Secondary Market Notice

Port of Tacoma

The bonds described on the attached Municipal Secondary Market Disclosure Information Cover Sheet (the "Bonds") are insured by a municipal bond insurance policy issued by XL Capital Assurance, Inc. ("XL Capital"). On February 07, 2008, Moody's Investor Service downgraded its rating for XL Capital Assurance to "A3" from "Aaa". The outlook is negative.

Rating Action: XL Financial Assurance Ltd.

Moody's downgrades XL Capital Assurance's Aaa rating to A3

New York, February 07, 2008 -- Moody's Investors Service has downgraded to A3, from Aaa, the insurance financial strength ratings of the operating subsidiaries of Security Capital Assurance Ltd, including XL Capital Assurance Inc. ("XLCA"), XL Capital Assurance (U.K.) Limited ("XLCA-UK") and XL Financial Assurance Ltd ("XLFA") (collectively, "SCA"). Moody's has also downgraded the debt ratings of the holding company, Security Capital Assurance Ltd (senior debt to (P)Baa3 from (P)Aa3), and a related financing trust. These rating actions reflect Moody's assessment of SCA's weakened capitalization and business profile resulting, in part, from its exposures to the US residential mortgage market. The rating outlook is negative.

IMPACT ON RATINGS OF INSURED OBLIGATIONS

As a result of this downgrade, the Moody's-rated securities that are guaranteed or "wrapped" by XLCA, XLCA-UK and XLFA are also downgraded to A3, except those securities with higher public underlying ratings. A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

OVERVIEW OF RATING APPROACH

As outlined in Moody's Rating Methodology for Financial Guarantors, we have evaluated SCA along five key rating factors: 1) franchise value and strategy, 2) insurance portfolio characteristics, 3) capital adequacy, 4) profitability, and 5) financial flexibility.

Of these factors, capital adequacy is given particular emphasis. To estimate capital adequacy, Moody's has applied its traditional portfolio risk model for determining stress losses on the non-mortgage related portion of SCA's insured portfolio, and alternative stress tests for the mortgage and mortgage-related CDO exposure. For mortgage-related exposures, stress losses were estimated using assumptions consistent with a scenario where 2006 subprime first-lien mortgages realize an average of 21% cumulative pool losses, with other vintages and products stressed accordingly. Stress-level losses for RMBS transactions were assessed on a transaction-by-transaction basis, while loss estimates for ABS CDOs were derived using a stochastic simulation model which applied stress to specific underlying collateral tranches within the CDOs. Estimated tranche-level losses were computed based on the structure of those tranches (e.g., attachment and detachment points) and estimates of their performance relative to the average.

Losses estimated under the approach described above were present-valued to reflect estimates of the payout pattern that would emerge, based on the collateral type. For ABS CDOs, consideration was given to specific contractual features within associated CDS contracts. These factors resulted in aggregate present value discounts to principal loss estimates of approximately 11% for RMBS and 34% for ABS CDOs. Non-mortgage risks are discounted within the portfolio model based on estimates of payout patterns as well.

In view of the expected correlation between the prospective experience of SCA and its reinsurers, and given the recent downgrade of affiliate XL Insurance (Bermuda) Ltd (from Aa3 to A1) and reviews for possible downgrade of RAM Reinsurance Company Ltd. (Aa3) and BluePoint Re Limited (Aa3), Moody's has also, for purposes of estimating capital adequacy, reduced the estimated credit given for reinsurance in the stress case, to 50%, on average across the portfolio.

In comparing estimated stress losses to claims paying resources and associated rating levels, Moody's combines an estimated loss distribution for mortgage risks with one for non-mortgage risks, assuming a correlation between the two that ranges from 90% (for Aaa) down to 30% (for Baa3). Claims paying resources are then compared to the indicated capital need, at the target benchmark (1.3x required capital).

KEY RATING FACTORS -- CAPITAL ADEQUACY

Based on the risks in SCA's portfolio, as assessed by Moody's according to the approach outlined above, capitalization required to cover losses at the Aaa target level would exceed $6 billion. This compares to Moody's estimate of SCA's claims paying resources of $3.6 billion, which Moody's considers to be more consistent with capitalization at the single A rating level. Moody's further noted that it estimates SCA's insured portfolio will incur lifetime expected losses of approximately $1.2 billion in present value terms.

SCA is currently pursuing several capital management initiatives that, according to Moody's, if successfully executed could reduce but would not likely eliminate the company's capital shortfall at the Aaa rating level. Moody's further commented that capitalization, and the prospect for improvements in capitalization, were considered in the context of the rating agency's opinion about the guarantor's ongoing business and financial profile, as summarized further below.

KEY RATING FACTORS -- BUSINESS AND FINANCIAL PROFILE

In Moody's opinion, SCA's significant exposure to mortgage-related risk has had consequences for its business and financial profile beyond the associated impact on capitalization, and affects our opinion about SCA's other key rating factors. Moody's believes that SCA is more weakly positioned than many of its peers with respect to business franchise, prospective profitability and financial flexibility.

With respect to underwriting and risk management, Moody's believes that SCA's relatively significant exposure to the mortgage sector is indicative of a risk posture somewhat greater than the peer group overall. The company's participation in super-senior mezzanine tranches of ABS CDOs, in particular, contributed to this view. Going forward, Moody's believes SCA's strategic direction could change meaningfully, with implications for the business profile that are currently uncertain.

SCA's profitability is likely to remain depressed in the near to intermediate term as losses on mortgage-related exposures are incurred. While Moody's expects the company will continue to earn premiums on its in-force book for many years, as well as investment income on its investment portfolio, we believe premium volume on new business production will likely diminish significantly and operating expenses will become a greater drag on earnings over time.

In terms of financial flexibility, SCA, like other financial guarantors, benefits from its ability to pay claims over an extended period of time, typically scheduled interest and principal at maturity. Moody's has also considered in its rating review the potential for calls on liquidity at SCA in the context of available resources, including the investment profile of the operating insurance entities. SCA's financial leverage profile is likely to increase as incurred losses erode shareholders' equity. Additional debt in the capital structure would further increase leverage and place additional demands on the operating companies to service fixed charges. Here, Moody's believes that holding company liquidity remains strong due to the firm's ability to upstream dividends from Bermuda-domiciled XLFA, which has substantial dividend capacity under Bermuda insurance regulations. In Moody's opinion, SCA's access to capital is weak currently, given the company's depressed equity valuation and wide CDS spreads.

CONSIDERATION OF ONGOING CAPITAL MANAGEMENT EFFORTS

Moody's is aware of a number of capital initiatives currently being pursued by SCA, including seeking to generate capital relief through reinsurance arrangements and restructuring certain mortgage-related exposures, although the company has announced that it will not raise new capital in the current market environment. Moody's stated that certain of these pending initiatives, if completed, would reduce the level of uncertainty surrounding portfolio loss estimates. However, Moody's believes that SCA's current business position and moderate franchise strength are consistent with operating company insurance financial strength ratings in the single-A range.

RATING OUTLOOK: NEGATIVE

The negative outlook on SCA's ratings reflects continued uncertainty regarding both the ultimate performance of its mortgage and mortgage-related CDO exposures, as well as the future strategic direction of the firm and the potential for change in the competitive dynamics of the financial guaranty market. Moody's will continue to evaluate developments at the company and communicate any changes in our opinion as appropriate.

LIST OF RATING ACTIONS

The following ratings have been downgraded:

XL Capital Assurance Inc. -- insurance financial strength to A3 from Aaa;

XL Capital Assurance (U.K.) Limited -- insurance financial strength to A3 from Aaa;

XL Financial Assurance Ltd -- insurance financial strength to A3 from Aaa;

Security Capital Assurance Ltd -- provisional rating on senior debt to (P)Baa3 from (P)Aa3, provisional rating on subordinated debt to (P)Ba1 from (P)A1 and preference shares to Ba2 from A2; and

Twin Reefs Pass-Through Trust -- contingent capital securities to Baa2 from Aa2.

OVERVIEW OF SECURITY CAPITAL ASSURANCE

Security Capital Assurance Ltd is a Bermuda-domiciled holding company whose primary operating subsidiaries, XL Capital Assurance Inc. and XL Financial Assurance Ltd, provide credit enhancement and protection products to the public finance and structured finance markets throughout the United States and internationally. For the nine months ended September 30, 2007, SCA reported a net loss available to common shareholders of $27 million. As of September 30, 2007, SCA had shareholders' equity of approximately $1.6 billion.

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between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."