company pursuant to Article 11 of the Original Indenture.

Section 2.10. Limitation on Layering Debt. The Guarantors will not Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) contractually subordinated to any other Indebtedness of such Guarantor, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) contractually (1) designated as ranking pari passu with such Guarantor's Guarantee of the Notes or (2) expressly made subordinate to such Guarantor's Guarantee of the Notes to the same extent and in the same manner as the Guarantor's Guarantee of the Notes are contractually subordinated to the Guarantor Senior Indebtedness.

Section 2.11. Compensation and Indemnity. Each of the Guarantors agrees to jointly and severally, with the Company, indemnify the Trustee as set forth in Section 7.07 of the Original Indenture.

Section 2.12. Legal Defeasance. Section 8.01(b) of the Original Indenture is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

Upon the Company's exercise under paragraph (a) of the option applicable to this paragraph (b), the Company and each of the Guarantors shall be deemed to have been released and discharged from its obligations with respect to the outstanding Securities of a Series (including Guarantees) on the date the applicable conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company and each Guarantor shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities of a Series (including Guarantees), which shall thereafter be deemed to be "outstanding" only for the purposes of the Sections and matters under this Indenture referred to in (i) and (ii) below, and to have satisfied all its other obligations under such Securities, the Guarantees and this Indenture insofar as such Securities and Guarantees are concerned, except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding Securities of a Series to receive solely from the trust fund described in paragraph (d) below and as more fully set forth in such paragraph, payments in respect of the principal of and interest on such Securities when such payments are due and (ii) obligations listed in Section 8.02, subject to compliance with this Section 8.01. The Company may exercise its option under this paragraph (b) notwithstanding the prior exercise of its option under paragraph (c) below with respect to such Securities and Guarantees.

Section 2.13. Event of Default. In addition to the Events of Default specified in the Indenture, it shall constitute an Event of Default if, except as permitted by the Indenture, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Guarantee.

ARTICLE THREE
MISCELLANEOUS

Section 3.01 Governing Law. The laws of the State of New York shall govern this Second Supplemental Indenture, the Notes and the Guarantees.

Section 3.02. No Adverse Interpretation of Other Agreements. This Second Supplemental Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Second Supplemental Indenture.

Section 3.03. No Recourse Against Others. A director, officer, employee, controlling person, manager or equity holder, as such, of the Company or the Guarantors shall not have any liability for any obligations of the Company or the Guarantors under the Notes, the Guarantees, or the Indenture or for any claim based on, in respect of or by reason of, such

obligations or their creation. Each Holder by accepting the Notes and the Guarantees waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes and the Guarantees.

Section 3.04. Successors and Assigns. All covenants and agreements of the Company and the Guarantors in this Second Supplemental Indenture, the Notes and the Guarantees shall bind their respective successors and assigns. All agreements of the Trustee in this Second Supplemental Indenture shall bind its successors and assigns.

Section 3.05 Duplicate Originals. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 3.06 Severability. In case any one or more of the provisions contained in this Second Supplemental Indenture, the Notes or the Guarantees shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Second Supplemental Indenture, the Notes or the Guarantees.

Section 3.07. Notices. Any order, consent, notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

If to any Guarantor:

c/o Standard Pacific Corp.
15326 Alton Parkway
Irvine, California 92618
Attn: Secretary

Section 3.08. Amendment and Modification. This Second Supplemental Indenture may be amended, modified, or supplemented only by written agreement of each of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have executed this Second Supplemental Indenture by their officers thereunto as of this 22nd day of February, 2006.

STANDARD PACIFIC CORP.

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Executive Vice President – Finance and
Chief Financial Officer

By: /s/ John M. Stephens
John M. Stephens
Vice President and Corporate Controller

GUARANTORS:

LB/L – Duc II-Franceschi, LLC
By: Standard Pacific Corp., its Manager
LMD El Dorado 134, LLC
By: Standard Pacific Corp., its Manager
LMD Rocklin 89, LLC
By: Standard Pacific Corp., its Manager
StanPac LMD, LLC
By: Standard Pacific Corp., its Manager
Standard Pacific 1, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 2, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 3, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 4, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 5, LLC.
By: Standard Pacific Corp., its sole member
Standard Pacific 6, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 7, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 8, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 9, LLC
By: Standard Pacific Corp., its sole member
Standard Pacific 10, LLC
By: Standard Pacific Corp., its sole member
SPNS Golden Gate, LLC
By: Standard Pacific Corp., its Managing Member
Standard Pacific of Tonner Hills, LLC
By: Standard Pacific Corp., its sole member
The Grove at Indian Wells, LLC
By: Standard Pacific Corp., its Manager

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Chairman and Chief Executive Officer

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Executive Vice President and
Chief Financial Officer

Standard Pacific of Colorado, Inc.

By: /s/ Timothy C. Little
Name: Timothy C. Little
Title: President

By: /s/ Robert R. Reid
Name: Robert R. Reid
Title: Senior Vice President

CH Construction, Inc.
Hilltop Residential, Ltd.
By: Residential Acquisition GP, LLC, its general partner
CH Florida, Inc.
HSP Arizona, Inc.
HSP Tucson, Inc.
HWB Construction, Inc.
HWB Investments, Inc.
OLP Forty Development, LLC
By: Standard Pacific of Jacksonville, its Manager and Sole Member
By: Standard Pacific of Jacksonville GP, Inc., its Managing Partner
Residential Acquisition GP, LLC
SP Colony Investments, Inc.
SP Coppenbarger Investments, Inc.
SP La Floresta, Inc.
SPLB, Inc.
Standard Pacific of Arizona, Inc.
Standard Pacific of Central Florida GP, Inc.
Standard Pacific of Central Florida
By: Standard Pacific of Central Florida GP, Inc., its Managing Partner
Standard Pacific of Fullerton, Inc.
Standard Pacific of Jacksonville GP, Inc.
Standard Pacific of Jacksonville
By: Standard Pacific of Jacksonville GP, Inc., its Managing Partner
Standard Pacific of Orange County, Inc.
Standard Pacific of Tucson, Inc.
Standard Pacific of Walnut Hills, Inc.
Westbrooke Companies, Inc.
Westbrooke Homes
By: Westbrooke Companies, Inc., its Managing Partner
Walnut Hills Development 268, LLC,
By: Standard Pacific of Walnut Hills, Inc., its Member

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Assistant Treasurer

Pala Village Investments, Inc.
Standard Pacific of Texas GP, Inc.
Standard Pacific of Texas, L.P.
By: Standard Pacific of Texas GP, Inc.
its general partner

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Treasurer

SP Texas Investments, Inc.
Standard Pacific Active Adult Communities, Inc.
Standard Pacific of Illinois, Inc.
Westfield Homes USA, Inc.
Standard Pacific 1, Inc.
Standard Pacific 2, Inc.
Standard Pacific 3, Inc.
Standard Pacific 4, Inc.
Standard Pacific 5, Inc.
Standard Pacific 6, Inc.
Standard Pacific 7, Inc.
Standard Pacific 8, Inc.
Standard Pacific 9, Inc.
Standard Pacific 10, Inc.

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
President

By: /s/ Andrew H. Parnes
Andrew H. Parnes
Vice President & Treasurer

SP Ventura Investments, Inc.
Standard Pacific of Las Vegas, Inc.
Standard Pacific of Southwest Florida GP, Inc.
Standard Pacific of Southwest Florida
By: Standard Pacific of Southwest Florida GP, Inc., its Managing Partner
Westfield Homes of Florida, Inc.
Westfield Homes of Florida
By: Westfield Homes of Florida, Inc., its Managing Partner
Westfield Homes of the Carolinas, LLC

By: /s/ Stephen J. Scarborough
Stephen J. Scarborough
Assistant Secretary

By: /s/ Andrew H. Parnes
AndrewH. Parnes
Vice President & Treasurer

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: /s/ Sharon McGrath

Name: Sharon McGrath
Title: Vice President

EXHIBIT A

List of Subsidiary Guarantors

CH Construction, Inc.
CH Florida, Inc.
Hilltop Residential, Ltd.
HSP Arizona, Inc.
HSP Tucson, Inc.
HWB Construction, Inc.
HWB Investments, Inc.
LB/L-Duc II Franceschi, LLC
LMD El Dorado 134, LLC
LMD Rocklin 89, LLC
OLP Forty Development, LLC
Pala Village Investments, Inc.
Residential Acquisition GP, LLC
SP Colony Investments, Inc.
SP Coppenbarger Investments, Inc.
SP La Floresta, Inc.
SP Texas Investments, Inc.
SP Ventura Investments, Inc.
SPLB, Inc.
SPNS Golden Gate, LLC
Standard Pacific 1, Inc.
Standard Pacific 2, Inc.
Standard Pacific 3, Inc.
Standard Pacific 4, Inc.
Standard Pacific 5, Inc.
Standard Pacific 6, Inc.
Standard Pacific 7, Inc.
Standard Pacific 8, Inc.
Standard Pacific 9, Inc.
Standard Pacific 10, Inc.
Standard Pacific 1, LLC
Standard Pacific 2, LLC
Standard Pacific 3, LLC
Standard Pacific 4, LLC
Standard Pacific 5, LLC
Standard Pacific 6, LLC
Standard Pacific 7, LLC
Standard Pacific 8, LLC
Standard Pacific 9, LLC
Standard Pacific 10, LLC
Standard Pacific Active Adult Communities, Inc.
Standard Pacific of Arizona, Inc.
Standard Pacific of Central Florida GP, Inc.
Standard Pacific of Central Florida, general partnership
Standard Pacific of Colorado, Inc.
Standard Pacific of Fullerton, Inc.
Standard Pacific of Illinois, Inc.
Standard Pacific of Jacksonville GP, Inc.
Standard Pacific of Jacksonville, general partnership
Standard Pacific of Las Vegas, Inc.
Standard Pacific of Orange County, Inc.
Standard Pacific of Southwest Florida GP, Inc.
Standard Pacific of Southwest Florida, general partnership
Standard Pacific of Texas GP, Inc.
Standard Pacific of Texas, L.P.
Standard Pacific of Tonner Hills, LLC
Standard Pacific of Tucson, Inc.
Standard Pacific of Walnut Hills, Inc.
StanPac LMD, LLC
The Grove at Indian Wells, LLC
Walnut Hills Development 268, LLC
Westbrooke Companies, Inc.
Westbrooke Homes, general partnership
Westfield Homes of Florida, general partnership
Westfield Homes of Florida, Inc.
Westfield Homes of the Carolinas, LLC
Westfield Homes USA, Inc.

EXHIBIT B

Form of Guarantee

FOR VALUE RECEIVED, each of the undersigned hereby unconditionally, jointly and severally, and irrevocably guarantees to the Holders of the 9 1/4% Senior Subordinated Notes due 2012 of the Company (the "Notes") that (i) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest of the Notes and all other obligations of the Company to the Holders or the Trustee thereunder, will be promptly paid in full or performed, all in accordance with the terms thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise; all in accordance with and subject to the terms and limitations of the Notes, Article 2 of the Second Supplemental Indenture among the Company, the guarantors party thereto, and the Trustee (the "Second Supplemental Indenture") and this Guarantee. This Guarantee will become effective on the date hereof. The validity and enforceability of this Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

The obligations of the undersigned to the Holders of the Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 2 of the Second Supplemental Indenture and reference is hereby made to the Second Supplemental Indenture for the precise terms of the Guarantee and all of the other provisions of the Indenture to which this Guarantee relates.

The obligations of the undersigned pursuant to this Guarantee are subordinated in right of payment to the obligations of the undersigned under its Guarantor Senior Indebtedness in the same manner and to the same extent that the Notes are subordinated to Senior Indebtedness of the Company pursuant to Article 11 of the Original Indenture.

Any capitalized term used in this Guarantee and not defined herein shall have the meaning specified in the Indenture, unless the context shall otherwise require.

This Guarantee is subject to release and termination upon the terms set forth in the Second Supplemental Indenture.

This Guarantee may be executed in one or more counterparts, each of which will be deemed to be an original, and all of which, when taken together, will be deemed to constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Guarantee to be duly executed as of this [ ] day of February, 2006.

GUARANTORS:

[______________________]

By:______________________________
[______________________]
[______________________]

EXHIBIT 21.1

SUBSIDIARIES

Entity Name	State of Incorporation	Doing Business As
CH Construction, Inc.	Delaware	
CH Florida, Inc.	Delaware	
Family Lending Services, Inc.	Delaware	
Hilltop Residential, Ltd.	Florida	
HSP Arizona, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
HSP Tucson, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
HWB Construction, Inc.	Delaware	
HWB Investments, Inc.	Delaware	
LB/L-Duc II Franceschi, LLC	Delaware	
LMD El Dorado 134, LLC	California	
LMD Rocklin 89, LLC	California	
OLP Forty Development, LLC	Florida	
Pala Village Investments, Inc.	Delaware	
Residential Acquisition GP, LLC	Florida	
S.P.S. Affiliates, Inc.	California	
SP Colony Investments, Inc.	Delaware	
SP Coppenbarger Investments, Inc.	Delaware	
SP La Floresta, Inc.	Delaware	
SP Texas Investments, Inc.	Delaware	
SP Ventura Investments, Inc.	Delaware	
SPH Title, Inc.	Delaware	
SPLB, Inc.	Delaware	
SPNS Golden Gate, LLC	Delaware	
Standard Pacific 1, Inc.	Delaware	
Standard Pacific 1, LLC	Delaware	
Standard Pacific 2, Inc.	Delaware	
Standard Pacific 2, LLC	Delaware	
Standard Pacific 3, Inc.	Delaware	
Standard Pacific 3, LLC	Delaware	
Standard Pacific 4, Inc.	Delaware	
Standard Pacific 4, LLC	Delaware	
Standard Pacific 5, Inc.	Delaware	
Standard Pacific 5, LLC	Delaware	
Standard Pacific 6, Inc.	Delaware	
Standard Pacific 6, LLC	Delaware	
Standard Pacific 7, Inc.	Delaware	
Standard Pacific 7, LLC	Delaware	
Standard Pacific 8, Inc.	Delaware	
Standard Pacific 8, LLC	Delaware	
Standard Pacific 9, Inc.	Delaware	
Standard Pacific 9, LLC	Delaware	
Standard Pacific 10, Inc.	Delaware	
Standard Pacific 10, LLC	Delaware	
Standard Pacific Active Adult Communities, Inc.	Delaware	
Standard Pacific Corp.	Delaware	
Standard Pacific Financing, Inc.	California	
Standard Pacific Financing, L.P.	Delaware	
Standard Pacific of Arizona, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Central Florida GP, Inc.	Delaware	Colony Communities, Standard Pacific Homes
Standard Pacific of Central Florida, general partnership	Florida	Colony Communities, Standard Pacific Homes
Standard Pacific of Colorado, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Fullerton, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Illinois, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Jacksonville GP, Inc.	Delaware	Coppenbarger Communities, Standard Pacific Homes
Standard Pacific of Jacksonville, a general partnership	Florida	Coppenbarger Communities, Standard Pacific Homes
Standard Pacific of Las Vegas, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Orange County, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Southwest Florida GP, Inc.	Delaware	Westfield Homes of Southwest Florida, Standard Pacific Homes
Standard Pacific of Southwest Florida, general partnership	Florida	Westfield Homes of Southwest Florida, Standard Pacific Homes
Standard Pacific of Texas GP, Inc.	Delaware	
Standard Pacific of Texas, L.P.	Delaware	Standard Pacific, Standard Pacific Homes; Standard Pacific of Dallas, Standard Pacific of Houston, Standard Pacific of Austin, Standard Pacific of Texas
Standard Pacific of Tonner Hills, LLC	Delaware	
Standard Pacific of Tucson, Inc.	Delaware	Standard Pacific, Standard Pacific Homes
Standard Pacific of Walnut Hills, Inc.	Delaware	
StanPac Corp.	Delaware	
StanPac LMD, LLC	California	
The Grove at Indian Wells, LLC	California	
Walnut Hills Development 268, LLC	California	
Westbrooke Companies, Inc.	Delaware	Westbrooke Homes, Standard Pacific Homes
Westbrooke Homes, general partnership	Florida	Westbrooke Homes, Standard Pacific Homes
Westfield Homes of Florida, general partnership	Florida	Westfield Homes, Standard Pacific Homes
Westfield Homes of Florida, Inc.	Delaware	Westfield Homes, Standard Pacific Homes
Westfield Homes of the Carolinas, LLC	Delaware	Westfield Homes, Standard Pacific Homes
Westfield Homes USA, Inc.	Delaware	Westfield Homes

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-125315, Form S-8 No. 333-125310, Form S-8 No. 333-90598, Form S-8 No. 333-63326, Form S-8 No. 333-34073 and Form S-3 No. 333-113724) of our reports dated February 22, 2006, with respect to the consolidated financial statements of Standard Pacific Corp. and subsidiaries, Standard Pacific Corp. and subsidiaries management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Standard Pacific Corp. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ ERNST & YOUNG LLP

Irvine, California
February 22, 2006

Exhibit 31.1

Certifications:

I, Stephen J. Scarborough, certify that:

1. I have reviewed this report on Form 10-K of Standard Pacific Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

/s/ STEPHEN J. SCARBOROUGH

Stephen J. Scarborough
Chairman of the Board of Directors and
Chief Executive Officer

Exhibit 31.2

I, Andrew H. Parnes, certify that:

1. I have reviewed this report on Form 10-K of Standard Pacific Corp.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

/s/ ANDREW H. PARNES

Andrew H. Parnes
Executive Vice President—Finance and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his capacity as an officer of Standard Pacific Corp., a Delaware corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2006

/s/ STEPHEN J. SCARBOROUGH

Stephen J. Scarborough
Chairman of the Board of Directors and
Chief Executive Officer

/s/ ANDREW H. PARNES

Andrew H. Parnes
Executive Vice President—Finance and
Chief Financial Officer

Appendix E

Communication with ADEQ Regarding Permitting

ADEQ AQUIFER PROTECTION PERMIT
PRE-APPLICATION MEETING
CITY OF SURPRISE SPA 4 WRF

	NAME	AGENCY/COMPANY	PHONE	EMAIL
1.	DUONG DO	PACE	714.481.7223	ddo@p-a-c-e.com
2.	Emery Layton	P.A.C.E.	480.557.8525	elayton@p-a-c-e.com
3.	Michael Olivier	PACE	480-557-8525	molivier@p-a-c-e.com
4.	Tito Comparan	ADEQ-APP	602-771-4577	tgc@azdeq.gov
5.	Kaumil H. Parghi	ADEQ-APP	602-771-4578	khp@azdeq.gov
6.				
7.				
8.				
9.				
10				

Appendix F

Sunhaven Ranch Wastewater Generation Calculations

Sun Haven Ranch Wastewater Generation Projection

Land Use	Acreage	DU/acre	DU	EDU	Population	WW gen
LDR	1,314	3.43	4,505	4,505	12,704	1,270,410
MDR	118	6.02	710	710	2,002	200,220
HDR	181	15.4	2,786	2,786	7,876	785,652
Commercial	193	-	-	1,711	-	482,502
School	43	-	-	366	-	103,212
Firestation	3	-	-	6	-	1,551
Employment	179	-	-	1,438	-	405,516
Park	88	-	-	31	-	8,742
Totals	**2,119**		**8,001**	**11,553**	**22,582**	**3,257,805**

Assumptions:
*2.82 persons per EDU
*Commercial - 2500 gpapd (Table 29, Water Infrastructure Master Plan, June 2004)
*School - 22.5% of population grades K-8th, 8% population grades 9th-12th (Surprise General Plan 2020) & 15gpcpd (Table 29, Water Infrastructure Master Plan, June 2004)
*Firestation - 1,560 gpd from McKay and Somps
*Employment - 250 sq.ft. / employee (Surprise General Plan 2020) & 13 gpcpd (Metcalf and Eddy)
*Park - 100 gpapd from McKay and Somps

SHEET ____ OF ____

Commercial $\underbrace{2500 \text{ gal/acre/day}}_{\text{Table 29}}$ × 193 ac = 482500 gpd

Table 29
Water Infrastructure Master Plan

School 22.5% K–8th } Surprise General Plan-2020
8% 9–12 }

22.5% × 22563 = 5076 students
8% × 22563 = 1805 students
6881 total

$\underbrace{15 \text{ gpcd}}_{\text{Table 29}}$ × 6881 = 103215 gpd

Firestation 1,560 gpd 3 M & S

Employment 250 sq. ft /employee } Surprise 2020

179 acre = 7,797,240 sq. ft. / 250 = 31189 employee

$\underbrace{13 \text{ gpcpd}}_{\text{metcalf + eddy}}$ × 31189 = 405456 gpd

metcalf
+
eddy

Park $\underbrace{100 \text{ gallon/acre/day}}_{\text{M \& S}}$ × 88 acre = 8,800 gpd

M & S

★ 2.82 persons/edu

PACE	DRAWN LA	CHKD PD	TITLE WW gen based on pop est MAG 200
	DATE Jan 2006		JOB NO. 8030

17520 Newhope Street • Suite 200 • Fountain Valley, California 92708 • tel: 714.481.7300 • fax: 714.481.7299

Table 1: Land Use, Density and Intensity Table

Parcel Number	Land Use Description	Gross Acreage	Net Acreage	Land Use Maximum Density (du/ac)	Target Unit Count	Proposed Lot Sizes
A1	COMM	46	36	-	-	-
A2	HDR	45	28	21	424	HDR
A3	LDR	43	34	5	192	50' x 115'
A4	PARK	2	2	-	0	-
A5	LDR	35	28	5	159	53' x 115
A6	LDR	27	22	5	87	58' x 120'
A7	PARK	3	2	-	0	-
A8	LDR	46	30	5	139	58' x 120'
A9	PARK	43	36	-	0	-
A10	LDR	27	21	5	88	68' x 125'
A11	LDR	29	24	5	100	68' x 125'
A12	LDR	39	33	5	140	53' x 115
A13	LDR	22	14	5	65	58' x 120'
A14	LDR	29	25	5	87	68' x 125'
A15	PARK	2	2	-	0	-
A16	LDR	18	14	5	77	53' x 115
A17	LDR	18	14	5	68	58' x 120'
A18	PARK	2	2	-	0	-
A19	LDR	23	16	5	69	53' x 115
A20	LDR	30	24	5	89	50' x 115'
A21	PARK	2	2	-	-	-
A22	LDR	39	32	5	144	58' x 120'
A23	LDR	32	26	5	97	68' x 125'
A24	LDR	29	24	5	90	68' x 125'
A25	LDR	28	18	5	83	68' x 125'
A26	LDR	21	16	5	62	58' x 120'
A27	LDR	36	27	5	75	80' x 125'
A28	LDR	27	22	5	109	53' x 115'
A29	PARK	2	2	-	0	-
A30	LDR	28	22	5	104	68' x 125'
A31	LDR	33	27	5	99	68' x 125'
A32	SCHOOL	16	11	-	0	-
A33	LDR	49	41	5	134	68' x 125'
A34	PARK	2	2	-	0	-
A35	LDR	38	32	5	115	58' x 120'
A36	LDR	38	32	5	157	50' x 115'
A37	COMM	19	14	-	-	-
Subtotal		967	757		3,053	

Table 1: Land Use, Density and Intensity Table

Parcel Number	Land Use Description	Gross Acreage	Net Acreage	Land Use Maximum Density (du/ac)	Target Unit Count	Proposed Lot Sizes
B1	EMP	87	79	-	-	-
B2	EMP	92	70	-	-	-
B3	PUBLIC USE	3	3	-	-	-
B4	COMM	67	55	-	-	-
B5	HDR	30	26	21	466	HDR
B6	PARK	4	3	5	-	-
B7	SCHOOL	13	12	-	-	-
B8	LDR	34	32	5	140	63'x120'
B9	PARK	2	2	-	-	-
B10	LDR	53	49	5	187	75'x125'
B11	HDR	24	21	21	422	HDR
B12	HDR	20	16	21	358	HDR
B13	LDR	35	32	5	123	50'X115'
B14	LDR	30	28	5	99	58'x120'
B15	PARK	2	2	-	-	-
B16	LDR	35	32	5	127	68'x125'
B17	LDR	33	28	5	138	53'x115'
B18	LDR	46	39	5	149	53'x115'
B19	MDR	30	22	8	180	MDR
B20	PARK	2	2	-	-	-
B21	LDR	54	51	5	175	63'x120'
B22	COMM	22	19	-	-	-
B23	HDR	46	38	21	831	HDR
B24	COMM	11	8	-	-	-
B25	COMM	21	18	-	-	-
B26	HDR	16	11	21	284	HDR
B27	LDR	25	23	5	88	68'x125'
B28	MDR	44	42	8	262	MDR
B29	PARK	2	2	-	-	-
B30	LDR	48	43	5	155	75'x125'
B31	SCHOOL	14	12	-	-	-
B32	PARK	15	12	-	-	-
B33	LDR	49	45	5	197	58'x120'
B34	MDR	24	17	8	142	MDR
B35	MDR	21	11	8	127	MDR
B36	LDR	32	28	5	109	80'x125'
B37	PARK	2	2	-	-	-
B38	LDR	24	19	5	78	68'x125'
B39	LDR	33	27	5	110	50'x115'
B40	COMM	7	5	-	-	-
Subtotal		1,153	986		4,948	
Total		2,120	1,743	3.77 du/ac	8,001	

Table 1: Land Use, Density and Intensity Table (Land Use Summary)

Land Use Summary				
Legend	Land Use	Acres	% Total	# Units
LDR	Low Density Residential	1,314	62%	4,505
MDR	Medium Density Residential	118	6%	710
HDR	High Density Residential	181	9%	2,786
COMM	Commercial	193	9%	0
SCHOOL	School	43	2%	0
PUBLIC USE	Fire Station	3	1%	0
EMP	Employment	179	8%	0
PARK	Park	88	4%	0
TOTAL		2,120	100%	8,001

Table 29
Surprise Wastewater Generation Factors

Land Use	Average Flow	Units
Active Adult (1.8 persons/DU)	100	gpcpd
Low Density Res. (< 5 DU/ac, use 3.2 persons/DU)	100	gpcpd
Medium to High Density Res. (> 5 DU/ac, use 2.0 persons/DU)	100	gpcpd
Commercial	2,500	gpapd
Industrial / Warehouse	1,000	gpapd
Industrial	50	gpcpd
Hotel/Motel	130	gprpd
Schools (no lunch, no showers)	15	gpcpd
Schools (with lunch & showers)	25	gpcpd
Malls/Retail	1	gpd per SF

Table 30
Surprise Wastewater Peaking Factors

Pipe Size (inches)	Peaking Factor
Less than 12	4.0
12 and Greater	2.5

Table 31
Surprise Sanitary Sewer Line Design Criteria

Velocity		Manning Coefficient	Minimum Depth of Cover for Trunklines
Minimum (feet/sec)	Maximum (feet/sec)		
2.0	9.0	0.013	7.0

Special Planning Area 4

Description. SPA 4 is located north of the Central Arizona Project Canal east of Grand Avenue, south of SR 74 and west of the planning area's boundary. SPA 4 encompasses 30,193 acres or approximately 47.2 square miles. None of this SPA is currently within the incorporated boundaries of the city.

Existing Conditions. The existing Daimler-Chrysler Proving Grounds located at Dove Valley Road and 211th Avenue dominate SPA 4. This use is intended to remain in the foreseeable future. Principal arterials are Grand Avenue and SR 74. The SPA has the railroad adjacent to Grand Avenue. The area has major washes and varied topography. The land ownership patterns are checkerboard with the Arizona State Trust lands. The area is primarily vacant with scattered home sites. There are no existing transit facilities in SPA 4.

Nadaburg Elementary School is located just off Grand Avenue and 211th Avenue (3219 Center Street). Approximately 500 children attend Kindergarten through 8th grades. There is a pre-school and special education program.

SPA 4 Plan Overview. SPA 4 encompasses a total of 30,193 acres with 22,461 are designated for residential uses as shown in Table 4-11. This is 74.4 percent of the SPA area. Approximately 77.1 percent of this is designated rural residential. There will undoubtedly be pressures to increase the density of areas within this SPA that could significantly affect the projections for SPA 4.

Should the SPA develop at the low-density range, the estimated population will be 25,324. If the SPA develops at the high end, the population is estimated to be 103,144.

Table 4-11, SPA 4 Population Projections

Land Use	Built Acreage	DU*/acre Mid-Range	Total Dwelling Units	Population
Rural Residential (0-1 du/ac.)	17,328	.50	8,664	24,432
Suburban Residential (1-3 du/ac.)	3,210	2.0	6,420	18,104
Low Density Residential (3-5 du/ac.)	1,923	4.0	7,694	21,697
Medium Density Residential (5-8 du/ac.)	0	6.5	0	0
Medium High Density (8-15 du/ac.)	0	11.5	0	0
High Density Residential (15-21 du/ac.)	0	18	0	0
Total	22,461		22,778	64,233

DU* = Dwelling units per acre

Assumptions:

- 2.82 persons per household
- 30 percent of residential property will contain other uses
- Commercial property has a floor-to-area ratio of .22
- Employment property has a floor-to-area ratio of .20
- 36 square feet of commercial space needed per resident
- 250 square feet of space required per employee

The projected student population for SPA 4 totals 14,436 for K through 8th grades and 5,141 for 9 through 12th grades as indicated in Table 4-12, SPA 4 Student Population Generated by Residential Densities.

Table 4-12, SPA 4 Student Population Generated by Residential Densities (based on mid-range projections)

Land Use	K through 8th Population	9th through 12th Population
Rural/Low/Medium Density	14,436	5,141
Medium High Density	0	0
High Density	0	0
TOTAL	**14,436**	**5,141**

Source: Partners for Strategic Action, Inc. (2000) and 1990 U.S. Census School Children/Household Type

There are 412 acres of commercially designated property in SPA 4, which is estimated to support a population of 109,674.

There are approximately 1,459 acres of employment-designated property with an additional 5,484 acres of land within the Daimler-Chrysler Proving Grounds. This use is intended to continue well into the future.

Based on the remoteness of this area, it is probably wise to overestimate the property needed for employment and commercial uses. This area is approximately 48 square miles and at target densities would have fewer than 1,000 people per acre at build-out. This is an unlikely scenario. The employment-to-population ratio of 1.6. is justified due to the low estimated population.

Should the SPA develop at the low-density range, the estimated population will be 25,324. If the SPA develops at the high range, the population is estimated to be 103,144.

The proposed roadway network for SPA 4 includes two principal arterials, SR 74 and Grand Avenue; and three major arterials, Lone Mountain Road, Dove Valley Road, and 243rd Avenue. Presently, the only proposed minor arterial is 211th Avenue. The only future transit route identified for this area is the Grand Avenue corridor, and it is expected that the need for this route will not occur for 15 to 20 years.

Special Planning Area 5

Description. SPA 5 is bounded by Grand Avenue on the north and east, the Central Arizona Project Canal on the south, and the Town of Buckeye to the west. SPA 5 encompasses 37,196 acres or approximately 58 square miles of which 2,881 acres are currently within the incorporated boundaries of the city. This is 8 percent of the total SPA area.

Existing Conditions. Three established unincorporated communities, Morristown, Circle City, and Wittmann are located primarily along the south side of Grand Avenue. The area has large Arizona State Trust land holdings.

The area is primarily designated as low density residential. Commercial designations straddle SPA 4 along Grand Avenue supporting both areas. New major arterials are designated for 242nd and Jomax Avenues. Patton Road is designated as a minor arterial.

SPA 5 Plan Overview. SPA 5 consists of 37,196 acres, of which 29,126 are designated for residential purposes (78.3 percent of SPA 5 area). The vast majority (94.5 percent) of the residentially designated land is Rural Residential. For this reason, population impacts are likely to be on the low side. It is not realistic to assume that in approximately 58 square miles there will be no high or medium high density housing.

PUBLIC HEARING ON THE DRAFT MAG 208 WATER QUALITY MANAGEMENT PLAN AMENDMENTS FOR THE BALTERRA WASTEWATER TREATMENT FACILITY, CITY OF SURPRISE SPECIAL PLANNING AREA 4 REGIONAL WATER RECLAMATION FACILITY, AND CITY OF SURPRISE SPECIAL PLANNING AREA 5 REGIONAL WATER RECLAMATION FACILITY

Tuesday, June 27, 2006 at 3:00 p.m.
MAG Office, Suite 200 - Saguaro Room
302 North 1st Avenue Phoenix, Arizona 85003

The Maricopa Association of Governments (MAG) will conduct a public hearing on the Draft MAG 208 Plan Amendments for the Balterra Wastewater Treatment Facility, the City of Surprise Special Planning Area 4 Regional Water Reclamation Facility, and the City of Surprise Special Planning Area 5 Regional Water Reclamation Facility. The purpose of the hearing is to receive public comment on the draft amendments.

The proposed Balterra Wastewater Treatment Facility would have an ultimate capacity of 15 million gallons per day (mgd) and would be located in unincorporated Maricopa County in the northeast quadrant of 403rd Avenue and Indian School Road within Section 19 of Township 2 North, Range 6 West and Section 24 of Township 2 North, Range 7 West. Reclaimed water would be disposed of through reuse, recharge, and an Arizona Pollutant Discharge Elimination System (AZPDES) Permit discharge to the adjacent wash (T2N-R6W-30W as identified in the Palo Verde Watershed Zone A Flood Delineation Study). The AZPDES Permit discharge point would be located along the northeast edge of the proposed facility site, near the confluence of the adjacent wash and Winters Wash.

The proposed Surprise Special Planning Area 4 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the northwest quarter of Section 28 of Township 5 North, Range 2 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Agua Fria River or unnamed washes located south of the facility and west of the Agua Fria River (northwest quarter of Section 28 of Township 5 North, Range 2 West).

The proposed Surprise Special Planning Area 5 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the southwest quarter of Section 36 of Township 5 North, Range 3 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Hassayampa River, Trilby Wash, or an unnamed wash east of the facility (southwest quarter of Section 36 of Township 5 North, Range 3 West).

Following consideration of comments received, it is anticipated that the MAG Water Quality Advisory Committee will make a recommendation to the MAG Management Committee. On July 12, 2006, the MAG Management Committee is anticipated to make a recommendation to the MAG Regional Council. It is anticipated that the MAG Regional Council will take action on the draft plan amendments on July 26, 2006.

The draft documents will be available for public review at the MAG Office from 8:00 a.m. to 5:00 p.m. Monday through Friday beginning May 8, 2006. Copies will also be available for review at the Glendale Public Library, 5959 W. Brown Street; City of Mesa Library, 64 E. First Street; and Phoenix Central Public Library, 1221 N. Central Avenue. Public comments are welcome at the hearing, or may be submitted in writing by 3:00 p.m. on June 27, 2006 to MAG staff at the address below.

Contact Person: Julie Hoffman
302 North 1st Avenue, Suite 300
Phoenix, Arizona 85003
Fax: (602) 254-6490

THE ARIZONA REPUBLIC

STATE OF ARIZONA
COUNTY OF MARICOPA } SS.

Tabitha Antoniadis, being first duly sworn, upon oath deposes and says: That she is a legal advertising representative of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic

May 5, 2006

Sworn to before me this
5TH day of
May A.D. 2006

OFFICIAL SEAL
MARILYN GREENWOOD
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Comm. Expires May 23, 2007

Notary Public

MARICOPA
ASSOCIATION of
GOVERNMENTS
302 North 1st Avenue, Suite 300 ▲ Phoenix, Arizona 85003
Phone (602) 254-6300 ▲ FAX (602) 254-6490
E-mail: mag@mag.maricopa.gov ▲ Web site: www.mag.maricopa.gov

May 8, 2006

TO: Interested Parties for Water Quality

FROM: Julie Hoffman, Environmental Planner

SUBJECT: PUBLIC HEARING ON THE DRAFT MAG 208 WATER QUALITY MANAGEMENT PLAN AMENDMENTS FOR THE BALTERRA WASTEWATER TREATMENT FACILITY, CITY OF SURPRISE SPECIAL PLANNING AREA 4 REGIONAL WATER RECLAMATION FACILITY, AND CITY OF SURPRISE SPECIAL PLANNING AREA 5 REGIONAL WATER RECLAMATION FACILITY

Public Hearing
June 27, 2006 at 3:00 p.m.
MAG Office, Saguaro Room
302 North 1st Avenue, Second Floor
Phoenix, Arizona 85003

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The proposed Surprise Special Planning Area 4 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the northwest quarter of Section 28 of Township 5 North, Range 2 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Agua Fria River or unnamed washes located south of the facility and west of the Agua Fria River (northwest quarter of Section 28 of Township 5 North, Range 2 West).

The proposed Surprise Special Planning Area 5 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the southwest quarter of Section 36 of Township 5 North, Range 3 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Hassayampa River, Trilby Wash, or an unnamed wash east of the facility (southwest quarter of Section 36 of Township 5 North, Range 3 West).

For your information and convenience, a copy of the public hearing notice is enclosed. The draft documents are available for public review at the MAG Office, third floor from 8:00 a.m. to 5:00 p.m. Monday through Friday. Copies are also available for review at the Glendale Public Library, 5959 West Brown Street; City of Mesa Library, 64 East First Street; and Phoenix Central Public Library, 1221 North Central Avenue. For further information or to submit written comments on the draft amendments prior to the hearing, please contact me at (602) 254-6300.

PUBLIC HEARING ON THE DRAFT MAG 208 WATER QUALITY MANAGEMENT PLAN AMENDMENTS FOR THE BALTERRA WASTEWATER TREATMENT FACILITY, CITY OF SURPRISE SPECIAL PLANNING AREA 4 REGIONAL WATER RECLAMATION FACILITY, AND CITY OF SURPRISE SPECIAL PLANNING AREA 5 REGIONAL WATER RECLAMATION FACILITY

Tuesday, June 27, 2006 at 3:00 p.m.
MAG Office, Suite 200 - Saguaro Room
302 North 1st Avenue
Phoenix, Arizona 85003

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The proposed Surprise Special Planning Area 4 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the northwest quarter of Section 28 of Township 5 North, Range 2 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Agua Fria River or unnamed washes located south of the facility and west of the Agua Fria River (northwest quarter of Section 28 of Township 5 North, Range 2 West).

The proposed Surprise Special Planning Area 5 Regional Water Reclamation Facility would have an ultimate capacity of 8 mgd and would be located in the southwest quarter of Section 36 of Township 5 North, Range 3 West. Reclaimed water would be disposed of through reuse, recharge, and potential future AZPDES Permit discharge points to the Hassayampa River, Trilby Wash, or an unnamed wash east of the facility (southwest quarter of Section 36 of Township 5 North, Range 3 West).

Following consideration of comments received, it is anticipated that the MAG Water Quality Advisory Committee will make a recommendation to the MAG Management Committee. On July 12, 2006, the MAG Management Committee is anticipated to make a recommendation to the MAG Regional Council. It is anticipated that the MAG Regional Council will take action of the draft plan amendments on July 26, 2006.

The draft documents will be available for public review at the MAG Office from 8:00 a.m. to 5:00 p.m. Monday through Friday beginning May 8, 2006. Copies will also be available for review at the Glendale Public Library, 5959 W. Brown Street; City of Mesa Library, 64 E. First Street; and Phoenix Central Public Library, 1221 N. Central Avenue. Public comments are welcome at the hearing, or may be submitted in writing by 3:00 p.m. on June 27, 2006 to MAG staff at the address below.

Contact Person: Julie Hoffman
302 North 1st Avenue, Suite 300
Phoenix, Arizona 85003
Fax: (602) 254-6490

PUBLIC HEARING ON THE DRAFT MAG 208 WATER QUALITY MANAGEMENT PLAN AMENDMENTS FOR THE BALTERRA WASTEWATER TREATMENT FACILITY, CITY OF SURPRISE SPECIAL PLANNING AREA 4 REGIONAL WATER RECLAMATION FACILITY, AND CITY OF SURPRISE SPECIAL PLANNING AREA 5 REGIONAL WATER RECLAMATION FACILITY

Phoenix, Arizona

June 27, 2006

3:11 p.m.

Glennie Reporting Services

5333 North 7th Street
Suite B110
Phoenix, Arizona 85014-2840

(602) 266-6535 Phone
(602) 266-9661 Fax

Prepared by:
Marianne S. Burton, RPR
Arizona Certified
Reporter No. 50519

(Original)

The Public Hearing was taken on June 27, 2006, at 3:11 p.m., at the offices of the Maricopa Association of Governments, 302 North 1st Avenue, Suite 200, Phoenix, Arizona, before Marianne S. Burton, RPR, a Certified Reporter, Certificate No. 50519.

Committee Members Present:

Roger Klingler, City of Scottsdale, Chair
Lucky Roberts, Town of Buckeye
Chris Ochs, City of Glendale
David Iwanski, City of Goodyear
Robert Hollander, City of Phoenix
Rich Williams, Sr., City of Surprise
David McNeil, City of Tempe
Dale Bodiya for John Power, Maricopa County
Maria Mahar for John Boyer, Pinnacle West Capital
Eugene Jensen, Citizen Representative

Committee Members Attending by Telephone Conference Call:

Jacqueline Strong, City of Chandler
Bill Haney, City of Mesa

Others Present:

Edwina Vogan, Arizona Department of Environmental Quality
Michael Salisbury, Town of Buckeye

Others Present, Continued:

Ken James, Maricopa County
James Shano, City of Surprise
Paul Gilbert, Beus Gilbert
Felipe Zubia, Beus Gilbert
John Tyldesley, CSA Engineering
Peter Chan, CSA Engineering
Mike Kocourek, Element Homes
Garry Hays, Gallagher & Kennedy
Robin Bain, Global Water/Hassayampa Utilities Company
James Condit, JF Properties
Keith Watkins, JF Properties
Steve Owen, Pacific Environmental Resources Corporation
Bryan O'Reilly, Sierra Negra Ranch
Julie Hoffman, Maricopa Association of Governments
Ann Wimmer, Maricopa Association of Governments

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MR. KLINGLER: Now we're going to open our public hearing on the Draft MAG 208 Plan Amendment for the -- we have three of them: One for the Balterra Wastewater Treatment Facility, one for the City of Surprise Special Planning Area 4 Regional Water Reclamation Facility, and the City of Surprise Special Planning Area 5 Regional Water Reclamation Facility.

What we'll do is begin on a briefing on each draft amendment, and then after that, any hearing participants are invited to make comment for the public record.

We do have a court reporter present to provide an official record of the hearing. Written comments are also welcome. For those that wish to speak on the draft amendments, please fill out a yellow card and hand it in to Julie, here, of the MAG staff. And I believe people have done that.

And what we will do is, we will hear presentations on all three, and then we'll go to the public comment. So we'll do it that way.

So I believe Paul Gilbert and Peter Chan of CSA are going to start with the Balterra amendment.

Correct, Paul? Are you going to do that?

MR. GILBERT: Sure.

One minor change, we have Jim Condit instead of Peter. But Peter is here and available to answer questions.

For your record, my name is Paul Gilbert, 4800 North Scottsdale Road. I'm here on behalf of Balterra, and Jim will be assisting me in answering the technical questions.

MR. CONDIT: Mr. Chair, my name is Jim Condit. I'm with JF Properties. I'm a water/wastewater engineer. I've been working in the Valley since the mid '80s.

MR. GILBERT: This is a request to amend the MAG 208 plan. We're here basically because when we came in, we had a development. The County said: You need to expand and provide for a larger area; we did that. So we're here at the request of the County. They asked us to expand the service area to serve more than just our project, which we willingly did.

And significantly -- and you may hear me say this several times -- we're here with the sponsorship of the County. They are basically sponsoring our request, and we're here fully in conformance to their request to include the new wastewater treatment plant and to pursue this MAG 208 amendment.

You've heard some of this before, so with your permission, Mr. Chairman, I'm going to go through this very quickly, not wanting to be redundant, although paid by the word, it's a temptation to do so. I'll wrap this up fairly quickly just because most of you have heard it before.

The ownership, operation, and financing is with JF Properties. The ownership will be Balterra Sewer Corporation, and the operation will be by Balterra Sewer Corporation, with a State certified operator.

Little bit about the Balterra Sewer Corporation: We'll provide a private utility company regulated by the Arizona Corporation Commission.

Significantly, the Arizona Corporation Commission has already issued a Certificate of Convenience and Necessity defining the initial area to be served, and that area is the Balterra development itself, as well as the Ruth Fisher School District. So we have the CC&N; that's already been issued. I can't emphasize that enough as we reason together on this application here today.

We will operate the facility in accordance with APP, and all permits will be issued by the Arizona Department of Environmental Quality.

The treatment facility is at the 90 percent design phase. We have also received the Arizona Department of Water Resources' availability notice for groundwater, and we have submitted the application for the Aquifer Protection Permit with ADEQ.

If it appears to you we are well down the road, that is absolutely the case.

Our next PowerPoint shows basically the vicinity map and the precise discharge location. We are asking for a relatively small area for this MAG 208 plan amendment. It is in the southeast portion of the Tonopah Wastewater Planning Area, and that is indicated in the blue stripe. That is the only area that we are requesting service in the MAG 208 Amendment. Significantly, we are not asking for the northeast or the west planning area to be included.

We included this -- and again, you may hear this ad nauseam from me in this presentation. We included this because that's what the County asked us to do. So we're here again proposing to serve an area in complete conformance with what the County had requested.

I'm aware that the Saddle Mountain Unified School District is in a serious problem which needs to be corrected as soon as possible. I think that they are in the position they want to ride the horse that's going to get there the fastest. They have given us a letter indicating their support to be included in this district, and significantly, they are part of the CC&N that has been awarded by the Arizona Corporation Commission.

The population of this area by 2026 will be 150,000 people. We have broken that down; won't go into a lot of detail there.

The wastewater treatment facility will be designed in phases, capable to expand to accommodate the ultimate buildout of the entire service area. We've allocated enough land for that to take place and, as the County required, we ensured that we had this capability to expand beyond the Ruth Fisher School District and our own facility.

The wastewater flows by gravity to the treatment plant. We have sufficient setbacks, effective use of the land, and we are very close, of course, to the discharge location.

Our Corporation was formed with the ACC, and the ACC approved, again, as I mentioned before, in June, our CC&N.

Significantly, the Maricopa County Board of Supervisors has also authorized the sewer franchise for the Balterra Sewer Corporation. So that is behind us as well.

We can talk about the facility design. We went through this before with you. If you have any questions, we can go through it in detail. If you don't have any, we'll move on.

Seeing none, we'll keep going.

Again, we have the outline of how the wastewater treatment facility will operate. Jim is dying to talk on that, but I don't think it's necessary.

Here are standards, and we went through this with you last time we appeared. Again, if you have some specific questions, we can go over them, but I think we meet all requirements in that regard. And, as Jim whispers in my ear, we're Class A+. So we can skip the permitting and other requirements.

We're on track. We've indicated where we are. Here is our schedule. We've been working on the design since December of 2005 up to date. We are in the process of obtaining County approval. Our startup is fall of 2008.

Our effluent disposal, again we talked about that last time. Here's a quick summary of it. Happy to go over that in detail if there are any questions.

Mr. Williams is pondering that, so while he ponders, I'll move on if there are no other questions.

So we're here again requesting approval of the 208 amendment. And let me just summarize, then, our position and where we're at.

Mr. Chairman, I've not had opposition at these hearings before. Do we get an opportunity to respond to the opposition later on?

MR. KLINGLER: Yes. We can certainly provide that. I think what we'll do is, if you want to -- you made some points, I think, in anticipation already. If there's anything else you want to add at this time, and then after we hear the public testimony, we'll give you an opportunity to discuss it some more. I think that's fair.

MR. GILBERT: I think the bottom line is we're well down the road. We're here with County sponsorship, with Maricopa County approval of the franchise, and with the CC&N from the Arizona Corporation Commission and a plant that's 90 percent designed. I think those are the highlights of our position.

MR. KLINGLER: Okay. Appreciate that.

Is that -- are you ready for questions at this point? If not, what we'll do is, we'll have you hang loose and come back after we hear some other testimony, unless there is any questions at this point from the Committee.

We probably will. Appreciate that. If you just would hang around.

MR. GILBERT: We'll be here.

MR. KLINGLER: Thank you.

Let's go on with the other presentations.

Rich, did you want to introduce Steve Owen of PERC, or did you want him to step up, or how do you want to do this?

MR. WILLIAMS: If it's acceptable, Mr. Chairman, I'd like to just say a few words for the record since it is the public hearing, before Steve Owen, with PERC, does the presentation again.

Both of these amendments, the Special Planning Area 4 and Special Planning Area 5, are City amendments. They're very similar to Special Area 1, 2, and 3 that we've already brought before this board and amended over the last few years. They're part of the City's general plan, 2020 Municipal Planning Area, approximately 300 square miles. That City of Surprise Municipal Planning Area has an integrated water master plan where the water resources, water and wastewater systems and infrastructure, had been identified at the master plan level.

The City of Surprise is moving forward with a general plan five-year midterm amendment to capture the recent aggressive development that's going on since 2001 when the plan was approved by the voters. Following that, that mid five-year term amendment, we would be updating, in fiscal year 2007, our existing integrated water master plan to match the densities and the expectations of the amendment.

We're partnering with the developers in this effort. Many of these developments are currently unincorporated county areas; however, we're actively negotiating pre-annexation development agreements that would provide -- the City would be the sewer service provider in these areas until the mandate within the preannexation development agreement would require annexation once the connectivity in the annexation formula is satisfied.

If there are any questions, I think Steve could make the presentation.

MR. KLINGLER: Steve.

MR. OWEN: Thank you.

I appreciate the opportunity to be here today and to walk you through the City of Surprise SPA-4 Regional Water Reclamation Facility and our plans for that and the City's plans for that.

As I mentioned before, the City of Surprise -- as also Rich just mentioned -- has the various planning areas, and the SPA-4 is one of now six areas for new water reclamation facilities. SPA-4 will serve Sunhaven and other developments located in that area. We'll talk about those developments and then the population and the wastewater projection for that area for SPA-4. We'll talk about the specifics of the SPA-4 water reclamation facility as well as what our plans are and the City's plans are for that effluent disposal.

The financing initially on the design, build and startup O&M will come from Sunhaven I, LLC. The ownership will then be transferred, upon completion, substantial completion of the facility, to the City of Surprise, and operations will then continue on an ongoing basis through City of Surprise city staff and/or contract operations.

This lays out the different planning areas. I don't have my pointer, but SPA-4 is this area here, north of SPA-2. And both SPA-2 and SPA-3 have already been approved through 208 amendments.

So SPA-4 is this area here. The Sunhaven development is outlined there in the red. The water reclamation facility will be there as it's indicated on the map.

As far as population, population of about -- 64,000 is the population in the SPA-4 area, the dwelling units of about 22,000 -- close to 23,000 dwelling units.

Phase 1 will be a 1.2 MGD initial developer phase that you see there indicated on the site. Ultimately, the plant, the regional facility will expand up to -- again, ultimately, it will expand to 8 MGD for capacity in that area, in the SPA-4 area.

Why this site was selected is simply because the wastewater flows by gravity to the treatment facility. It's close to the discharge locations. It meets sufficient setbacks, and it's an effective use of this land.

Again, as we mentioned before, PERC, hybrid sequential batch reactor, biological oxidation of organic matter, biological nutrient removal, tertiary treatment utilizing disk filtration and UV disinfection. We will meet ADEQ Title 18 Class A+ effluent standards and we have the ability to meet EPA Class B biosolids.

This just gives you an overview or insight into what the facility will look like. This is the treatment process schematic, which we can go into that in detail if anyone has any questions.

The Class A+ effluent is pretty self-explanatory as far as water quality. These are the permits that we're obtaining, obviously, through Maricopa County, ADEQ, and the City.

This is the anticipated project schedule, and we're pretty close to that -- staying within that.

Obviously, some things move around, but, hopefully, we'll complete design by October and start construction the first quarter of '07, with the completion of first quarter of '08, and startup around that time.

Primary disposal of effluent will be the percolation, percolation basins or recharge and reuse, onsite reuse, as well as potential other sources for reuse within the communities.

Secondary disposal: Discharge into adjacent recharge basins, which may be off the site or down the road for future -- the ultimate 8 MGD. There may be other adjacent recharge basins added on, and additional land purchased for that, ASR wells, those type of things, and then possibly in the far future, NPDES.

Any questions and answers on that one right now or --

MR. KLINGLER: We've had a thorough presentation of this previously. I think we had a chance to ask and answer questions previously, and I think we've got those. And if there's no other questions from the Committee, do you want to go ahead with SPA-5 at this time?

MR. OWEN: Oh, sure.

MR. KLINGLER: Okay.

MR. OWEN: This is SPA-5, which is the other regional water reclamation facility located in Surprise. Obviously, we've been through this, so I'll be very brief on this one and just highlight the key points.

This project in SPA-5, the water reclamation facility, financing will initially come from Elliott Homes, Whittman, which is now Woodside Homes and Anderson Land. Those are the three major builders and developers involved at this point.

As I mentioned, just like the model with SPA-4, the City of Surprise will retain ownership once the substantial completion is completed and operations will then be under the responsibility of the City of Surprise and/or contract operations.

The planning areas, as you see here, just to point this out quickly, SPA-5 is this area here. And the facility is located here, down on the south end of the SPA-5 area, near the canal there.

Population 17 -- approximately 17,600 units, with a population just about 50,000 people.

Again, this site initially starts at 1.2 and goes to an ultimate capacity of 8 MGD, as well, which is more than enough capacity for that area out there.

Again, this site was a good location because the gravity collection system flows without lift stations and close to the discharge, and sufficient setbacks were met by using this land, and an effective use of the land.

Process, we've been through that, on the PERC ASP system. This is a similar layout. And effluent quality, A+ effluent.

All the necessary permits will be obtained from the proper regulatory agencies.

On this schedule, again, it's a mirror image of the other, give or take a couple months. So beginning quarter '08, which is substantial completion. It's the target date.

Primary disposal, again, percolation basins, irrigation for other uses, reuse within the communities there in the SPA-5 area, and then secondary disposal discharge to adjacent other recharge basins and/or NPDES.

Any questions on the SPA-5?

MR. KLINGLER: Anybody have any questions for Steve at this time? If not --

Thank you. If you would also hang around and, after the public comment, we'll see if there's any more questions, and we'll take action then.

Thank you, Steve.

Now, at this time, public comments are invited. And we've got some cards here, so, please, if you would adhere to the three-minute time limit.

And let's start with -- I've got the name of

Robin Bain.

Good afternoon. If you could give your name and address for the record, we'd appreciate it.

MS. BAIN: My name is Robin Bain. I work for Global Water Resources and Hassayampa Utilities Company, 21410 North 19th Avenue, Phoenix, Arizona 85027.

First of all, I'd like to thank you for the opportunity to speak this afternoon.

We certainly do applaud the efforts of MAG with their regional wastewater planning and, in this case, of the Balterra folks for their application.

However, even though we recognize they're capabilities and abilities to provide service in that area, we do oppose the service area as proposed, and we propose instead that this Committee consider shrinking the application of the service area to the approximate two sections that is now apparently in their certificated area, which is the Balterra development itself.

And let me just take my few minutes here to list some of our thoughts and comments on this matter.

Hassayampa Utilities Company is a wholly-owned subsidiary of Global Water, and Global Water is a private water and wastewater utility that is regulated by the Arizona Corporation Commission, as many of you know. We are not affiliated with any developer.

We are locally and privately owned and very well capitalized.

We have submitted a 208 also in western Maricopa County. We submitted that on May 8th, and our 208 is for 175 sections, approximately. That's about 151 sections more than Balterra's current proposed 208.

Our 208 was of that magnitude largely at the suggestion and encouragement of Maricopa County, who encouraged us to submit a regional plan, we certainly feel very confident that we have done just that.

And it's a very comprehensive regional plan that discusses at great length both wastewater and reclaimed water, comprehensive integrated services, a phased approach, looking at probably seven water reclamation facilities in this area over the fullness of time and could -- you know, could well see the avoidance of having another 151 208 plan amendments come in here, or 50, or whatever the development community would have it be.

MR. KLINGLER: If you have one concluding sentence to --

MS. BAIN: Absolutely.

In conclusion, we do oppose the service area as proposed. We do believe that the 208 does not have a first in, first approval kind of mandate from the Clean

Water Act, but instead the mandate is for area wide water quality full master planning and regionalization, which we believe our May 8th Hassayampa Utilities Company 208 does indeed provide.

Thank you.

MR. KLINGLER: Can you answer just a couple questions real quick, if I may just to clarify?

One of the comments that the Balterra folks made was they had a Certificate of Convenience and Necessity for this area.

Does Global Water or HUC have that or what's the status?

MS. BAIN: Global Water has not yet filed a CC&N. But we'll be able to do so with the property owners who have requested service of Hassayampa Utility Company, which includes a number of those which are currently shown in Balterra service area.

MR. KLINGLER: Then one other clarifying question: One of your comments in the letter from Global Water was something about Ruth Fisher School District and some interest that they had in joining a -- some sort of regional solution treatment plant. There's a vague letter attached that says they're interested in joining with someone.

Balterra submitted us some letters that say specifically they're interested in partnering with Balterra.

So is there some letter we don't have that says they're specifically interested in HUC or Global Water or was that a general letter, they're interested in just getting rid of their treatment plant?

MS. BAIN: The letter we submitted was that general letter we received which expressed interest in a regional solution.

MR. KLINGLER: Any other questions from the --

MS. BAIN: I might just add that our 208 does provide for services to the Ruth Fisher School if indeed they would request that service.

MR. KLINGLER: Question?

Rich.

MR. WILLIAMS: Thank you, Mr. Chairman.

Global Water Company's current CC&N application is for how large, in that specific area of the West Valley?

MS. BAIN: We currently have an application for the 2000-acre CC&N in what we call Hassayampa Ranch, which is west of the Hassayampa River, and it was the 208 that was submitted to Maricopa County and to MAG last summer.

MR. WILLIAMS: From the Corporation Commission side though the CC&N area, you've applied for additional area, you've applied for the MAG 208 amendment. Do you currently have an entitlement to an existing CC&N area in the MAG 208 service area in that same specific area?

MS. BAIN: No. For wastewater, no, we do not. We just had our first hearing with the ACC last Thursday, and that went fine. And now we're teeing up for the remainder of the public meetings on that CC&N for Hassayampa Ranch, which is under the Hassayampa Utilities Company. We've not yet made application for the oh, gosh, 80-some sections that have requested service of us, but we will be doing so this summer under the umbrella of Hassayampa Utility Company, and that will include Belmont, Copper Leaf, Silver Water Ranch, Silver Springs Ranch, the 339th Avenue Development, and many others.

MR. WILLIAMS: Please bear with me. I just received this information here today and haven't had a chance to read all of it.

So, correct me if I'm wrong, but I heard you state that you do not currently have a CC&N entitlement for wastewater in this general area.

MS. BAIN: Not that is finally approved, no, we do not.

MR. WILLIAMS: You are in the process of applying for some number of square miles?

MS. BAIN: Yes.

MR. WILLIAMS: A CC&N area extension?

MS. BAIN: Correct.

MR. WILLIAMS: How many square miles is that?

MS. BAIN: Whatever 2000 acres turns out to be. I don't know that number.

MR. WILLIAMS: Three point something.

MS. BAIN: Right. That's our current application, sir. But we will be expanding that upwards of 80 or so in our application this summer. Again, to cover Belmont, Copper Leaf, Silver Water Ranch, Silver Springs Ranch, 339th Avenue Development, and many others.

MR. WILLIAMS: Do I also understand correctly that the ranch that you mentioned that's Hassayampa Ranch or whatever, that's further west in this new 208 amendment request, and the potential 2000 acres of CC&N request are an effort beyond that earlier CC&N effort?

MS. BAIN: No. The Hassayampa Ranch 208 amendment is the original Hassayampa Utilities Company venture, if you will, opportunity, in western Maricopa County. It is immediately to the west of the

Hassayampa River. It is just north of Indian School Road at approximately 339th Avenue, something like that, tucked into the southeast corner of what is also known as Belmont.

MR. WILLIAMS: Thank you. Okay. Thank you.

MR. KLINGLER: The next comment card I had wishing to speak is from Garry Hays.

Garry, if would you state your name and association for the record, please.

MR. HAYS: My name is Garry Hays, and I'm a member of the law firm of Gallagher & Kennedy, appearing on behalf of New World Properties, who is developing 1200 acres commonly referred to as Copper Leaf.

This 1200-acre, a portion of it is included in the 208 file you have in front of you. Another portion, the southern portion of I-10 or south, south of I-10, is not included in this.

By granting this 208, you're going to have a master-planned community of 1200 acres with two sewer providers. It doesn't really work well to bifurcate a master plan with the utilities.

Copper Leaf -- and you have a letter from the president, Mark Brown -- has made a request for service from Hassayampa Utilities Company, not from Balterra.

And we've talked a lot about the ACC, and if I could, just by way of background, I spent a few years there as an advisor to a commissioner, so I can talk about ACC issues and answer some questions.

One thing you have to think about that's very important -- and my time is quickly going away -- is consolidating utilities. The ACC, three or four years ago, adopted a policy that said they wanted consolidated wastewater and water utilities.

Balterra, as far as I know, is not in the water business nor will ever be in the water business, however, Global is. Global is and has become, in the past three or four years, the largest game in town.

Global has a great reputation with ACC. Global is someone who the ACC uses as a model because they do have consolidated water and wastewater.

In regards to the CC&N, my client's development is not included in the Balterra CC&N. I could be wrong, but I think their CC&N is only limited to the two square miles that is their development. It does not include my client's. And I think there are two other developments that have the same issue of being bifurcated by I-10. I don't think any of those other developments are included in Balterra's current CC&N.

So, in answer to Mr. Williams' question, anybody who wants to serve my client's development, or some of the other developments that are out there, will still have to go in and get a CC&N extension. But I think it's very important to remember that the people who regulate these utilities want water and wastewater.

Now, I'm not saying that Global is going to provide water tomorrow, but the worst secret in town is they're trying to buy some of the utilities out there. So they, Global, will be able to provide water and wastewater to the developments out there. And I don't think Balterra will ever be able to do that.

That's all I have.

Do you have any questions for me?

MR. KLINGLER: Mr. Hays, just quickly, you say your clients have requested service from Hassayampa Utilities Company for both north and south of I-10?

MR. HAYS: That is correct.

MR. KLINGLER: And Balterra's proposing just to serve north, if I understand right.

And your client also is concerned that there would be more than one sewer provider or that there would be a different water and sewer provider? What?

MR. HAYS: Well, a bigger concern is having two sewer providers for one master plan.

MR. KLINGLER: In any case, there were two sewer providers to an area, and this is in an unincorporated part of Maricopa County, right? When there are two sewer providers in the Valley, what typically happens?

MR. HAYS: I don't really know the answer to that question. I can't think of anything off the top of my head.

MR. KLINGLER: I think one buys another one out.

MR. HAYS: You said it, not me, Chairman.

MR. KLINGLER: If there is a conflict, I think that usually happens at some point.

MR. HAYS: But I don't think it's quite that easy. I mean, you have to go through the ACC process of reorganization or selling an asset and transfer of a CC&N. It's at least a year process, if not more.

I don't know if you guys are aware, they're pretty busy down there at the ACC, and you can't get anything through in a timely manner. But don't tell them I said that.

MR. KLINGLER: They lost some good staff.

MR. HAYS: Staff is the real workers. I sat in the back of the room.

MR. KLINGLER: Any other questions from the Committee?

If not, thank you very much.

Next I have a card from Bryan O'Reilly.

Mr. O'Reilly, if you would state your name and address and affiliation, please, for the record.

MR. O'REILLY: My name is Bryan O'Reilly. I'm a partner with Sierra Negra Ranch, 50 South Jones Boulevard, Las Vegas 89107.

I too am here to oppose the Balterra 208 plan amendment. We've been put in this plan without our permission. We too would like a fully integrated solution and have been working with Global for some time now in hopes they could provide that to us.

We are -- actually, as you can see, that letter from the school district was the letter they sent to us in regards to having a regional solution. We too, as the County proposed, we're looking for a regional solution. And, in trying to work with Balterra, the regional solution proposed was only north of I-10, splitting, therefore, Sierra Negra Ranch in half and putting us in the same position as Copper Leaf. Those are probably my biggest gripes.

As you can see, I wrote a long letter. It's there in front of you. And if there are any other questions, we can be contacted through the letter.

MR. KLINGLER: Any questions from the

Committee at this point?

MR. HOLLANDER: This question may go to some of the other individuals and concerns that provided letters to this effort, and that is, you indicated that your property is intersected by the freeway, so part of it is in the area that Balterra is considering for this 208 amendment.

MR. O'REILLY: Correct. The northern part of our property is included, the southern part is not.

MR. HOLLANDER: Okay. Thank you.

MR. IWANSKI: Mr. Chairman, Mr. O'Reilly, did you have a chance to voice these objections to the Balterra principals?

MR. O'REILLY: Yes.

MR. IWANSKI: When did you do that, please?

MR. O'REILLY: I have letters actually dating that I could send to you if you need to --

MR. IWANSKI: Just ballpark. When did you first raise the objections?

MR. O'REILLY: Prior to their submittal.

MR. IWANSKI: Okay. Thank you.

Thank you, Mr. Chairman.

MR. KLINGLER: And you've indicated you talked to them, and what was their response?

MR. O'REILLY: Their response to us was that we need to move forward. The only way we're going to get approved is if we move forward, and it's in our best interest to go ahead and start with an application.

MR. KLINGLER: If we could, if -- how can we do this? I guess --

Paul and Jim, if you'd like to comment here. I guess, if there's -- we may have some questions, and if there's anything that you'd like to respond to the public comment we have had so far, we would appreciate it.

MR. GILBERT: Thank you. We would like to comment.

MR. CONDIT: Could we get our graphics back up? I think it's much clearer if we could show it on the map to everybody.

MR. GILBERT: We too initially want to reciprocate the respect that Global indicated for us. We hold them in the same regard. They're a very fine company, and we're not here to say they're not qualified just as they avoided saying we weren't qualified. I appreciate keeping this on the merits. And we will acknowledge they're a fine company and we wish them well.

Their request, however, to shrink our application to the two sections that's approved by the CC&N, that's where we started, and we were happy to do that.

But you've heard time after time from all three speakers: We want a regional solution. I looked to the County, and the County said to us: We want you to go beyond just your project and the Ruth Fisher School District. So the shrinking to the two sections is just the antithesis of what the County asked us to do.

So we're not this big octopus trying to take over all the sewer systems out there; that's not our goal. We're cooperating with the County and trust that we should be rewarded for doing what we were instructed to do.

In fact, we were much further along than anyone else. That has become apparent from the questions that you've asked here. And so we carved out, frankly, a relatively small area, and we'll leave the rest of the 175 sections to Global. They can have them with our blessing, and we're happy to see them proceed.

A point was made that they're proceeding with the 175 sections, but not one speaker today has told you, including Global, that the County wanted them to proceed in the area we are. We stand here alone with the County support for this southeastern area of the Tonopah general area. We're the only ones that the County has asked to come in and process this 208 amendment for this particular area.

Let me clear up Ruth Fisher. I think Ruth Fisher, they're in a bind. They need help in a hurry, and Ruth Fisher is going with the one that can deliver the fastest. They chose us because of that, and some of your questions, I think, vindicate that assessment. That's why they're in favor of us.

We have a specific letter, not a general letter, but a specific letter saying they're ready to go with us, and they're in our CC&N. So we already have that established.

We are the only ones that are standing before you in the posture today with an approved Certificate of Convenience and Necessity from the Corporation Commission.

I thought -- frankly, the second speaker puzzled me a little bit. He said: Well, I can speak for the Arizona Corporation Commission because they're interested in consolidation.

They're the ones that approved our CC&N. I rest my case. They've approved us. We're here. So don't tell us that somehow we're violating the policy. The Arizona Corporation Commission, they've approved us; we're here. So I don't think it can be challenged that somehow we are not proceeding in harmony with the Arizona Corporation Commission.

And then the interesting thing to me is if the Arizona Corporation Commission says they want to consolidate water and sewer, the water company is separate from Global right now. Now, they may be in the process of attempting to purchase it, which they may be, but we are here, having worked out and worked with the holder of the CC&N for the water company for our 208 amendment. So -- and that company is the Water Utility Company of Greater Tonopah. They hold the CC&N, and we have worked everything out with them. There are no problems. We've got an agreement with them, and we've worked closely and in conjunction with what they have offered.

A point has been made that there are some hardships that may be encountered because part of the development might be in our 208 plan and in Global's or some other source.

First of all, I point out that that happens all over the Valley. You've got LPSCo serving in several communities sewer and water, but primarily sewer, that I think of, where the sewer is also being provided in the community with the same development with two sewer providers. That has not seemed to be a hindrance to growth or to things going forward smoothly in any sense.

Secondly, I submit that if you really want to know what separates it, it's the freeway. So much of the concern that's been expressed, there's already a barrier there and that's in the form of the freeway. That separates us from some of these other developers. That's a much more significant barrier than the lines of the 208 amendment. So it's already split.

I want to end with this comment on the regional solution. That's what I thought we were. So we're here. You've got representatives from the County. If I've said anything that's incorrect, I'm sure they will hasten to correct me. They always have in the past. And we're doing the regional solution that they asked us to do.

We're well down the road and we're asking for a relatively small area here that we can serve and serve very well. And we didn't try to include or exclude anyone in this area.

Now, you have some representatives here from some people in the area that are indicating reticence to join in our 208 plan, but we also have many other developers that are also in this area that are in enthusiastic support. Frankly, we didn't anticipate developers appearing in opposition or we would have had them here in support. But that's really not -- it isn't a popularity contest.

I just want to emphasize, in closing, we're doing what the County told us to do. This is where they said they wanted the region for this area. We have a strategically located wastewater treatment plant that goes exactly where it drains; it functions well, and we're here with the support of the County.

We'll be happy to answer any other questions that you have.

MR. KLINGLER: Thank you, Mr. Gilbert.

I just have a couple here, and maybe you've done this before, but the two original sections on the map, is there a way to show that? And then how many others did you say were included?

MR. CONDIT: This is the Balterra project here, and the Ruth Fisher School District. This is where the existing CC&N is.

The particular projects of question are this area in the purple. Here is the Copper Leaf. This area here is what was previously called Sierra Negra.

I'd like to point out that not only does I-10 separate the pieces of Sierra Negra, but there's also some land in between them too. They're not two contiguous pieces of property.

MR. KLINGLER: So the border there is your whole area?

MR. CONDIT: This border right here is the --

MR. KLINGLER: Which is how many sections, did we establish?

MR. CONDIT: 24 square miles, approximately.

MR. KLINGLER: One thing that I didn't hear an answer to at some point is -- was a concern that this Committee would hear 51 or additional 208 amendments in this area. I don't know.

MR. GILBERT: Well, as fond as I am of your company, I'm not -- this is the only area that we're seeking to serve sewer in, and it's the area that the County designated. We have no expansion plans. This is all we're doing.

My understanding is that Global has an interest in doing the rest, and we wish them well in that. So I don't think you're going to get that many applications. I think you're going to get ours and maybe Global's.

MR. KLINGLER: All right. Thank you. That was my understanding.

Any other comments from the Committee?

Jacqueline?

MS. STRONG: You said the original area was two sections, and it was expanded to how many sections?

MR. CONDIT: 24.

MR. GILBERT: It went from two to 24 at the request of the County.

MR. KLINGLER: Did you have a question?

MR. IWANSKI: I have two questions, and I appreciate your comments.

I asked Mr. O'Reilly when he raised objections. Were you aware of all the objections from Global Water, from the New World Properties, and Sierra Negra Ranch? When were you first aware of those?

MR. GILBERT: I'll have to defer to Jim to answer that.

MR. CONDIT: I'll briefly -- this is Jim Condit.

I'll briefly go over what we did as far as planning.

This started in October of '05, when we met with Maricopa County Environmental Services and were told that we needed to provide a regional solution.

We were also told that the County Board of Supervisors were going to have a regional planning meeting to discuss water and wastewater, as well as other regional planning issues in Tonopah, and that was held in November of '05.

We then met with Maricopa County again in

December '05, with all the developers, and began talking about what it would take to do a water and sewer master plan, at which time, we said that we would volunteer to do this north Tonopah area.

We presented a plan to Maricopa County and the other developers, of which Sierra Negra and Copper Leaf were both present, in January of '06. We asked for comments at that time. None were received.

We did the master plan, presentation of the actual document in February of '06. We distributed the report to all in February, as well as the County. We asked for comments. None were received. And we had some letters talking and requesting what our service rates were going to be, and we explained to them that we were not in the position to set rates because we had not completed our application with the Arizona Corporation Commission, and that we'd be glad to share our rates with them once we knew what they were. And we are still in that process of finalizing the rates. We think it will be done next month.

We even had a separate meeting with Rick Jellies (phonetic) and Brian O'Reilly, with Morrison-Maierle in January of '06. I was present, and we discussed in detail with Morrison-Maierle how they could assist in planning the remainder of this area with those developers.

They walked away from the meeting and we never heard again from them.

Our master plan was submitted to Maricopa County officially in April of '06, and again we have not heard any comments until today.

MR. IWANSKI: That chronology is extremely helpful to me. I appreciate it from both of you. Thank you.

Because there were indications in several of those letters that mention that information was not received from the Balterra representatives, and if people are asking for exact rates or ranges of rates that early in the process, I don't think is fair to you all. But that chronology was extremely helpful. Thank you.

Thank you, Mr. Chairman.

MR. KLINGLER: Bob, did you have a question?

MR. HOLLANDER: I guess I have a question. First question, I guess, is regarding the 208 amendment components. Had the Balterra 208 plan, aside from the public comment portions, met all the requirements under the 208 plan based on MAG evaluation?

MR. GILBERT: The answer is yes.

MR. KLINGLER: Yeah. The MAG staff has indicated that they have -- and I believe this one, again normally we would have a City that would bring it forward or would have a letter of no objection. In this case, it was an unincorporated area of the County.

The County was, I guess, a sponsor. It has to come through a MAG member agency to get this far.

I'd like to know, is there anything that Dale or Ken want to comment on, while we're still in the public comment portion of the hearing, from the County perspective since your name has been invoked?

MR. JAMES: The MAG 208 was submitted to us in December of '05. We went through three iterations where the County issued comments and the Balterra Sewer Company responded to those until we were satisfied that the project satisfied all the technical merits of the 208 plan. And so that's why we were, at that point -- and this was in May -- that we submitted a letter of sponsorship to the MAG Committee.

MR. KLINGLER: And I don't know -- and just to follow up a little bit, did this happen before, that you have two applications for the same area? Has that ever happened before? I don't know if there is a process for that, but, generally, you respond to whoever you have in front of you, I guess?

MR. BODIYA: Yeah. For Maricopa County, correct, yes.

And just as a clarification, and I know both sides have -- you know, point out that we, you know, were searching for regional solutions. We do that in all situations. We try to make sure that we have a good project for an area. We don't like to see isolated pieces of property left out hanging, which we often get in submittals where developers say: I'm just going to treat my part. We want to see that we cover adjacent properties, and so that's where we start with on looking for regional solutions. So we're in support of that, and we encourage that.

Normally we're doing it in municipal areas and we get the support of a municipality when we're doing that. This one is held out in the rural area right now. It's moving towards urbanization, but not quite there yet. But we try to plan ahead and look for what's best for the area. And if we just accept each developer, then we could be in a situation where we have, you know, 50 plants.

Global's proposing seven treatment plants for that area. It's not one service area, it's actually seven plants that we are currently reviewing a submittal for.

MR. KLINGLER: In the process -- again, it just maybe difficult to do, but if they have submitted an application in May of this year and this other one came in whenever -- last year, October, I guess --

When did you say? '05?

MR. JAMES: It came to us in December.

MR. KLINGLER: If they go through their application, presumably they would -- if this is approved through the whole MAG process with Balterra, then Global would go through their process and not include that. You wouldn't have an overlapping application, would you?

Again, it might be difficult because you haven't done this before. But I'm assuming that they wouldn't have competing applications for the same area if one gets resolved some way.

MR. BODIYA: There are some conflicts right now that we are addressing in the Global application, but there are some lines crossing -- some service areas that cross. And so --

MR. KLINGLER: It will come here when it gets all straightened out through you guys, is what you're saying?

MR. BODIYA: Correct. We would also be the sponsor of that project once it meets our criteria.

MR. KLINGLER: Any other questions from the Committee?

MR. McNEIL: Mr. Chairman, this appears to be an issue of two entities competing for the rights or exclusions to provide sewer service in certain areas. While I think that the Committee is empowered with determining whether or not certain visions for wastewater, for providing wastewater, are consistent with our regional vision, I'm not certain that this Committee and the 208 plan is the place where service areas are actually established.

Can we approve overlapping service areas in the 208 plan, if we see both options as consistent with our regional vision? It certainly does not -- our approval of a certain planning area does not establish a right or an exclusion to provide service in a certain area, and I would request maybe a discussion and comments from other members.

MR. KLINGLER: Yeah, I don't think we've done that, and I do think our task is kind of limited to good planning for the sewer service. And again, yeah, our purview is not the service providers, it's kind of looking at the consistency with the MAG 208 plan and where we do amendments.

And I think that, you know -- I don't speak for everybody, but it makes sense to me that we would go through the analysis and be clear we don't have overlapping -- that we would do something that would be consistent with what makes good planning sense.

And so I think Bob's question is valid. Is this before us properly through the process and we could look at that, and then anything else that would seek to amend, that we'd have to look at as to whether that makes good planning sense? That would be my suggestion.

MR. HANEY: Mr. Chairman, I'm assuming that -- was it Bob that was speaking before you?

MR. KLINGLER: David McNeil from Tempe.

MR. HANEY: I was going to make exactly the same comment that David made.

I believe that it's the duty of the ACC to determine service areas, not this Committee. Once those service areas are determined, then we decide whether a wastewater plant is consistent with the 208 plan.

I think that we're kind of put in -- I wouldn't say put the horse before -- or the cart before the horse, but I think we're kind of mixing the issues, and I think that ACC needs to do their job before we start determining whether the wastewater facilities are consistent with the 208 plan.

MR. KLINGLER: Okay. Thank you.

And also, I think we do have another check in the system, so to speak, where we have the local jurisdiction that brings forward or sponsors whatever amendment has determined what's best in their area too. So we've got another check and balance in the system, if you will, beyond the ACC.

MR. HOLLANDER: Mr. Chairman, I have another comment.

Like most of us here, I support regionalization and consolidation of utilities wherever it's possible. Certainly Global Water has a good reputation, well-proven.

But it appears to me that Balterra has done everything that was requested of them and probably more, have CC&N in the area, as they've indicated. And it would appear to me that, at this stage, they have a right to carry out their plan.

MR. KLINGLER: Rich?

MR. WILLIAMS: Mr. Chairman, I concur.

And isn't there an issue, also, we're not supposed to be the legal arm of this process. We're an advisory board. Isn't there an obligation to act on the applications, viable applications before us, and not to look too deeply and drill down too far into how many maybes and possibilities there are?

MR. KLINGLER: One of the things I'd like to do here is see if we can go to our next step. We haven't done this before in the past, but generally we get public comments and then we close the public hearing, and then we have an agenda item where we consider the public comments and we have the kind of discussion. It opened up a little bit to get a few questions here, but if there aren't any other questions of Mr. Gilbert and Mr. Condit at this point, then why don't we consider the public comments and -- which is part of what we're doing here -- or have other discussions or continue this.

Is there any other questions at this point?

If not, thank you.

MR. O'REILLY: I'd like to -- is there another way to comment on what was said?

MR. KLINGLER: What we would like to do is close the public comment. Then we have an agenda item for discussing this, and then you can comment on that, if you want to do it that way.

MR. O'REILLY: The timeline which was given in regards to our comments and our issue and our questions that were given to them, weren't exactly just about rates. It was about a developer-owned utility, because having two or three significant developments at one time --

MR. IWANSKI: Just as a matter of courtesy, please accept my apology.

But Mr. Chairman, if we could get those

comments for the record -- and I don't know how you want to handle it -- because we gave Mr. Gilbert an opportunity to respond to those speakers. My suggestion, if it's all right with the rest of the Committee, is allow -- if there's incorrect information or questionable information, I feel that we need to give Mr. O'Reilly an opportunity to respond as part of this public record. You can't have just one party respond and not give equal time if there is additional information.

So I'll defer to the judgment of my brethren here, but you heard my -- how I feel about it.

MR. KLINGLER: Well, again, I don't want to have a whole debate here. Generally we just say a three-minute comment period.

If you just want to correct something briefly, I guess we can allow that for the public record, because your discussion was on the record. So if we could just limit it to that.

MR. O'REILLY: Thank you.

Bryan O'Reilly, Sierra Negra Ranch.

Our attempt in our letters is a timeline as a developer-owned utility or a proposed utility. It was our request that we try and work together, as opposed to work separately on an integrated utility.

They decided it was in their best interest to work alone and not with the two other people that are their next-door neighbors and go out and look for the people who would request service from them besides us.

We spent the time to work with an independent utility looking for a regional solution that could be integrated, therefore, there was no comments on their plan because we were in the process of working with Global for the past five months to do the 208 application with them and request service from Global. So, therefore, there's no reason for us to comment on their plan. Their plan was good for Balterra, not for us.

MR. KLINGLER: Okay. Thank you. Appreciate the correction.

All right. Give you just a brief comment, Ms. Bain, if you would, if there's something that needs to be corrected. Again, I don't want to have a debate on this, but if you could just correct anything that was incorrect for the record.

MS. BAIN: Thank you, Chairman.

Just for the record, I just wanted to mention that Hassayampa Utility Company is also way down the road with our plans in Hassayampa Ranch, which is a part of the consolidated 208 that we submitted on May 8th. We do have an APP application as well as an AZPDES application that's been filed, and, essentially, we're waiting for consistency from the 208 process so we can get those permits.

So I just wanted to make you aware of that, that we are well into the process as well. We actually own and operate a 3 MGD facility in Pinal County that is our standard water reclamation facility A+ effluent.

We'll be very pleased when it's our turn to come back and present the Hassayampa Utility Company to expand on that plan and what we currently do and what we're planning to do to this region.

I also just wanted to mention that it is true that Balterra is ahead of HUC consolidated 208 by six months, it might seem.

But I do think that the merits of the regional comprehensive approach that we are proposing may be worth slowing down the Balterra proposal 208 before you today so we would catch up, and then you can really compare apples and apples, so to speak, in terms of what is best in terms of meeting the charges of this Committee and of MAG, in terms of meeting the water quality management planning in this region.

Thank you so much.

MR. KLINGLER: Okay. I think we've got the public comment.

I do appreciate everybody's interest and the public comments, and we will be considering those.

So, at this time, I'd like to close the public hearing and request the court reporter to end the transcription.

(The public hearing portion of the proceedings concluded at 4:19 p.m.)

STATE OF ARIZONA)
)
COUNTY OF MARICOPA)

I, Marianne S. Burton, a Certified Reporter, Certificate No. 50519 in the State of Arizona, do hereby certify that the foregoing pages constitute a full, true, and accurate transcript of all proceedings had in the foregoing matter, all done to the best of my skill and ability.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome.

WITNESS my hand this 5th day of July, 2006.

Marianne S. Burton

Marianne S. Burton
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