

In the opinion of the Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes, and such interest is not an item of tax preference for purposes of calculating the Federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See "TAX MATTERS" herein.



\$7,145,000
COUNTY OF CALAVERAS
SERIES 2006 SPECIAL TAX REFUNDING BONDS
COMMUNITY FACILITIES DISTRICT NO. 2
(SADDLE CREEK)

Dated: Date of Delivery

Due: September 1, as shown below

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "SPECIAL RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The County of Calaveras Community Facilities District No. 2 (Saddle Creek) Series 2006 Special Tax Bonds (the "Bonds") are being issued and delivered to finance certain public improvements needed to develop property located within the County of Calaveras Community Facilities District No. 2 (Saddle Creek) (the "Community Facilities District"). The Community Facilities District is located in the County of Calaveras, California (the "County"). See "THE COMMUNITY FACILITIES DISTRICT" and "THE PROJECT" herein.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et. seq. of the Government Code of the State of California), and pursuant to a Trust Indenture, dated as of August 1, 2006 (the "Indenture"), by and between the Community Facilities District and Union Bank of California N.A., as Trustee (the "Trustee"). The Bonds are limited obligations of the Community Facilities District and are payable solely from revenues derived from annual Special Taxes (as defined herein) to be levied on taxable land within the Community Facilities District and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the Rate and Method of Apportionment of Special Tax approved by the Board of Supervisors of the County and the qualified electors within the Community Facilities District. See "THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" herein. The Board of Supervisors of the County is the legislative body of the Community Facilities District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry form only. Interest on the Bonds will be payable on March 1, 2007, and semiannually thereafter on each September 1 and March 1. See "THE BONDS - General Provisions" and "APPENDIX E - BOOK ENTRY SYSTEM" herein.

The Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS - Redemption" herein.

THE FAITH AND CREDIT OF NEITHER THE COMMUNITY FACILITIES DISTRICT, THE COUNTY OF CALAVERAS, THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Maturity Schedule

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]	Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]
2007	\$220,000	3.900%	3.900%	128229AB7	2015	\$320,000	4.600%	4.750%	128229AK7
2008	240,000	4.000	4.050	128229AC5	2016	335,000	4.625	4.800	128229AL5
2009	250,000	4.000	4.150	128229AD3	2017	350,000	4.625	4.850	128229AM3
2010	260,000	4.100	4.250	128229AE1	2018	365,000	4.750	4.900	128229AN1
2011	270,000	4.125	4.350	128229AF8	2019	385,000	4.800	4.950	128229AP6
2012	280,000	4.250	4.450	128229AG6	2020	405,000	4.875	5.000	128229AQ4
2013	295,000	4.300	4.550	128229AH4	2021	420,000	4.875	5.050	128229AR2
2014	305,000	4.400	4.650	128229AJ0					

\$2,445,000 5.000% Term Bond Due September 1, 2026 - Yield 5.100% CUSIP[†] No. 128229AW1

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The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their legality by the Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel, and as to certain matters regarding disclosure of the transaction, as Disclosure Counsel. Certain legal matters will be passed upon for the Community Facilities District by the County Counsel and for the Underwriter by Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in book-entry form on or about August 16, 2006.



GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Official Statement Speaks Only as of its Date. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Community Facilities District since the date hereof.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Overallotment or Stabilizing Transactions. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No Registration or Qualification. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

COUNTY OF CALAVERAS
State of California

BOARD OF SUPERVISORS

Merita Callaway, *Chair*
Bill Claudino, *Vice-Chair*
Victoria A. Erickson, *Board Member*
Tom Tryon, *Board Member*
Steve Wilensky, *Board Member*

COUNTY ADMINISTRATION

James Jones, *County Counsel*
Tom Mitchell, *County Administrative Officer*
Lynette Norfolk, *County Treasurer-Tax Collector*
Linda S. Churches, *County Auditor-Controller*
Grant W. Metzger, Jr, *County Assessor*
Karen Varni, *County Clerk-Recorder*

PROFESSIONAL SERVICES

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Union Bank of California, N.A.
San Francisco, California

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San Francisco, California

Underwriter's Counsel

Nossaman, Guthner, Knox & Elliott, LLP
Irvine, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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Bay Area Regional Map



OFFICIAL STATEMENT

\$7,145,000
COUNTY OF CALAVERAS
SERIES 2006 SPECIAL TAX REFUNDING BONDS
COMMUNITY FACILITIES DISTRICT NO. 2
(SADDLE CREEK)

INTRODUCTORY STATEMENT

The Introduction set forth below is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the Cover Page and Appendices hereto, and the Resolutions, the Indenture, the Rate and Method, and documents summarized or described herein. All references herein to any document are qualified by the terms of such document in its entirety. A full review should be made of the entire Official Statement and the documents referred to herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used herein and not otherwise defined have the meanings set forth in “APPENDIX B – SUMMARY OF THE INDENTURE” or in “APPENDIX D - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

INTRODUCTION

Purpose of Official Statement

The purpose of this Official Statement, which includes the cover page and attached appendices (the “Official Statement”), is to provide certain information relating to the sale and issuance of the above-captioned \$7,145,000 Series 2006 Special Tax Refunding Bonds (the “Bonds”) relating to, and secured by a first pledge of all of the Net Taxes (defined below) and certain other amounts in the Special Tax Fund (defined below), as issued by the County of Calaveras Community Facilities District No. 2 (Saddle Creek) (the “Community Facilities District” or the “District”).

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) refund and redeem all outstanding \$7,135,000 (original principal amount) of County of Calaveras Community Facilities District No.2 (Saddle Creek), Special Tax Bonds, issued by the Community Facilities District on September 6, 2001 (the “2001 Bonds”), (ii) funding a reserve fund for the Bonds and (iii) paying certain costs associated with the foregoing and with the issuance of the Bonds (the “Refunding”). See “THE BONDS – Purpose of Issue,” “FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS” herein.

The County

The County of Calaveras (the “County”) is located in central California and stretches from the San Joaquin Valley floor up the western slope of the Sierra Nevada between the Stanislaus River and the Mokelumne River. The County has a current estimated population of over 41,000. San Andreas is the County seat. Accessing the more metropolitan areas is a comfortable distance from the County – 133 miles east of San Francisco – 135 miles west of Lake Tahoe – 75 miles southeast of Sacramento – 52 miles east of Stockton. For a further description of the County, see “APPENDIX A – GENERAL INFORMATION ON THE COUNTY AND SURROUNDING AREA.”

The Calaveras County Water District

The Calaveras County Water District (the “Water District”) was formed on November 5, 1946 and has operated continuously since 1947 under the laws of the State as a county water district for the primary purpose of providing water and sewer service to the residents of Calaveras County. The Water District is a political subdivision of the State of California and is not a part of, or under the control of, Calaveras County; however, the Water District jurisdictional boundaries include all of Calaveras County, which is located in the central Sierra Nevada foothills, in the northeastern part of California. The Water District currently provides water service to approximately 10,800 residential and/or commercial customers in four improvement districts, and provides sanitary sewer services to approximately 3,200 customers in six improvement districts. For more general information on the Water District, see “APPENDIX A – GENERAL INFORMATION ON THE COUNTY AND SURROUNDING AREA” herein.

The Community Facilities District

The Community Facilities District (or sometimes referred to as the “District”) was formed and established by the County pursuant to the Mello-Roos Community Facilities Act of 1982 following a public hearing and a landowner election at which the qualified electors of the District, by more than a two-thirds majority vote, approved the levy of a special tax (the “Special Tax”) pursuant to a Rate and Method of Apportionment of Special Tax as authorized by Resolution No. 01-153, adopted by the Board of Supervisors on June 4, 2001 (the “Rate and Method”), which also authorized the Community Facilities District to issue bonds in an amount not to exceed \$7,775,000. The Community Facilities District includes approximately 830 gross acres of land, including property not subject to the Special Taxes. The land is zoned for residential development and is partially developed. See “THE COMMUNITY FACILITIES DISTRICT” and “APPENDIX D – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” herein.

Improvements acquired with the proceeds of the Original Bonds include certain street and highway improvements, water, sewer, road and drainage improvements. The Water District owns and maintains the sewer and water improvements, and the Saddle Creek Community Services District (the “CSD”) owns and maintains the road and drainage improvement. The CSD was formed in September of 1995, for the express purpose of owning and maintaining the road and drainage improvements.

Property Ownership

Of the approximately 830 acres comprising the Community Facilities District, title to a large portion of the 515 gross acres planned for residential uses, and to approximately 25 gross acres intended to remain undeveloped as open space property are vested in Castle & Cooke Saddle Creek, Inc., (the “Developer” or “Castle & Cooke”).

Title to the remainder 290 gross acres, in use and planned for golf course facilities, is vested in Saddle Creek Golf Club, L.P., a limited partnership of which Castle & Cooke California, Inc. is the managing general partner. See “THE DEVELOPER,” “THE PROJECT” and “APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS” herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and a Trust Indenture dated as of August 1, 2006 (the “Indenture”), by and between the District and Union Bank of California N.A., as Trustee (the “Trustee”). See “THE BONDS – Authority for Issuance” herein.

Security and Sources of Payment for the Bonds

The Bonds are limited obligations of the District payable solely from the proceeds of the Special Taxes annually levied within the District and from funds pledged therefore under the Indenture.

The Bonds are secured by a first pledge of all of the Net Taxes and certain other amounts in the Special Tax Fund (both as hereinafter defined).

The faith and credit of neither the Community Facilities District, the County, the State of California nor any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are limited obligations payable solely from certain revenues and moneys on deposit in certain funds as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Description of the Bonds

Registration. Transfers and Exchanges. The Bonds will be issued in fully registered form and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. See “THE BONDS – General Provisions” and “APPENDIX E – BOOK ENTRY SYSTEM” herein.

Denominations. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Payments. Interest on the Bonds is payable on March 1, 2007, and semiannually thereafter on each September 1 and March 1. So long as DTC, or Cede & Co. as its nominee, is the registered owner of the Bonds, principal and interest payments on the Bonds will be made directly to DTC. See “THE BONDS – General Provisions” herein.

Redemption. The Bonds are subject to optional and mandatory redemption as described under “THE BONDS – Redemption” herein.

Valuations

Assessed Values. Many of the property valuations described in this Official Statement are referring to the assessed value as determined by the County, and typically represent market value of an assessed parcel as of its most recent assessment recordation date, plus a 2% per year inflation factor since the date of such assessment. A new assessment of an assessed parcel to its then current “value” will only occur upon a change in ownership or new construction with respect to such parcel. The Community Facilities District’s records of assessed values are stated herein and in APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS. These valuations are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the Community Facilities District Parcels. Assessed values are one indication of value, but do not always represent the market value of a parcel. See “SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values” herein.

Appraised Values. Neither the County nor the Community Facilities District has commissioned an appraisal to determine the value of land and improvements thereon within the boundaries of the Community Facilities District. However, in May 2001, the County retained Bender & Rosenthal, Sacramento, California (the “2001 Appraiser”) to prepare an appraisal of the real property within the boundaries of the Community Facilities District, which was completed and dated July 2, 2001, (the “2001 Appraisal”). Because the 2001 Appraisal was based on information five years in the past, Thomas M. Pimentel, Certified Real Estate Appraiser, Angeles Camp, California (the “2006 Appraiser”), was asked to provide a confirmation that the property values established by the 2001 Appraisal remain at least as valuable today as they were in 2001. The 2006 Appraiser, on July 26, 2006 released his report, a copy of which is set forth in Appendix H, concluding that “there is no doubt that the market values of virtually all of the properties within the development have increased in value since June 2, 2001” (the “2006 Confirmation of Appraised Values”). See “PARCEL VALUATIONS” and “APPENDIX H – 2006 CONFIRMATION OF APPRAISED VALUES” herein. Also see “SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values” herein.

Book-Entry System

DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co. (DTC’s nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

So long as Cede & Co. is the registered owner of the Bonds, references herein to the owners and holders of the Bonds shall mean Cede & Co. and shall not mean the actual purchasers (the “Beneficial Owners”) of the Bonds. The Community Facilities District does not give any assurances that DTC, its Participants or others will distribute payments with respect to the Bonds or notices concerning the Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.

See “APPENDIX E – BOOK ENTRY SYSTEM” for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC, and no representation is made by either the County or the Community Facilities District concerning the accuracy thereof.

Tax Exemption

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California personal income taxes. See “TAX MATTERS” herein.

Forward-Looking Statements

This Official Statement contains forward-looking statements, including (i) statements containing projections of parcel valuations and other financial items, (ii) statements of future absorption and economic performance of the Project, and (iii) statements of the assumptions underlying or relating to statements described in (i) and (ii) above, (collectively, the “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under “THE PROJECT,” “THE DEVELOPER,” “PARCEL VALUATIONS,” “DESCRIPTION OF GOLF COURSE AND COMMUNITY,” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” regarding estimates or predictions of absorption, financial position, capital resources and other such detail are Forward-Looking Statements. Although the County and the Community Facilities District believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are many factors which could cause actual results to differ materially from the expectations set forth herein.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of the Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel and Disclosure Counsel to the County and Community Facilities District. Union Bank of California N.A., San Francisco, California, will act as the Trustee and Escrow Agent. The Bonds will be underwritten by E. J. De La Rosa & Co., Inc., and Nossaman, Guthner, Knox & Elliott, LLP will serve as its counsel. All consultants will receive compensation from the Community Facilities District contingent upon the sale and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about August 16, 2006.

Overlapping Debt

The Developer (through the Calaveras County Water District, as the issuer), on September 28, 2001, issued its Series 2001 Limited Obligation Bonds in the original amount of \$7,135,000 (hereinafter referred to as the “2001 Assessment Bonds”), and on July 12, 2006 the Water District adopted resolutions to issue refunding bonds (the “2006 Assessment Bonds”) designed to refund and fully defease the 2001 Assessment Bonds (hereafter, the 2001 Assessment Bonds and the 2006 Assessment Bonds shall collectively be referred to as the “Assessment Bonds”), the liens of which are on parity with the corresponding liens established by the Bonds. See “THE PROJECT – Special Tax Bonds Overlapping Debt,” “DIRECT AND OVERLAPPING DEBT” and “SPECIAL RISK FACTORS – Parity Obligations” herein.

Bondowners’ Risks

The Bonds are limited obligations of the Community Facilities District and payable only from Net Taxes and moneys on deposit in certain accounts within the Special Tax Fund. Neither the County nor the Community Facilities District has an obligation to pay debt service on the Bonds, other than from the Net Taxes and from certain accounts in the Special Tax Fund. See “SPECIAL RISK FACTORS – Levy and Collection of Special Taxes” herein.

Ownership of the land within the Community Facilities District is highly concentrated in Castle & Cooke Saddle Creek, Inc. See “SPECIAL RISK FACTORS – Concentration of Property Ownership” herein. The lands are currently partially developed. Development is expected to occur in multiple phases over an extended period of time during which the Special Taxes will be levied in significant amounts on undeveloped parcels. Timely payment of interest and principal may depend on the continuing ability and willingness of owners of undeveloped parcels to pay Special Taxes when due. See “SPECIAL RISK FACTORS – Failure to Develop Property” herein.

The value of the land within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If there is a default in the payment of the Special Tax, the Community Facilities District's only remedy is to commence foreclosure proceedings on the taxable property in an attempt to obtain funds to pay the delinquent Special Tax. See “SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values” and “– Foreclosure and Sale Proceedings” herein. Regardless of the priority of the Special Tax securing the Bonds over nongovernmental liens on taxed parcels, the exercise by the Community Facilities District of the foreclosure and sale remedy or by the County of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a taxed parcel. See “SPECIAL RISK FACTORS – Bankruptcy Proceedings” herein.

The faith and credit of neither the Community Facilities District, the County, the State of California nor any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are not general obligations of the County or of the District, but are limited obligations of the District payable solely from certain revenues and from moneys on deposit in certain funds as more fully described herein.

See “SPECIAL RISK FACTORS” herein for a more complete discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMUNITY FACILITIES DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS DEPOSITED BY THE COMMUNITY FACILITIES DISTRICT UNDER THE INDENTURE.

Continuing Disclosure

The Community Facilities District and the Developer have each independently covenanted for the benefit of the Owners of the Bonds to provide, or cause to be provided, certain financial information and operating data relating to the County, the Community Facilities District and the Developer, as the case may be, by not later than the times set forth in the respective Continuing Disclosure Certificates summarized in “APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATES” herein (the “Disclosure Reports”). The Community Facilities District and the Developer have each independently covenanted to provide notices of the occurrence of certain enumerated events, if material. Each Disclosure Report is to be filed with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Other Information

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein, including the complete 2001 Appraisal, and information concerning the Bonds are available from the County Administrative Officer, 891 Mountain Ranch Road, San Andreas, California, 95249, telephone (209) 754-6303. The County or the Community Facilities District may impose a charge for copying, mailing and handling.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will be issued in the aggregate principal amount of \$7,145,000. The Bonds will bear interest from their dated date at the rates per annum set forth on the cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2007 (individually, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30 day months. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Principal of and interest on the Bonds are payable in lawful money of the United States of America.

Interest is payable by check of the Trustee mailed to the registered owners appearing on the registration books of the Trustee as of the close of business on the fifteenth day of the month next preceding each Interest Payment Date. Principal and any premium on the Bonds are payable upon surrender of the Bonds at the Principal Office of the Trustee.

The Bonds, when issued, will be registered initially in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or Cede & Co., as nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described in “APPENDIX E – BOOK ENTRY SYSTEM.”

Authority for Issuance

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”) and the Indenture.

The Community Facilities District is authorized to issue bonds in a principal amount not to exceed \$7,775,000 pursuant to the approval at an election by the qualified landowner voters within the Community Facilities District by more than a two-thirds majority vote.

Purpose of Issue

The proceeds of the Bonds will be used to (i) refund and redeem all outstanding \$7,135,000 (original principal amount) of Community Facilities District No. 2 (Saddle Creek), Special Tax Bonds, issued by the Community Facilities District on September 6, 2001 (the “2001 Bonds”), (ii) funding a reserve account for the Bonds and (iii) paying certain costs associated with the foregoing and with the issuance of the Bonds (the “Refunding”). See “FINANCING PLAN” herein.

Redemption

Mandatory Prepayment Redemption. All of the Bonds are subject to redemption prior to their stated maturities on any Interest Payment Date from the proceeds of prepayments of Special Taxes, in whole or in part (in integral multiples of \$5,000), at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Periods</u>	<u>Redemption Price</u>
March 1, 2007 through March 1, 2014	103%
September 1, 2014 and March 1, 2015	102%
September 1, 2015 and March 1, 2016	101%
September 1, 2016 and thereafter	100%

Optional Redemption. The Bonds maturing on or after September 1, 2007, are subject to optional redemption, from sources of funds other than prepayments of the Special Tax prior to their stated maturity as a whole, or in part (in integral multiples of \$5,000) in order of maturity selected by the Community Facilities District and by lot within a maturity, on any Interest Payment Date on or after March 1, 2007, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Periods</u>	<u>Redemption Price</u>
March 1, 2007 through March 1, 2014	103%
September 1, 2014 and March 1, 2015	102%
September 1, 2015 and March 1, 2016	101%
September 1, 2016 and thereafter	100%

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2026 are subject to mandatory sinking payment redemption in part on September 1, 2022, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking fund payments as follows:

<u>Redemption Date (September 1)</u>	<u>Sinking Payment</u>
2022	\$440,000
2023	465,000
2024	490,000
2025	510,000
2026 (maturity)	540,000

The amounts in the foregoing table shall be reduced pro rata by the principal amount of all Term Bonds which are redeemed as a result of any prior partial redemption of Term Bonds.

Redemption Procedures. The Trustee shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of Bonds designated for redemption, at their addresses appearing on the Bond registration books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Upon surrender of Bonds redeemed in part only, the Trustee shall authenticate and deliver to the registered owner a new Bond or Bonds, of the same maturity, of any authorized denomination in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Application of Bond Proceeds

Estimated Sources and Uses of Funds. The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

Table 1
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

ESTIMATED SOURCES AND USES OF FUNDS	
	<u>Sources of Funds</u>
Par Amount of Bonds	\$7,145,000.00
Proceeds of the 2001 Bonds	2,158,847.90
<i>Less: Original Issue Discount</i>	(86,491.25)
<i>Less: Underwriter’s Discount</i>	(132,182.50)
Total Sources	\$9,085,174.15
	<u>Uses of Funds</u>
Deposit to the Escrow	\$7,543,142.17
Deposit to the Construction Fund	884,103.74
Deposit to the Reserve Fund ⁽¹⁾	567,468.76
Costs of Issuance ⁽²⁾	90,459.48
Total Uses	\$9,085,174.15

(1) Represents the Initial Reserve Requirement with respect to the Bonds.
(2) Includes legal fees, Trustee and Escrow Agent fees, Verification Agent fees, appraisal fees, consulting fees, and other such related fees and expenses.

Acquisition and Construction Fund. The Indenture establishes an Acquisition and Construction Fund to be held by the Trustee and within the Acquisition and Construction Fund, a Project Account and a Costs of Issuance Account. Monies in the Acquisition and Construction Fund shall be applied exclusively to pay Project Costs and Costs of Issuance. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Acquisition and Construction Fund” herein.

Reserve Account. The Indenture establishes, as a separate account within the Special Tax Fund to be held by the Trustee, the Reserve Account to the credit of which a deposit shall be made as of the Closing Date equal to the initial Reserve Requirement. Moneys in the Reserve Account shall be held in trust by the Trustee as a reserve for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Account” herein.

Administrative Expense Account. The Indenture establishes an Administrative Expense Account as a separate account within the Special Tax Fund to be held by the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Administrative Expense Account” herein.

Investments. Money held by the Community Facilities District or the Trustee in any fund or account established under the Indenture will be invested in Authorized Investments. For the definition of Authorized Investments and for further details regarding the investment of Bond proceeds, see APPENDIX B “SUMMARY OF THE INDENTURE” herein.

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Debt Service Schedule

The following Table 2 presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that no optional redemptions are made.

Table 2
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

DEBT SERVICE SCHEDULE				
<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
9/1/2007	\$220,000	3.900%	\$346,531.25	\$566,531.25
9/1/2008	240,000	4.000%	324,090.00	564,090.00
9/1/2009	250,000	4.000%	314,490.00	564,490.00
9/1/2010	260,000	4.100%	304,490.00	564,490.00
9/1/2011	270,000	4.125%	293,830.00	563,830.00
9/1/2012	280,000	4.250%	282,692.50	562,692.50
9/1/2013	295,000	4.300%	270,792.50	565,792.50
9/1/2014	305,000	4.400%	258,107.50	563,107.50
9/1/2015	320,000	4.600%	244,687.50	564,687.50
9/1/2016	335,000	4.625%	229,967.50	564,967.50
9/1/2017	350,000	4.625%	214,473.76	564,473.76
9/1/2018	365,000	4.750%	198,286.26	563,286.26
9/1/2019	385,000	4.800%	180,948.76	565,948.76
9/1/2020	405,000	4.875%	162,468.76	567,468.76
9/1/2021	420,000	4.875%	142,725.00	562,725.00
9/1/2022	440,000	5.000%	122,250.00	562,250.00
9/1/2023	465,000	5.000%	100,250.00	565,250.00
9/1/2024	490,000	5.000%	77,000.00	567,000.00
9/1/2025	510,000	5.000%	52,500.00	562,500.00
9/1/2026	<u>540,000</u>	5.000%	<u>27,000.00</u>	<u>567,000.00</u>
Totals	<u>\$7,145,000</u>		<u>\$4,147,581.29</u>	<u>\$11,292,581.29</u>

Source: E. J. De La Rosa & Co., Inc.

Parity Bonds and Other Additional Obligations

Bonds in the total principal amount of not to exceed \$7,775,000 have been authorized by the qualified electors of the Community Facilities District. It is not anticipated that additional special tax bonds or additional obligations of the District will be authorized in the future. However, under the Indenture, the District may at any time issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture for any purposes authorized under the Act. Parity Bonds may be issued subject to the following additional specific conditions, which are, under the Indenture, conditions precedent to the issuance of any such Parity Bonds:

(a) The District must be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture, and a certificate of the District to that effect must have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(i) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including payment of all costs and the funding of all reserves incidental to or connected with such issuance;

(ii) The authorized principal amount of such Parity Bonds;

(iii) The date and the maturity date(s) of such Parity Bonds; provided that (A) each maturity date shall fall on a September 1, (B) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (C) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(iv) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(v) The denominations and method of numbering of such Parity Bonds;

(vi) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(vii) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(viii) The form of such Parity Bonds; and

(ix) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall be directed by the District to accept any of such documents bearing a prior date):

(i) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(ii) A written request of the District as to the delivery of such Parity Bonds;

(iii) An opinion of Bond Counsel and/or the County Counsel of the County to the effect that (a) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and any such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(iv) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(v) A certificate from one or more Independent Financial Consultants which, when taken together, certify that:

(A) the Value of District Property (as defined in the Indenture) is at least 3 times the sum of the aggregate principal amount of Outstanding Bonds, the Parity Bonds proposed to be issued and the Overlapping Debt with respect to all taxable property in the District;

(B) the Value of Primary Property (as defined in the Indenture) is at least 3 1/2 times the sum of the Overlapping Debt allocable thereto plus, that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to the Primary Property (collectively, the “Parity Debt for Primary Property”). For this purpose, there will be allocated to the Primary Property the largest principal amount of Parity Debt for Primary Property that results in (1) the maximum Special Taxes that may be levied on Primary Property (not including any parcels of Primary Property with delinquent Special Taxes and assuming taxation as “Primary Property” as defined in the Rate and Method) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Parity Debt for Primary Property in the Bond Year ending on the September 1 following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Primary Property for such Fiscal Year of taxation and (2) a Value of Primary Property at least 3 1/2 times the sum of Parity Debt for Primary Property plus Overlapping Debt allocable to Primary Property;

(C) the Value of Secondary Property (as defined in the Indenture) is at least 2 1/2 times the sum of the Overlapping Debt allocable thereto plus; that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to the Secondary Property (collectively, the “Parity Debt for Secondary Property”). For this purpose, there will be allocated to the Secondary Property the largest principal amount of Parity Debt for Secondary Property that results in (1) the maximum Special Taxes that may be levied on Secondary Property (not including any parcels of Secondary Property with delinquent Special Taxes and assuming taxation as “Secondary Property” as defined in the Rate and Method) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Parity Debt for Secondary Property in the Bond Year ending on the September 1 following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Secondary Property for such Fiscal Year of taxation and (2) a Value of Secondary Property equal to at least 2 1/2 times the sum of Parity Debt for Secondary Property plus Overlapping Debt allocable to Secondary Property; provided, however, that no parcel of property may be included in any of the foregoing determinations if there is, at the time of any such determination, a delinquency in the payment of any ad valorem real property taxes or Special Taxes levied on such parcel. Administrative Expenses in each Fiscal Year shall be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Parity Debt. Administrative Expenses in each Fiscal Year shall be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Parity Debt for each of Primary Property and Secondary Property, respectively.

The amount of Parity Bonds permitted to be issued shall be the largest integral multiple of \$5,000 that is not greater than the remainder of (a) the sum of (I) the Parity Debt for Primary Property, as specified in the certificate of the Special Tax Administrator delivered pursuant to (B) above, plus (II) the Parity Debt for Secondary Property, as specified in the certificate of the Special Tax Administrator delivered pursuant to (C) above, less (b) the then aggregate principal amount of Outstanding Bonds.

The provisions of this paragraph (v) shall not apply to Parity Bonds issued for the principal purpose of refunding Outstanding Bonds if the District shall have received a certificate from an Independent Financial Consultant to the effect that Annual Debt Service after the issuance of such Parity Bonds will be no larger than Annual Debt Service would have been prior to the issuance of such Parity Bonds in each Fiscal Year in which Bonds or Parity Bonds (other than the refunding Parity Bonds) will remain Outstanding.

(vi) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of the Parity Bonds. See “APPENDIX B – SUMMARY OF THE INDENTURE” for definitions of the “Value of District Property,” “Value of Primary Property”, and “Value of Secondary Property” and other defined terms.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Provisions

Pursuant to the Indenture, the Bonds are equally secured by a first pledge of the Net Taxes and by other amounts held in the Special Tax Fund other than the Administrative Expense Account.

“Net Taxes” means Gross Taxes (exclusive of any penalties and interest accruing with respect to delinquent Special Tax installments) minus amounts set aside to pay Administrative Expenses and minus the portion of any prepayment of Special Taxes not required to be deposited in the Special Tax Fund pursuant to the Indenture.

“Gross Taxes” means the amount of all Special Taxes received by the Community Facilities District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of Special Taxes remaining after the payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses.

“Special Taxes” means the taxes authorized to be levied by the Community Facilities District in accordance with the Rate and Method, as the Rate and Method may be amended from time to time.

Limited Obligation

The Bonds are limited obligations of the Community Facilities District payable solely from Net Taxes pledged therefor and from certain other amounts held in the Special Tax Fund pursuant to the Indenture. The faith and the credit of neither the Community Facilities District, the County, the State of California nor any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Community Facilities District, the County, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor, other than the Special Taxes, or to make any appropriation for their payment other than from Net Taxes and from certain other amounts held in the Special Tax Fund.

Special Taxes

The Special Tax is exempt from the tax rate limitations of California Constitution Article XIII A because, pursuant to Section 4 of Article XIII A, the Special Tax was authorized by a two-thirds vote of the qualified electors of the Community Facilities District. Consequently, the Community Facilities District has the power and is obligated, pursuant to the covenants contained in the Indenture, to assure the levy of the Special Tax, including without limitation, the enforcement of delinquent Special Taxes. The Special Tax thus levied and collected will be used to pay the principal of and interest on the Bonds and the Administrative Expenses due or coming due and to replenish the Reserve Account, if necessary.

Because the Special Tax levy is limited to the maximum rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of the Special Tax will, in fact, be in sufficient amounts in any given year to pay debt service on the Bonds and all other obligations of the Community Facilities District.

The Board of Supervisors, as legislative body of the Community Facilities District, shall fix and levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (a) the principal (including Sinking Fund Payments) of and interest on the Bonds and any Parity Bonds when due, (b) to the extent permitted by law, the Administrative Expenses, and (c) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

The Special Tax shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. However, the County or the Community Facilities District may, by resolution, provide for any other appropriate method of collection of the Special Tax, including direct billing to property owners.

Although the Special Tax will constitute a lien on the taxed parcels of land within the Community Facilities District, the Special Tax does not constitute a personal indebtedness of the

owners of property within the Community Facilities District. There is no assurance that the property owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if financially able to do so. See “SPECIAL RISK FACTORS” herein.

Special Tax Fund

The Trustee shall, on each date on which the Special Taxes are received from the Community Facilities District, deposit the Special Taxes in the Special Tax Fund to be held by the Trustee, provided that any Prepayment shall be deposited in the funds and accounts (and in the respective amounts) specified in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of the Prepayment to the Trustee. The Trustee shall transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

- a) The Administrative Expense Account,
- b) The Interest Account,
- c) The Principal Account,
- d) The Redemption Account,
- e) The Reserve Account,
- f) The Rebate Fund, and
- g) The Surplus Fund.

Principal Account and Interest Account

The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account, respectively. The Trustee shall make the required transfers from the Special Tax Fund on each Interest Payment Date first to the Interest Account and then to the Principal Account; provided that if amounts in the Special Tax Fund are inadequate then any deficiency shall be made up by an immediate transfer from the Reserve Account.

In addition to the transfers to the Interest Account and Principal Account described above, the Trustee shall also transfer thereto such portions of a Prepayment as may be directed in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the Prepayment.

Reserve Account

There shall be maintained in the Reserve Account an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of (i) paying the principal of, including Sinking Fund Payments, and interest on any Bonds and Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account are insufficient therefor, (ii) making any required transfer to the Rebate Fund upon written direction from the District, and (iii) making any required transfer to the Prepayment Account. If the amounts in the Interest Account or the Principal Account are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Interest Account or the Principal Account for the next succeeding Interest Payment Date. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with an optional redemption of the Bonds or any Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of the Bonds or any Parity Bonds, amounts in the Reserve Account may be applied to such optional redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for Outstanding Bonds and Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds or Parity Bonds in such final Bond Year. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the provisions of the Indenture shall be withdrawn from the Reserve Account on each Interest Payment Date and transferred to the Interest Account.

Administrative Expense Account

In addition to Bond proceeds deposited therein, the Trustee shall, not less often than annually, transfer from the Special Tax Fund and deposit in the Administrative Expense Account from time to time amounts necessary to make timely payment of Administrative Expenses upon the written direction of the District; provided, however, that the total amount of the deposits into the Administrative Expense Account in any Bond Year shall not exceed the Administrative

Expense Cap until such time as (i) there has been deposited in the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and (ii) there has been deposited in the Reserve Account the amount, if any, required in order to cause the amount on deposit therein to equal the Reserve Requirement. In addition to the foregoing, the Trustee shall also deposit in the Administrative Expense Account the portion of any Prepayment directed to be deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with such Prepayment.

Acquisition and Construction Fund

The moneys in the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs and Costs of Issuance. Amounts for Project Costs or Costs of Issuance shall be disbursed by the Trustee from the Project Account or the Costs of Issuance Account, as the case may be, pursuant to a requisition signed by an Authorized Representative of the District, which must be submitted in connection with each requested disbursement.

Upon receipt of a Certificate of an Authorized Officer of the County that all or a specified portion of the amount remaining in the Project Account is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion to the Special Tax Fund. Upon receipt of a Certificate of an Authorized Officer that all or a specified portion of the amount remaining in the Costs of Issuance Account is no longer needed to pay Costs of Issuance, the Trustee shall transfer all or such specified portion of to the Administrative Expense Account.

Proceeds of Foreclosure Sales

A potential source of funds to pay debt service on the Bonds is the proceeds received following a judicial foreclosure sale of land within the Community Facilities District resulting from the landowner's failure to pay the Special Tax when due. Pursuant to the Act, in the event of any delinquency in the payment of any Special Tax levied, the District may order the institution of a Superior Court action to foreclose the lien securing such unpaid Special Tax within specified time limits. In such an action, the real property subject to the unpaid Special Tax may be sold at a judicial foreclosure sale.

Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the Owners of the Bonds that it (a) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and (b) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (c) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel of Primary Property which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of

Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (i) the amount in the Reserve Account is at least equal to the Reserve Requirement, and (ii) with respect to the Bonds, or any Parity Bonds, the District is not in default in the payment of the principal of or interest on the Bonds or any such Parity Bonds. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit the proceeds of any foreclosure which constitute Net Taxes in the Special Tax Fund.

The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in a reduction in the maximum Special Taxes that may be levied on the taxable property within the District in any Fiscal Year to an amount less than the sum of 110% of Annual Debt Service in the Bond Year ending on the September 1 following the end of such Fiscal Year plus the estimated Administrative Expenses for such Bond Year.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale for nonpayment of the Special Tax will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment.

Property Values

The County, in connection with the issuance of the Bonds, has not engaged an independent Appraiser to provide an opinion concerning the values of the lands within the Community Facilities District subject to the Special Taxes. For a complete discussion of property values, see "PARCEL VALUATIONS" and "APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS" herein.

Priority of Lien

Each installment of the Special Tax and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes and special assessment liens. None of the parcels are included within another community facilities district; *however, parcels subject to the Special Taxes are included within the Assessment District and are subject to fixed lien assessments.* See "THE PROJECT," "DIRECT AND OVERLAPPING DEBT" and "SPECIAL RISK FACTORS – Parity Obligations" herein.

Reduction of Maximum Special Taxes

Pursuant to the Indenture, the Community Facilities District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in Community Facilities Districts in California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. The Community Facilities District also finds and determines that the issuance of Parity Bonds may be required in order to provide funds for the acquisition and construction of public improvements necessary for the future development of the land within the Community Facilities District, which future development will further secure the timely payment of principal of and interest on the Bonds. For this reason, the Community Facilities District also determines that a reduction in the Maximum Special Tax authorized to be levied on parcels in the Community Facilities District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds. The Community Facilities District determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the Community Facilities District does covenant, that it will take no action that would discontinue or cause the discontinuance of the Special Tax levy or the Community Facilities District's authority to levy the Special Tax, including the initiation of proceedings to reduce the Maximum Special Tax rates for the Community Facilities District, unless, in connection therewith, (a) the Community Facilities District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the Community Facilities District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Primary Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in that Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (b) the Community Facilities District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds and (c) the Community Facilities District receives both (i) a certificate of the Developer specifying (A) the maximum amount of Parity Bonds that the Developer may request be issued in the future (the "Anticipated Parity Bonds") pursuant to the Acquisition and Disclosure Agreement and (B) the development activity that the Developer expects will take place within the Community Facilities District in each Fiscal Year until all such development is complete, which specification shall be sufficiently detailed to permit the preparation of the certificate required pursuant to (ii), and (ii) a certificate from one or more Independent Financial Consultants which, when taken together, in the determination of the Community Facilities District, certify that (A) on the basis of the parcels of land and improvements existing in the Community Facilities District as of the July 1 preceding the proposed reduction and (B) on the basis of the future development activity described in the certificate of the Developer described in (i), the maximum amount of the Special Tax which may be levied each Fiscal Year on all property within the Community Facilities District that is subject to the levy of the Special Taxes will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each applicable Bond Year on all Bonds, Parity Bonds, and Anticipated Parity Bonds subsequent to the proposed reduction. For purposes of estimating Administrative Expenses for the foregoing calculations, the Independent Financial Consultant or Special Tax Administrator

shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year; and for purposes of estimating Annual Debt Service on Anticipated Parity Bonds, the Independent Financial Consultant may assume that the Anticipated Parity Bonds will mature in such amounts, and bear interest at such rates, as the Independent Financial Consultant deems reasonable in light of market conditions at the time the Independent Financial Consultant delivers its certificate.

THE FINANCING PLAN

Refunding of 2001 Bonds

The Bonds are being issued for the primary purpose of refunding and defeasing the outstanding 2001 Bonds, thereby effectively restructuring the transaction by replacing the 2001 Bonds with Bonds, resulting in lower interest costs to all taxed parcels in the Community Facilities District (the "Refunding"). In order to accomplish the Refunding, the Community Facilities District and Union Bank of California N.A., as escrow agent (the "Escrow Agent") for the Bonds, will enter into an Escrow Deposit and Trust Agreement, dated as of August 1, 2006 (the "Escrow Agreement"), whereby a portion of the proceeds of the Bonds will be deposited with the Escrow Agent and invested, together with other available funds relating to the 2001 Bonds, in certain United States Treasury Obligations ("Escrow Securities"), the principal of and interest on which will be sufficient to pay when due the principal of and interest and redemption premium on the 2001 Bonds. See "VERIFICATION" herein.

Interest on and principal of the Escrow Securities will be used by the Escrow Agent to pay the debt service on the 2001 Bonds until maturity thereof or final redemption on September 1, 2011, as specified in the Escrow Agreement. See "VERIFICATION" herein.

Escrow Securities not Pledged to the Bonds

The Escrow Securities and other moneys held by the Escrow Agent are pledged to the payment of the 2001 Bonds. Neither the principal of the Escrow Securities deposited with the Escrow Agent nor the interest thereon will be available for the payment of the Bonds.

Escrow Fund

The Escrow Agent will establish, maintain, and hold a special fund designated as the "Escrow Fund." The amounts in the Escrow Fund will be held by the Escrow Agent for the benefit of the owners of the 2001 Bonds and will be applied solely for the uses and purposes set forth in the Escrow Agreement.

All money in the Escrow Fund will be used exclusively for the purpose of redeeming all outstanding 2001 Bonds in accordance with the Escrow Agreement together with the payment of the redemption premiums thereon and the accrued interest thereon; provided that, after redemption of the 2001 Bonds, any surplus money remaining in the Escrow Fund will be deposited in the Reserve Fund to the extent of the Reserve Requirement and then to the Redemption Fund.

Upon deposit of such proceeds and other moneys into the Escrow Fund, the 2001 Bonds will no longer be deemed outstanding or have a lien on Special Taxes. Moneys and Escrow Securities deposited in the Escrow Funds are not available to pay principal of or interest on the Bonds. See "VERIFICATION" herein.

THE COMMUNITY FACILITIES DISTRICT

General Information

The Community Facilities District was established by the Board of Supervisors of Calaveras County on June 4, 2001. Subsequently, by a greater than the required two-thirds majority vote, the landowner/voters of the District approved a Rate and Method of Apportionment of Special Tax and also approved the issuance of bonds in an amount not to exceed \$7,775,000 for the purpose of financing the costs of certain facilities as hereinafter described.

The Community Facilities District is located in an unincorporated area of Calaveras County in the Central Sierra foothills near the community of Copperopolis. The location is approximately 45 miles east of Stockton by way of State Highway 4 and approximately 60 miles southeast of Sacramento and 120 miles east of San Francisco. Other nearby communities include Angels Camp and San Andreas, the county seat of Calaveras County, and Sonora, the county seat of neighboring Tuolumne County. Saddle Creek is also near Lake Tulloch, a large recreational reservoir on the Stanislaus River.

THE DEVELOPER

The following information has been provided by Castle & Cooke Saddle Creek, Inc. (the "Developer" or "Castle & Cooke"). The District makes no representations as to its accuracy or completeness. Furthermore, neither Castle & Cooke nor any other owner of property within the Community Facilities District (each, a "Property Owner"), will be personally liable for payments of the Special Taxes to be applied to pay the principal of and interest on the Bonds. In addition, there is no assurance that Castle & Cooke or any other Property Owner will be able to pay the corresponding Special Taxes or that Castle & Cooke or any other Property Owner will pay such installments even if it is financially able to do so. Accordingly, no Property Owner's financial statements are included in this Official Statement. See "SPECIAL RISK FACTORS" herein.

The Developer is a wholly owned subsidiary of Castle & Cooke California, Inc., a California corporation headquartered in Bakersfield, California (the "Castle & Cooke California"). Castle & Cooke California is a wholly owned subsidiary of Castle & Cooke, Inc.

Castle & Cooke, Inc., a Hawaii corporation, was formed in 1995 to be the successor of the assets and related liabilities of the real estate and resorts business of Dole Food Company, Inc. and its subsidiaries. Castle & Cooke, Inc. is engaged in three principal businesses: residential real estate, resorts and commercial real estate. Its other residential real estate projects are located primarily in Hawaii (Oahu and Lanai), California, Florida, and, Arizona. Castle & Cooke, Inc. has developed or purchased office buildings, apartment buildings and golf courses located in Hawaii, California, Arizona and the southeastern United States.

Castle & Cooke California, Inc. is currently engaged in the development of residential properties, primarily in California. It develops finished lots for re-sale to homebuilders and is also engaged in the construction of homes. Some of its past and present residential development projects include: Seven Oaks (1,700 acres), Silver Creek (600 acres), Brimhall (1,795 acres) and Southern Oaks (67 acres) all located in Bakersfield, California; Coyote Creek Golf Course and an additional 2,132 acres in San Jose, California; Keene's Pointe (946 acres) in Orlando, Florida.

THE PROJECT

The following specific information has been obtained and/or prepared by the Developer, and has not been verified by the District or its advisors. No assurance can be given that the Developer's development plan or development schedule will be completed as described in this section. This information is included because it may be relevant to an informed evaluation of the Project and the security for the Bonds.

In General

The property which encompasses the Community Facilities District, commonly referred to as the "Saddle Creek Resort" (also sometimes hereafter interchangeably referred to as the "Project" or "Property"), was initially purchased in 1992 and consists of 890.41 acres, although the Community Facilities District does not include the 49 acres (113 residential building sites) of Phase 1 known as Copper Ridge, and also does not include the undeveloped 10.28 acre Parcel H (which is planned for 26 "Large Lot Custom" type units). In April, 1999, the present Developer, Castle & Cooke Saddle Creek, Inc., purchased the previous owner's (Cloudburst Partners) interests in the Saddle Creek Resort. Cloudburst Partners does retain an interest in the Golf Course facility which is owned by Saddle Creek Golf Club, L.P., a limited partnership of which Castle & Cooke California, Inc. is the managing general partner and Cloudburst Golf Partners, L.P. is the sole limited partner.

The Saddle Creek Resort is located in an unincorporated area of Calaveras County in the Central Sierra foothills near the community of Copperopolis. The location is approximately 45 miles east of Stockton by way of State Highway 4. Other nearby communities include Angels Camp and San Andreas (the county seat of Calaveras County) and Sonora (the county seat of neighboring Tuolumne County). The Saddle Creek Resort is also located approximately 5 Miles from Lake Tulloch, a large recreational reservoir on the Stanislaus River.

Entitlement History

Initial zoning on the Property was residential allowing for two units per acre. Application for a specific plan amendment was initiated in December of 1991. The specific plan provides for the development of 1650 residential equivalents and a 27 hole championship golf course. A development agreement was entered into in June of 1994 between Cloudburst Partners (being the predecessor to the Developer) and the County of Calaveras, incorporating the specific plan and vesting map for the Project (the "Development Agreement"). The Development Agreement provides for future development of 1650 residential equivalents, and 8.6 acres of recreational properties. The Development Agreement has a term of 15 years and is subject to amendment and extension. In March 1994 a sewer and water facilities agreement was entered into with the Calaveras County Water District for 1650 connections. An Environmental Impact Report was certified for the Project on December 6, 1993. Subsequently, a large lot parcel map (the "Large Lot Parcel Map") was recorded on September 11, 1995 dividing the Property into 13 separate development lots (the "Original Development Lots"). The Original Development Lots have been subdivided and further split into several development areas (each a "Large Lot Parcel").

Development History of Saddle Creek

In order to finance certain public improvements needed for initial development, a special assessment district was formed in 1995 by the Calaveras County Water District which provides water and sewage services to Saddle Creek. The 13 Original Development Lots were originally assessed a total of \$8,235,000 to finance the construction of water, sanitary sewer, road and storm drainage improvements. In 2001 the Calaveras County Water District issued its 2001 Assessment Bonds to refund and replace the original assessment bonds. Recently, on July 12, 2006 the Calaveras County Water District adopted resolutions providing for the issuance of its proposed Series 2006 Assessment Bonds, the proceeds of which are designed to refund and replace the 2001 Assessment Bonds (collectively the 2001 Assessment Bonds and the Series 2006 Assessment Bonds are hereafter referred to as the "Assessment Bonds"). The Assessment Bonds will be issued pursuant to the Refunding Act of 1984 for 1915 Act Improvement Bonds. The final maturity date of the Assessment Bonds is September 2, 2020. For a summary of the current status of the Calaveras County Water District Assessment Bonds, see "DIRECT AND OVERLAPPING DEBT" herein.

The Development Agreement

The Development Agreement, by its terms, continues in force for 15 years and may be extended. Under the Development Agreement, the Developer has a vested right to develop Saddle Creek Resort in accordance with the terms and conditions of certain planning documents, which include the Approved Vesting Tentative Map with Conditions, the Specific Plan and the Zoning Ordinance (the "Planning Documents").

The Developer has the option of filing large lot parcel maps for the purpose of dividing some or all of the development areas shown in the Vesting Tentative Map. The County's authority to impose conditions shall be solely as provided for in the Specific Plan.

Under the Development Agreement the Developer is entitled to build any mix of residential densities permitted by the Specific Plan as long as the maximum number of total dwelling units permitted by the Specific Plan is not exceeded and the proposed development complies with all mitigation requirements of the Specific Plan.

Under the Specific Plan the Developer committed to a maximum of 1,650 dwelling units within Saddle Creek Resort. (The Developer currently plans for 953 dwelling units.) The Specific Plan provides for four different residential land use designations: Country Club Estate Residential (“CER”), Traditional Single Family Residential (“TSR”), Cluster Residential (“CRA”) and Single Family High Density (“SHD”).

The Development Agreement provides that as Saddle Creek Resort develops and final subdivision maps are recorded, the actual densities realized for some of the parcels may be less than the planned densities set forth in the Specific Plan. To the extent that the actual density of a parcel is less than the planned density therefore the Developer may “retain” the excess planned units for the purpose of preserving, transferring and developing such excess units within other residential parcels within the Development.

The Development Agreement includes a Mitigation and Monitoring Program which requires the Developer to undertake certain mitigation and monitoring actions. Other than meeting the terms and conditions of the Development Agreement and the Planning Documents and in meeting the requirements of the Mitigation and Monitoring Program, the Developer reports that there are no known legal impediments to or restrictions on future development of Saddle Creek.

The Development Agreement further provides that the County is bound to permit the uses on the Saddle Creek Resort property that are permitted in the Planning Documents. Subject only to the exercise of discretion as specifically required or permitted in the Planning Documents and to the meeting of legal requirements with respect to the holding of public hearings and the making of findings, the County agrees to grant and implement the land use and building approvals reasonably necessary or desirable to accomplish the goals, objectives, policies and plans described in the Planning Documents. Such County approvals shall include any applications, required to complete the infrastructure and improvements necessary to develop Saddle Creek Resort in accordance with the Planning Documents. The County agrees that all applications for such approvals shall be reviewed and acted upon within a reasonable period of time.

Land Yield Analysis

The entire Community Facilities District therefore includes approximately 831 gross acres, 202 of which comprise the 18 hole golf course facility and 88 of which comprise a large lot parcel with the potential to be developed into an additional 9 hole golf course facility. Another of the Large Lot Parcels (25 gross acres) is considered to be a “remainder” and will not be developed except perhaps for partial use as vehicle parking facility, leaving a balance of approximately 516 gross acres. These remaining 516 gross acres, with several small exceptions, are currently planned for subdivision into 814 residential building sites.

The table below contains a “Land Yield Analysis by Building Product Type.” This land yield analysis, as it applies to the “residential” acreage, is displayed in the following Table 3 in abbreviated form.

**Table 3
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds**

LAND YIELD ANALYSIS BY BUILDING TYPE*				
<u>Building Type</u>	<u>Gross Acres</u>	<u>Dwelling Units Per Acre</u>	<u>Number of Dwelling Units</u>	<u>Net Acres**</u>
Cottage	18.58	3.01/AC	56	14.19
Custom	35.01	1.94/AC	68	26.66
Country Homes	108.36	1.95/AC	211	82.78
Large Lot Custom	325.08	1.31/AC	426	248.19
Estate	21.67	0.79/AC	17	16.56
Bungalow	<u>7.22</u>	<u>5.00/AC</u>	<u>36</u>	<u>5.52</u>
Totals	516	1.58AC	814	393.90

**Notes:* (i) The Source of information provided in this table has been provided by the Developer, and certain numbers have been rounded (ii) This table does not include the 113 lots in Phase 1 nor does it include the 26 lots in Parcel H, (iii) Phase 1 and Parcel H are both within the 890 acre Assessment District but are not included within the Community Facilities District, (iv) the current development plans for Parcel H (10.28 acres) calls for 26 “Large Lot Custom” type units, and (v) this Table projects the present plans of the Developer, and therefore the land uses shown are subject to change and that 1,650 dwelling units (maximum) are entitled to be created within Saddle Creek.

**The net acres shown are the gross acres less acreage estimated to be required for roads (78.29 acres), wetlands preservation (15.54 acres), parking (22.00 acres) and non-residential uses (6.14 acres), adjusted to account for the absence of Phase 1 and Parcel H.

Development to Date

The Developer has completed an 18 hole golf course (the “Saddle Creek Golf Course”) and clubhouse facility (the “Lodge” or “Clubhouse”). The Lodge is generally comprised of a 12,500 square foot building featuring a dining room, bar and entertainment area, outside patios, locker rooms and a fully equipped golf shop. Under the Developer’s current master plan, an 88 acre parcel has the potential to expand the Saddle Creek Golf Course from 18 holes to 27 holes.

Home values range from \$500,000 to \$2 million. Custom homes under construction range from \$1 million to \$2 million and semi-custom homes range from \$700,000 to \$1million. Average age of residences is 56.

To date, according to the Developer, the development of Phases 1 through 5 has produced a total of 457 finished residential lots. Of those total 457 lots: (i) approximately 415 have been sold by the Developer to individual home builders, and (ii) the Developer holds title to the remaining 42 lots as its current inventory. The Developer has just completed the grading, and is

in various stages of starting construction on Phases 6, 7 & 8, which will provide the Developer with another 128 lots by spring of 2007. Approximately 235 homes have been constructed to date, with another 54 currently under construction.

The following Table 4 summarizes the current state of the residential development of each of the phases which have vesting tentative maps.

Table 4
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

SUMMARY OF EXISTING DEVELOPMENT*									
Phase	Neighborhood	Home Type	Lots Planned	Lots Built	To be Built	Lots Sold	Developer Lots	Homes Built	Homes Under Construction
1	Copper Ridge	Custom	113	113	0	113	0	55	9
2A	Mitchell Lake	Cottage	35	35	0	35	0	35	
2B	The Knolls	Lg. Custom	94	94	0	94	0	34	5
3A	Rock Ridge	Country	41	41	0	41	0	41	
	The Summit	Estate	17	17	0	17	0	0	3
3B	Quail Meadows	Cottage	21	21	0	21	0	21	
3C	Quail Meadows	Country	23	23	0	23	0	23	
3D	Lodge Bungalows	Bungalow	17	17	0	17	0	17	
4	Copper Highlands	Lg. Custom	35	35	0	35	0	5	11
4A	Copper Highlands	Lg. Custom	19	19	0	19	0	1	
5	Copper Glen	Country	42	42	0	0	42	6	26
6	Quail Creek	Lg. Custom	48	0	48	0	48	0	
7	Quail Creek	Country	55	0	55	0	55	0	
8	Quail Creek	Lg. Custom	<u>25</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>--</u>
Mapped Sub-Totals			585	457	128	415	170	238	54

*Notes: (1) Phase 1 is shown here for illustrative purposes only, as it is included within the 890 acre Assessment District but is not included within the Community Facilities District. (2) Phase 5 has 42 finished lots which do not yet have assessed values assigned. Of these 42 lots, according to the Developer, 6 lots have completed homes, and 26 lots have homes under construction; and the Developer has taken deposits and reservations for 13 of these lots.

The Developer has to date finalized and sold all of Phase 1 (which is comprised entirely of custom homes, commonly known as “Copper Ridge”), representing 113 lots, with finished homes on approximately 55 of those lots, and another 9 currently under construction. This Phase 1 is included in the Assessment District, but is not included in the Community Facilities District.

The Developer has completed and sold all of Phase 2A (commonly known as “Cottages at Mitchell Lake”), representing a total of 35 lots, entirely built out with 35 finished single family homes. The Developer has also completed and sold Phase 2B (which is comprised entirely of custom homes, commonly known as “The Knolls”) representing 94 finished single family custom lots, with finished homes on approximately 34 of those lots, and another 5 currently under construction.

The Developer has completed and sold Phase 3A, which is comprised of 41 “Country” style homes commonly known as “Rock Ridge Country Homes,” and 17 “Estate” style homes commonly known as “The Summit.” The 41 Rock Ridge Country Homes have been sold with finished homes on all 41 of those lots. The 17 Summit Homes have been sold with 3 homes under construction.

The Developer has completed and sold Phase 3B (commonly known as “Cottages of Quail Meadow Court”) representing 21 finished single family lots, with finished homes on all 21 of those lots. The Developer has completed and sold Phase 3C (which is comprised entirely of homes built by the Developer, commonly known as “Country Homes of Quail Meadow Lane”) representing 23 finished single family lots, with finished homes on all 23 of those lots.

The Developer has completed and sold Phases 4 and 4A (which is comprised entirely of large lot custom homes, commonly known as “Copper Highlands”) representing 54 finished single family custom lots, with finished homes on approximately 6 of those lots, and another 11 currently under construction.

The Developer is in the process of completing Phase 5 (which is comprised entirely of country style homes, commonly known as “Copper Glen”) representing 42 single family lots (with deposits and reservations on 13 lots), with finished homes on approximately 6 of those lots, and another 26 currently under construction.

The Developer has just completed the grading, and is in various stages of starting construction on Phases 6, 7 & 8, which will have a total of 97 “Country Home” lots and 73 “Custom Home” lots.

Sales History

Saddle Creek Resort sales experience for the past six years includes an average of approximately 50 Castle & Cooke original product sales, and over the course of the past two years includes over 100 Castle & Cooke original product sales and close to 50 re-sales each year. This year’s sales pace has slowed some due to a diminished inventory and the national market slowdown. Presently, all finished lot and home products are sold and closed with the exception of 3 remaining lots. Lot prices are expected to average \$300,000, and home prices are expected to average \$800,000. The Developer estimates that 70 to 80 homes will be sold each year, and that the Project will achieve full build-out by the year 2011.

Proposed Development Plans

Eleven new neighborhoods are planned for the remaining Large Lot Parcels held by Castle & Cooke. Table 5 below summarizes the anticipated product types and lot counts for each of the planned future neighborhoods. The development of future phases will depend on market acceptance of the Phases 6, 7 & 8, the availability of financing for the required on-site and off-site improvements, and the ability of the Developer or future parcel owners to market and subdivide the future lots. See “SPECIAL RISK FACTORS – Failure to Develop Property” herein.

The current development plans of the Developer for the development of the balance of the Project are subject to change. Furthermore, the current development plans envisioned for the Assessment District are subject, in large part, to the financial resources and construction and marketing capabilities and efforts of the Developer and the merchant builders and other persons to whom the parcels within the Assessment District may be sold. There can be no assurance that such development will occur as described herein, or that it will occur at all. The information under the heading THE PROJECT has been provided by the Developer and has not been verified for accuracy or completeness by the District or its consultants.

Table 5
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

PLANNED FUTURE NEIGHBORHOODS*		
<u>Future Neighborhoods</u>	<u>Lots</u>	<u>Home Type</u>
Neighborhood D	19	Bungalows
Neighborhood E	22	Large Lot Custom
Neighborhood F	36	Large Lot Custom
Neighborhood G	64	Large Lot Custom
Neighborhood H	26	Large Lot Custom
Neighborhood M	47	Custom
Neighborhood N	6	Country
Neighborhood O	83	Large Lot Custom
Neighborhood P	26	Country
Neighborhood Q	18	Country
Neighborhood R	21	Custom
Total	368	

**Notes:* (i) The Source of information provided in this table has been provided by the Developer, and (ii) Neighborhood H is shown here for illustrative purposes only, as it is included within the 890 acre Assessment District but is not included within the Community Facilities District.

Future Financing Plan

In December 2003, Castle & Cooke Inc. entered into an amended and restated credit agreement (the "Castle Credit Agreement") with a syndicate of banks (the "Credit Banks"). All future Project improvements are anticipated be financed with moneys derived from the Castle Credit Agreement. Pursuant to the Castle Credit Agreement, the Credit Banks have agreed to provide a three-year secured term loan of \$125 million and three-year secured revolving line of credit of up to \$250 million, based on a percentage of the value of certain commercial properties, land holdings, and homebuilding inventory owned by Castle & Cooke Inc. or its affiliates, and subject to certain limitations. Repayment obligations under the Castle Credit Agreement are

subject to interest at a variable rate per annum based on the London Interbank Offered Rate, or at alternate rate based upon a designated Credit Bank's prime rate or the federal funds rate.

The Castle Credit Agreement contains customary covenants, including, but not limited to, limitations on investments, sale of assets, limitation on other debt, financial covenants related to tangible net worth, leverage, interest coverage, and inventory levels. As of July 31, 2006, the amount available under the Castle Credit Agreement was approximately \$31 million. Prior to expiration of the term of the existing Castle Credit Agreement, Castle & Cooke Inc. anticipates renewing the Castle Credit Agreement upon substantially similar terms.

Castle & Cooke has represented that the funding sources described above will be sufficient to complete the development of the Project as described herein. There is no assurance; however, that amount necessary to finance any outstanding development costs will be available from Castle & Cooke, the Castle Credit Agreement, or any other sources when needed. Neither the Developer nor any of its affiliated entities is under any legal obligation of any kind to expend funds for the development of the Project.

Any contributions by Castle & Cooke to fund the costs of such development are entirely voluntary. Notwithstanding available sources of financing, neither the Developer nor any of its affiliates is under any obligation to apply such sources to the completion of development within the Project.

The Assessment Bonds Overlapping Debt

As stated above, the Calaveras County Water District has issued Assessment Bonds which are secured by a "Reassessment Lien" on each parcel of real property within an area of land that includes the entire Assessment District (the "Reassessment Parcels"). The Assessment Bonds are of equal parity with the Bonds.

Availability of Public Utilities

The providers of public utilities within the Community Facilities District are as follows:

Electricity:	Pacific Gas and Electric
Natural Gas:	Service unavailable
Telephone Service:	Calaveras Telephone Company
Water:	Calaveras County Water District
Sewage Collection:	Calaveras County Water District
Sewage Treatment:	Calaveras County Water District

Requirements for Sewer and Water Entitlements

The Water District owns, operates and maintains the water and sewage facilities which serve the Saddle Creek Resort. The Developer will apply to the Water District for water and sewer services availability, which are anticipated to be granted upon final subdivision map approval as each phase of the Development is completed. It is expected that future property owners of the re-subdivided parcels will be required to pay a connection fee and a capacity fee to hook up to the water and sewer system. As of January 1, 2006 the combined sewer and water fees for a single family dwelling amount to \$11,000, and are subject to change upon notice. It is expected that the District's connection and capacity fees described above will increase each year to support payment of expanded facilities. If the water treatment and sewage treatment facilities improvements are not completed in a timely fashion, development of the Project could be impeded. Service connection from the expansion will be provided on a first come first serve basis upon payment of the required expansion and related fees. There can be no assurance that this expansion will fully serve the Project. See "SPECIAL RISK FACTORS" herein.

Public Roads and Storm Drain Improvements and Maintenance

In order to maintain the public roads and storm drainage facilities within the Saddle Creek Resort, the Saddle Creek Community Services District was formed in 1995 with power to own and maintain road and drainage improvements.

There has also been established a property owners' association, a non-profit corporation, with the power to enforce the applicable covenants, conditions and restrictions and to maintain the private roads, recreational facilities and common areas and to levy assessments to pay for the costs of same.

THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Summary of Rate and Method

The Rate and Method of Apportionment of Special Tax is appended hereto in its entirety as APPENDIX D. The following is only a summary of certain provisions of the Rate and Method and does not purport to be complete. For a comprehensive understanding of the Rate and Method, it must be read in its entirety.

The Rate and Method of Apportionment of Special Tax classifies properties within the Community Facilities District into several categories. "Taxable Property," for example, means all assessor's parcels which are not specifically exempt from the Special Tax pursuant to law or Section F of the Rate and Method. Section F exempts from the Special Tax up to 192.86 acres of Public Property (roads, wetlands and parking areas) and up to 0.59 acres of "Owner's Association Property."

Taxable Property is categorized into Residential Property, Non-Residential Property, Golf Course Property, Undeveloped Property, Taxable Owner's Association Property and Taxable Public Property.

Pursuant to the Rate and Method, on or about July 1 of each year the County's Special Tax Administrator shall categorize each assessor's parcel of Taxable Property as one of the above categories. With respect to Residential Property, the Administrator is also required to identify the number of "Buildable Lots" within a final map or portion of a final map that are categorized as Residential Property. Residential Property is defined to mean, in any fiscal year, all Taxable Property for which a final map has been approved prior to July 1 of that fiscal year designating Buildable Lots for which a building permit can be issued for construction of a single family detached or single family attached residential unit. Buildable Lot is defined to mean an individual lot identified and numbered on a final map that can be developed without further subdivision subject only to the issuance of a building permit.

The Rate and Method establishes a Maximum Special Tax for each Taxable Property. The Maximum Special Tax is the maximum that can be levied in any fiscal year. Once the Maximum Special Tax has been determined for a parcel within an approved final map it shall not be reduced in future years although the amount actually levied in the parcel may be less than the maximum.

The Maximum Special Tax for parcels of Residential Property is determined by a process which requires the Special Tax Administrator to 1) determine the Net Acreage within each approved final map or portions of final map that is designated as Residential Property; 2) multiply that Net Acreage by \$2,012 per Acre to determine the total Maximum Special Tax assigned to the Residential Property within the final map; and 3) divide the total Maximum Special Tax by the number of Buildable Lots included within the Net Acreage. The quotient is the Maximum Special Tax for each parcel of Residential Property within that final map.

As an example, if the Net Acreage within a particular final map is 6.16 and the number of Buildable Lots is 35, then the Maximum Special Tax for each parcel is \$354.11 ($6.16 \times \$2,012 / 35$).

For another example, if the Net Acreage is 28.28 and the number of Buildable Lots is 63, the Maximum Special Tax for each parcel is \$903.16 ($28.28 \times \$2,012 / 63$).

The foregoing describes the process for calculating the Maximum Special Tax for parcels of Residential Property. For parcels of Non-Residential Property the Maximum Special Tax is a flat \$2,012 per acre. Non-Residential Property means all Taxable Property for which a building permit can be issued for construction of a building other than a single family detached or a single family attached residential unit.

The Maximum Special Tax for Golf Course Property is \$328 per acre if there is no “Excess Golf Course Acreage.” Golf Course Property is defined to mean up to 238.27 acres used for golf course purposes. If such acres exceed 238.27 acres then the excess acreage is categorized as Excess Golf Course Acreage. If there is Excess Golf Course Acreage then such acreage is multiplied by \$1,684 per acre and the product then divided by total acreage of Golf Course Property and the resultant per acre amount is added to \$328 to determine the per acre Maximum Special Tax that will be applied to Golf Course Property.

The Rate and Method establishes a Maximum Special Tax for Undeveloped Property of \$2,012 per acre. Undeveloped Property is defined to mean all Taxable Property which does not fit into one of the other categories described above.

The Rate and Method establishes the method of apportioning and levying the Special Tax each year. Under Step 1 the Special Tax is first levied proportionately on each parcel of Residential Property, Non-Residential Property and Golf Course Property up to 100% of the Maximum Special Tax for each category.

If additional monies are needed to satisfy the Special Tax Requirements then the Special Tax is levied proportionately on each parcel of Undeveloped Property up to 100% of the Maximum Special Tax.

If additional monies are needed after applying the first two steps, the Special Tax is then levied proportionally on each parcel of Taxable Owner's Association Property up to 100% of the Maximum Special Tax for Undeveloped Property.

If additional monies are still needed the Special Tax shall be levied proportionately on each parcel of Taxable Public Property up to 100% of the Maximum Special Tax for Undeveloped Property.

The Rate and Method also includes provisions for, and the calculation processes for, the prepayment of the Special Tax, in full or in part, on each parcel of Taxable Property. For the description of the prepayment process see “APPENDIX D – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Projected Special Tax Coverage

Under the Rate and Method and assuming final development of Residential Property as shown in Table 5 above, the annual Maximum Special Tax for all parcels of Residential Property, after recordation of all final maps, will be \$791,722 (393.50 net acres times \$2,012).

Assuming completion of the additional nine hole facility and a total of 238.27 acres used “for golf course purposes,” the annual Maximum Special Tax for Golf Course Property will be \$78,152.56 (238.27 acres times \$328). Non-Residential Property is projected to include only 5.55 acres which would produce an annual Maximum Special Tax of \$11,167.

The following Table 6 displays projected debt service coverage under the assumptions noted.

Table 6
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

PROJECTED DEBT SERVICE COVERAGE			
<u>Period</u> <u>Ending</u>	<u>Maximum</u> <u>Special Tax</u> <u>Revenues⁽¹⁾</u>	<u>Debt Service</u>	<u>Debt Service</u> <u>Coverage</u>
9/1/2007	\$695,900.00	\$566,531.25	123%
9/1/2008	695,900.00	564,090.00	123
9/1/2009	695,900.00	564,490.00	123
9/1/2010	695,900.00	564,490.00	123
9/1/2011	695,900.00	563,830.00	124
9/1/2012	695,900.00	562,692.50	124
9/1/2013	695,900.00	565,792.50	123
9/1/2014	695,900.00	563,107.50	124
9/1/2015	695,900.00	564,687.50	123
9/1/2016	695,900.00	564,967.50	123
9/1/2017	695,900.00	564,473.76	123
9/1/2018	695,900.00	563,286.26	124
9/1/2019	695,900.00	565,948.76	123
9/1/2020	695,900.00	567,468.76	123
9/1/2021	695,900.00	562,725.00	124
9/1/2022	695,900.00	562,250.00	124
9/1/2023	695,900.00	565,250.00	123
9/1/2024	695,900.00	567,000.00	123
9/1/2025	695,900.00	562,500.00	124
9/1/2026	695,900.00	567,000.00	123

(1) Based on Maximum Special Tax on Residential Property and on Golf Course Property, less a buffer (20%) for loss of acres.

In connection with the issuance of the Bonds, Goodwin Consulting Group, Inc., the County's Special Tax Consultant, will certify that the Maximum Special Tax that may be levied on the Taxable Property will be at least 110% of the maximum annual debt service on the Bonds.

DESCRIPTION OF GOLF COURSE AND COMMUNITY

The Saddle Creek Golf Course Facility features the Lodge and a championship 18-hole golf course facility that has the potential to be expanded to 27 holes. The Lodge is generally comprised of a 12,500 square foot building featuring a dining room, bar and entertainment area, outside patios, locker rooms and a fully equipped golf shop. The Saddle Creek Golf Course was designed by Carter Morrish Associates, whose credits include such courses as Forest Highlands in Arizona, the Double Eagle Club in Ohio and Shadow Glen in Kansas.

The Developer markets in the Saddle Creek Resort as “One of California's Finest Residential Communities,” and in its marketing literature highlights the following features:

SADDLE CREEK RESORT

“Footloose in the Foothills”

Residential

- ❖ Homesites for custom and estate homes
- ❖ Custom and Semi Custom homes
- ❖ Cottages from 1237 square feet
- ❖ Bungalows at 1043 square feet

Recreation

- ❖ Extensive walking trails and park
- ❖ Competition size swimming pool
- ❖ Tennis courts
- ❖ Fitness Center and Recreation Facility

Golf

- ❖ Championship 18 hole golf course

Lodge

- ❖ The Lodge at Saddle Creek overlooking lakes and streams
- ❖ Includes a dining room, covered outdoor dining area,
- ❖ Pro shop, locker rooms, lounge, lounge terrace & grill
- ❖ Bungalows providing for overnight stays

Ambiance

- ❖ Rolling foothills dotted with beautiful oak trees, meadows,
- ❖ Streams and natural lakes with vistas of the Sierra Mountains

Area

- ❖ Nearby quaint gold rush towns such as Sonora, Jamestown, Columbia, Angels Camp and Murphys
 - ❖ Many great restaurants
 - ❖ Wineries, California's other wine country
 - ❖ Numerous lakes and streams for boating, skiing, fishing,
 - ❖ Whitewater rafting or just for hiking and relaxing
 - ❖ Snow skiing at Bear Valley or Dodge Ridge
-

Over the past three years the Golf Course has averaged approximately 26,000 rounds per year, with an average green fee of approximately \$55. Members are charged a one-time membership fee of \$25,000, and a monthly fee of approximately \$285 (for 2006). There are presently approximately 225 Members, with a total allowable membership of 550 Members. The Golf Course is played approximately 60% by its members and 40% by the general public.

PARCEL VALUATIONS

Assessed Values

In general, assessed value is determined by the county in which an assessed parcel is located, and typically represents market value of an assessed parcel as of its most recent assessment recordation date, plus a 2% per year inflation factor since the date of such assessment. A new assessment of an assessed parcel to its then current market value will only occur upon a change in ownership or new construction with respect to such parcel. The Community Facilities District's records of assessed values are stated herein and in "APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS." These valuations are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the Community Facilities District Parcels. See "SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values" herein.

Appraised Values

Neither the County nor the Community Facilities District has commissioned an appraisal to determine the value of land and improvements thereon within the boundaries of the Community Facilities District. However, in May 2001, the County retained Bender & Rosenthal, Sacramento, California (the "2001 Appraiser") to prepare an appraisal of the real property within the boundaries of the Community Facilities District, which was completed and dated July 2, 2001, (the "2001 Appraisal").

The 2001 Appraisal stated, among other things, that, as of June 1, 2001, the bulk sale value of the undeveloped land within the Assessment District was \$17,046,896. However, because the 2001 Appraisal was based on information five years in the past, Thomas M. Pimentel, Certified Real Estate Appraiser, Angeles Camp, California (the "2006 Appraiser"), was asked to provide a confirmation that the property values established by the 2001 Appraisal remain at least as valuable today as they were in 2001. The 2006 Appraiser, on July 26, 2006 released his report concluding that "there is no doubt that the market values of virtually all of the properties within the development have increased in value since June 2, 2001" (the "2006 Confirmation of Appraised Values"). For a review of the complete text of the 2006 Confirmation of Appraised Values see "APPENDIX H – 2006 CONFIRMATION OF APPRAISED VALUES" herein.

If any of the assumptions made by the 2001 Appraiser prove not to be accurate, the conclusions in the 2001 Appraisal and the 2006 Confirmation of Appraised Values regarding the

market value of the property in the Assessment District may be adversely affected. Neither the County nor the Community Facilities District makes any representation or warranty as to the accuracy or completeness of the 2001 Appraisal or the 2006 Confirmation of Appraised Values. Purchasers of the Bonds should review the complete text of the 2001 Appraisal, available from the County Administrative Officer, 891 Mountain Ranch Road, San Andreas, California, 95249. For a review of the complete text of the 2006 Confirmation of Appraised Values see “APPENDIX H – 2006 CONFIRMATION OF APPRAISED VALUES” herein. See “SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values” herein.

Value to Lien Ratios

The debt and lien allocations of the categories of parcels listed herein, and the resulting ratios, have been estimated and are displayed in Table 7 below. The allocation of comparative debt with respect to the Bonds is based on (i) the state of development of the Reassessment Parcels subject to the Reassessments and Special Tax as of July 1, 2006, (ii) estimated average annual debt service on the Special Tax Bonds and (iii) application of the Rate and Method.

Table 7
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds

SUMMARY OF VALUE TO LIEN RATIOS									
Owner & Lot Type	Gross Acres	Lots	Value ⁽¹⁾	AD Lien	CFD Lien ⁽²⁾	Total Lien	VTL	% of AD Bonds	% of CFD Bonds
Castle & Cooke									
Large Lot Parcels ⁽³⁾	459.40	42	\$17,046,896	\$2,680,214	\$2,854,660	\$5,534,874	3.1	46.1%	40.0%
Golf Course	201.00	--	12,137,388	678,179	881,666	1,559,845	7.8	11.7%	12.3%
Individuals(CFD+AD)									
Lots only	101.30	183	42,923,546	1,206,330	2,803,711	4,010,041	10.7	20.8%	39.2%
Homes	<u>76.40</u>	<u>119</u>	<u>86,273,419</u>	<u>130,217</u>	<u>604,963</u>	<u>735,180</u>	<u>117.4</u>	<u>2.2%</u>	<u>8.5%</u>
Total (CFD)	838.1	344	\$158,381,248	\$4,694,940	\$7,145,000	\$11,839,940	13.4	80.8%	100%
Individuals (AD only)									
Phase 1 Homes	<u>52.0</u>	<u>113</u>	<u>36,738,348</u>	<u>1,115,060</u>	<u>0</u>	<u>1,115,060</u>	<u>32.9</u>	<u>19.2%</u>	<u>0.0%</u>
Totals (AD)	890.10	457	\$195,119,596	\$5,810,000	\$7,145,000	\$12,955,000	15.1	100.0%	100.0%

(1) Value of Large Lot Parcels is from the 2001 Appraisal. Value from all others parcels is equal to either the assessed value from the County equalized tax rolls, or from recent sales, if applicable.

(2) The Community Facilities District (CFD) lien is spread to properties based on distribution of current Special Taxes. Because developed property is taxed first according to the Rate and Method of Apportionment of Special Tax, the Community Facilities District lien allocation is weighted more heavily on the developed property.

(3) Large Lot Parcels include Phase 5, which has 42 finished lots which do not yet have assessed values assigned. See Table 4 for more information on the development status of phase 5.

The valuations set forth above are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the parcels subject to the Special Tax.

No assurance can be given, however, that should one or more of the parcels of property subject to the Special Tax become delinquent due to unpaid Special Tax installments, they could be foreclosed upon and sold for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay delinquent installments. See “SPECIAL RISK FACTORS” herein.

Parcel Valuations

Attached hereto as APPENDIX C is the “DETAILED REPORT OF PARCEL VALUATIONS.” The footnotes must be read in order to understand the methodology used to arrive at the opinions of value expressed therein. *The opinions of value are subject to all assumptions and limiting conditions specified therein.* See “SPECIAL RISK FACTORS – Factors Affecting Parcel Values and Aggregate Values” herein.

Delinquency History

To date there have been very few delinquencies within the Assessment District. As of July 1, 2006 there are nine (9) delinquencies due to unpaid Special Tax installments, collectively totaling \$6,926.40.

DIRECT AND OVERLAPPING DEBT

In addition to the Special Tax and the Assessment Bonds, the parcels within the Community Facilities District are subject to certain other annual taxes and charges payable and collected on the County's tax bills. They may be listed as follows:

Calaveras County Solid Waste Fee	\$150.00
Copperopolis Fire Protection District	75.00
Saddle Creek Community Services District	750.00

The solid waste fee and the Fire Protection District tax are applicable only to parcels which are developed into dwelling units.

If one assumes a parcel approximately .37 acres in size developed into a single residential unit located in Unit 2B and with an assessed value of \$300,000, the County's next annual property tax bill for that parcel would show charges resembling the following.

County Property Tax (1 % of assessed valuation)	\$3,000.00
Community Facilities District – Special Tax	1,010.00
Assessment Bond – Reassessment	1,510.00
Solid Waste Fee	150.00
Fire Protection District Tax	75.00
Saddle Creek Community Services District	<u>750.00</u>
	\$6,495.00

Local agencies providing public services which have issued general obligation bond and other types of indebtedness overlap the Community Facilities District. Direct and overlapping bonded indebtedness is shown in the following table compiled by California Municipal Statistics, Inc. of Oakland, California. Neither the County nor the Community Facilities District has reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The following Table 8 summarizes the direct and overlapping bonded indebtedness associated with the Community Facilities District, as of August 1, 2006. The debt report was prepared by California Municipal statistics, Inc., Oakland, California (the "Debt Report"), and is included for general information purposes only. The Debt Report also does not show the updated assessed valuations which are now reflected on the County's 2006-2007 tax roll. See "APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS" herein.

**Table 8
Calaveras County
Saddle Creek Community Facilities District
Series 2006 Special Tax Bonds**

DIRECT AND OVERLAPPING BONDED DEBT

2005-06 Local Secured Assessed Valuation: \$96,711,825

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/06</u>
Mark Twain Union School District	7.291%	\$ 506,404
Calaveras County Community Facilities District No. 2	100.	6,705,000 (1)
Calaveras County Water District, Refunding I.D. No. 2001	76.134	<u>4,780,926 (1)</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$11,992,330
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Calaveras County Board of Education Certificates of Participation	1.787%	\$ 22,427
Yosemite Community College District General Fund Obligations	0.223	29,559
Bret Harte Union High School District Certificates of Participation	2.964	<u>196,641</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$248,627
 COMBINED TOTAL DEBT		 \$12,240,957 (2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Local Secured Assessed Valuation:

Direct Debt (\$6,705,000)	6.93%
Total Direct and Overlapping Tax and Assessment Debt	12.40%
Combined Total Debt.....	12.66%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal statistics, Inc.

SPECIAL RISK FACTORS

This Special Risk Factors section of the Official Statement does not summarize the Official Statement. Rather it supplements other sections in order to provide the Bondowners with a practical perspective on the material risks of the investment. Necessarily, the discussion of risks is neither comprehensive nor definitive. It is based largely upon typical experience with special tax bonds issued in other situations pursuant to the Mello-Roos Community Facilities Act of 1982, as amended.

Levy and Collection of Special Taxes

Debt service on the Bonds is payable from the proceeds of the Special Tax levied annually and collected at the same time and in the same manner as property taxes. The annual levy is subject to a maximum tax rate according to the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Taxes, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds, which if available may reduce the amount required to be levied at a maximum tax rate, include funds derived from the payment of delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels which are delinquent in payment of Special Taxes.

The Special Tax levied in any particular tax year on a taxed parcel is based upon the debt service on the Bonds to be paid from the levy, Reserve Fund replenishment requirements, if any, and administrative expenses related to the Special Tax and to the Bonds and to the application of the Rate and Method. In addition to annual variations of the debt service on the Bonds and differing administrative expenses, the following are some of the factors which might cause the Special Tax on any particular parcel to vary from the expected Special Tax:

(a) reduction in the number of taxed parcels, for such reasons as acquisition of taxed parcels by a government and failure of the government to pay the Special Tax upon a claim of exemption, thereby resulting in an increased tax burden on the remaining parcels;

(b) failure of owners of taxed parcels to pay the Special Tax and delays in the collection of or inability to collect the tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels; and

(c) development of a taxed parcel more rapidly than development of other taxed parcels, thereby resulting in the application of development factors in the Rate and Method to the parcel and resulting in a relatively increased tax burden on the taxed parcel.

Depletion of Reserve Account

A Reserve Account has been established from proceeds of the sale of the Bonds in the amount of the Reserve Requirement. Moneys in the Reserve Account may be used to pay debt service on the Bonds in the event the proceeds of the levy and collection of the Special Tax are insufficient. If funds in the Reserve Account are used to pay debt service, the funds can be

replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required for debt service. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds of the annual Special Tax levied at maximum rates, together with other available funds, remain insufficient to pay debt service. Thus, it is possible that the Reserve Account will be depleted by its use to pay debt service and will not be replenished by the levy of a Special Tax.

The Reserve Account may be invested, and to the extent that retention of such earnings will not result in the interest on the Bonds becoming subject to federal income taxation, the investment earnings may be deposited in the Reserve Account, thereby increasing the balance. Nevertheless, there is no assurance that the amount in the Reserve Account will, at any particular time, be sufficient to pay debt service on the Bonds. Further, there is no assurance that the Reserve Account will be fully replenished.

Foreclosure and Sale Proceedings

The Community Facilities District is obligated under certain conditions to institute foreclosure and sale proceedings against parcels delinquent in payment of the Special Tax, and may do so in other circumstances even if not so obligated. Foreclosure proceedings are instituted by the bringing of an action in the Superior Court of the county in which the parcel lies, naming the owner and other interested persons as defendants. Upon judgment of foreclosure, the parcel may be offered for sale at a minimum price. As provided in the Act, the minimum price will be sufficient to pay the delinquent Special Tax for the collection of which the foreclosure action is instituted and interest, penalties, costs, fees and other charges in the judgment. For a summary of this and related provisions of the Indenture with respect to foreclosure proceedings, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Proceeds of Foreclosure Sales.”

Failure to receive proceeds from the foreclosure and sale of a particular parcel sufficient to pay or reimburse the delinquent Special Tax may result in an ultimate loss to owners of Bonds.

Concentration of Property Ownership

Approximately 70% of the land within the Community Facilities District subject to the Special Tax, as measured by the application of the Maximum Special Tax, is currently owned by Castle & Cooke Saddle Creek, Inc. and Saddle Creek Golf Club, L.P. (the golf course). Until future land transfers occur, the timely payment of the Bonds depends on the willingness and ability of these two owners to pay the Special Tax when due. This lack of diversity in the obligation to pay Special Taxes presents significant risk to Bondowners. Failure of the owners/developers or owners of the property within the Community Facilities District to pay the annual Special Taxes when due could result in the rapid and total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of and interest on the Bonds. See “THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” herein.

Failure to Develop Property

While the Golf Course, Lodge, and phases 1, 2, 3 and 4 are complete, and construction of infrastructure improvements have commenced on a portion of Phases 5, 6, 7 & 8, the remainder of roughly 50% of the property in the Community Facilities District is presently vacant, undeveloped land. Completion of current development and future development of this property may be affected by changes in general economic conditions, fluctuations in the real estate market, competition from other developments and other similar factors. Failure to obtain any required approval could adversely affect any future land development operations. Moreover, there can be no assurance that any future land development operations within the Community Facilities District will not be adversely affected by future governmental policies, including those relating to the local, national, or general economy, the local or regional real estate market, and/or the ability of the property owner to obtain future financing.

More specifically, the ability of the Developer to implement its development projects is dependent upon receipt of final development approvals from the County of Calaveras and the Water District. Neither the County nor the Water District can provide assurance that such development approvals will be obtained or, if obtained, when they would be effective. Failure of the property owner to obtain expected development approvals from the County and Water District may result in his failure to pay Special Taxes when due. Furthermore, failure to obtain such development approvals could motivate the Developer to seek protection under bankruptcy, insolvency, or other laws protecting the rights of property owners from creditors, and the commencement of such bankruptcy proceedings, as further outlined below in the section entitled "Bankruptcy Proceedings," may result in a delay in the ability of the County to foreclose the lien of such delinquent Special Taxes.

Factors Affecting Parcel Values and Aggregate Values

The value of the land within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If there is a default in the payment of the Special Tax, the Community Facilities District's only remedy is to commence foreclosure proceedings on the taxable property in an attempt to obtain funds to pay the delinquent Special Tax.

The section of this official statement entitled "PARCEL VALUATIONS" discusses the assessed value and appraised value of a portion of the Community Facilities District Parcels. These values are merely estimations of value and should not be relied upon by potential investors as the sole source of determining investment quality of the Bonds.

Assessed values are one indication of value, but do not always represent the market value of a parcel. Assessed values are determined by the County as of its most recent assessment recordation date, plus a 2% annual inflation factor from such date of such assessment recordation date. A new assessment of an assessed parcel to its then current updated value will only occur upon either a change in ownership or new construction with respect to such parcel. The Community Facilities District's records of assessed values are stated throughout this Official Statement, including "APPENDIX C – DETAILED REPORT OF PARCEL VALUATIONS."

These valuations are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the Community Facilities District Parcels.

The Community Facilities District has not sought the present opinion of an appraiser. However, in May 2001, the County retained the 2001 Appraiser to prepare an appraisal of the real property within the boundaries of the Community Facilities District, which was completed and dated July 2, 2001, (the "2001 Appraisal"). Because the 2001 Appraisal was based on information five years in the past, the 2006 Appraiser was asked to provide a confirmation that the property values established by the 2001 Appraisal remain at least as valuable today as they were in 2001.

Appraisers are in the business of making assumptions, and sometimes extraordinary assumptions, as each appraiser deems necessary to establish value. If any of the assumptions made by the 2001 Appraiser prove to be not accurate, the conclusions in the 2001 Appraisal, and correspondingly the 2006 Confirmation of Appraised Values, regarding the market value of the property in the Community Facilities District may be adversely affected. Neither the County nor the Community Facilities District makes any representation or warranty as to the accuracy or completeness of the 2001 Appraisal or the 2006 Confirmation of Appraised Values.

Prospective purchasers of the Bonds should not assume that the land within the Community Facilities District could be sold for the appraised amount described in the 2001 Appraisal at a foreclosure sale for delinquent Special Taxes. For example, it is possible that the 2001 Appraiser and the 2006 Appraiser made erroneous or inaccurate assumptions and/or conclusions. It is also possible that the appraised value of the land in the Community Facilities District will not be realized through a foreclosure sale because of general economic conditions at the time of sale and any inability of a purchaser to secure a construction contract and franchise agreement. Additionally, reductions in the value of the land in the Community Facilities District could occur due to physical events such as earthquakes or floods or other similar unforeseen events all of which will adversely impact the completion of the construction and/or operation of the planned development within the Community Facilities District.

The following are some additional factors which may affect the market for and value of particular taxed parcels and such parcels in the aggregate.

The Completion of Communities Facilities District Improvements. The improvements to be provided by the Community Facilities District generally serve the parcels subject to the Special Tax. While a direct relationship between the value of a taxed parcel and the improvements to be provided by the Community Facilities District does not necessarily exist, failure to complete the improvements in a timely manner nevertheless may result in value less than expected or in any event uncertainty in value, which may cause the Special Tax to exceed a secure relationship to value.

The Progress of Land Development. The basis for value also requires the timely provision of additional infrastructure improvements and development of the taxed parcels. Land development is an activity of varying risk. Risk factors include, without limitation:

- (a) general or local economic conditions;
- (b) local real estate market conditions especially as they may apply to “second home” subdivisions;
- (c) governmental regulation and approval;
- (d) legal requirements, particularly environmental quality, land use, zoning and building requirements;
- (e) development, financing and marketing capabilities of the various landowners;
- (f) development plans and timely accomplishment, including but not limited to the provision of infrastructure improvements in addition to the Community Facilities District improvements, and
- (g) availability and prices of public utility services.

The County has not independently evaluated these risks. Since these are largely business risks of the type that landowners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular taxed parcel, the County has undertaken the project without regard to any such evaluation, as an incident to the orderly, planned development of the County. The creation of the Community Facilities District by the County in no way implies that the County has evaluated these risks or the reasonableness of these risks.

Further, the risk of development delays to the Bondowners may be heightened when land ownership is concentrated in only one or a few landowners or developers. If ownership is concentrated, timely payment of Special Taxes may be dependent upon the financing available to such owners or developers. Should progress be interrupted, the values may not be realized. Diminished values may lessen the effectiveness of foreclosure proceedings as a remedy. The possibility of owner or developer bankruptcy may become more of a reality.

Geologic, Topographic and Climatic Conditions. Even after value has been established for taxed parcels by the completion of the Community Facilities District improvements and development of the taxed parcels, value can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure, other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation:

- (a) geologic conditions such as earthquakes;
- (b) topographic conditions such as earth movements and floods; and
- (c) climatic conditions such as droughts and destructive storms.

Some of these factors have or will be taken into account, to a limited extent, in the designs of the Community Facilities District improvements and of other infrastructure and public improvements the designs of which must be approved by the County.

The Community Facilities District, like much of California, is subject to floods, fires and seismic activity that could negatively affect the value of the taxed parcels. In fact, the Community Facilities District is located in a wildfire hazard area, and Calaveras County, in common with much of “interior” California, lies within Seismic Zone 3 as specified in the Uniform Building Code which, as modified, is incorporated into the California Building Code, Title 24 of the California Code of Regulations. Seismic Zone 3 is a medium risk designation as compared to Seismic Zone 4 which is a high risk area including the San Francisco Bay Area and all of “coastal” California.

According to the County's Specific Plan with respect to Saddle Creek, the development is not located in an area of seismic activity. No landslides or fault hazards were discovered by the preliminary geotechnical investigation, and seismic hazards are not anticipated. However, strong earthquakes along any of California's fault lines may affect Saddle Creek depending on magnitude and location.

The Uniform Building Code as modified and incorporated into the California Building Code requires that some of these factors be taken into account, to a limited extent, in the design of private improvements to the taxed parcels. Some of these factors may be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the County.

Changes in Law. Other events which may affect the value of taxed parcels include changes in the law or application of the law. Such changes may include, without limitation, the following:

- (a) local growth control measures;
- (b) local utility connection moratoriums; or
- (c) local application of statewide tax and governmental spending limit measures.

Other Possible Claims upon the Value of a Taxed Parcel

While the Special Tax is secured by the taxed parcels, the security only extends to the value thereof that is not subject to priority and parity liens and similar claims.

The table in the section herein captioned “DIRECT AND OVERLAPPING DEBT” displays the presently outstanding amount of governmental obligations (with stated exclusions) the tax or assessment for which is or may become an obligation of one or more of the taxed parcels. See particularly the discussion in that section of the Calaveras County Water District Local Obligation Improvement Bonds, and Parity Obligations below.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the taxed parcels and may be secured by a lien on a parity with the lien of the Special Tax securing the Special Tax Bonds.

In general, as long as the Special Tax is collected on the county tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency Special Taxes securing the Special Tax Bonds, the Special Tax will be subordinate only to existing priority governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges. The Special Taxes will have priority over non-governmental liens on a taxed parcel, regardless of whether or not the nongovernmental liens were in existence at the time of the levy of the Special Tax.

While governmental taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. In general, the owners and operators of a taxed parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the taxed parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a taxed parcel that is realizable upon a delinquency.

Parity Obligations

The Developer (through the Water District, as the issuer), on September 28, 2001, issued its Assessment Bonds, the liens of which are on parity with the corresponding Special Tax liens established by the Bonds.

Because the liens of the Assessment Bonds are on parity with the Bonds, prospective purchasers of the Bonds are hereby cautioned to fully investigate the credit worthiness of the Assessment Bonds. Any negative implications associated with the Assessment Bonds likewise commensurately affect the Bonds.

Future Overlapping Indebtedness

The ability of an owner of land within the Community Facilities District to pay Special Tax installments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Bonds. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the District, and in certain cases without the consent of the owners of the land within the District, impose additional taxes assessment liens on the property within the District to finance public improvements to be located inside of or outside of the District.

Future Private Indebtedness

At the present time, the property in the Assessment District is undeveloped or partially developed. In order to develop the balance of development planned over the course of the next several years, the Developer and any successor property owners will need to construct improvements over and above those which were financed with the proceeds of the Original Bonds. The cost of these additional improvements may increase the private debt for which the land in the Assessment District or other land collateral owned by the property owners is security over that contemplated by the Bonds, and such increased debt could reduce the ability or desire of the Developer and/or successor property owners to pay the Reassessments as they become due. It should be noted however, that the lien of any commercial financing secured by the land within the Assessment District would be subordinate to the lien of the Reassessment.

Bankruptcy Proceedings

Regardless of the priority of the Special Tax securing the Bonds over nongovernmental liens on taxed parcels, the exercise by the Community Facilities District of the foreclosure and sale remedy or by the County of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a taxed parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns taxed parcels the Special Taxes of which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning taxed parcels the Special Taxes of which are significant, may result in periodic Special Tax collections which, in conjunction with the Reserve Account, may be insufficient to pay debt service on the Special Tax Bonds as it becomes due. Further, should remedies be exercised under the bankruptcy law against the taxed parcels, the preference the bankruptcy law gives the payment of taxes may not be applicable to payment of the Special Taxes. Thus, general taxes and other claims may be preferred over the Special Tax claim, even though they would not be were the bankruptcy law not applicable.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a

secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Glasply decision was effectively overruled in 1994 by the passage of federal legislation which provides that, with respect to bankruptcy petitions filed after October 22, 1994, subsequently levied ad valorem taxes are not stayed and the liens thereof will attach even if the property is part of a bankruptcy estate. The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels in bankruptcy could be reduced.

Payment of Special Tax Not a Personal Obligation of the Owners

The owners of taxed parcels are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only of the taxed parcels. If the value of a taxed parcel is not sufficient to fully secure the Special Tax, the County has no recourse against the owner of the taxed parcel under the laws by which the Special Tax has been levied and the Bonds have been issued.

No County Obligation to Pay Debt Service

The County has no obligation to pay debt service on the Bonds in the event Special Tax collections are insufficient or delinquent, nor is the County obligated to advance funds to pay such debt service. The resources of the Community Facilities District for the payment of debt service on the Special Tax Bonds are limited to available Net Taxes and funds pledged under the Indenture.

Owners of Bonds may not rely upon the Community Facilities District or the County to advance funds to pay debt service on the Bonds if proceeds of the Special Tax levied at the maximum rate, collection of delinquent Special Taxes, and tax sale and foreclosure and sale proceedings of delinquent parcels do not raise sufficient funds.

No Acceleration Provision

There is no provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

Disclosure to Future Landbuyers

The Community Facilities District has recorded a Notice of Special Tax Lien in the office of the County Recorder of Calaveras County. While title insurance and search companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of land or the lending of money thereon. Failure to disclose the existence of the Special Tax may affect the willingness and ability of future landowners within the Community Facilities District to pay the Special Tax when due.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Community Facilities District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to acceleration or special redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Proposition 218

On November 5, 1996, the voters of California approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the California Constitution imposing certain voting requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. In addition, Proposition 218 provides that "... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." (Section 3 of Article XIIC.)

The Special Taxes to be imposed pursuant to the Rate and Method were approved by more than a two-thirds majority vote of the qualified voters within the Community Facilities District, and, therefore, Proposition 218's requirement for a two-thirds majority vote for the imposition of special taxes has been satisfied.

However, there remains the question of whether or not, in the future, the voters may, through the initiative power, vote to reduce or repeal the Special Taxes and thus interfere with or make impossible payment of debt service on the Bonds.

The terms of the Bonds and the Indenture constitute a contract with the Bondowners. Under the California Constitution (Section 9 of Article 1), a law impairing the obligations of contracts may not be passed. Contractual rights are similarly protected by the United States Constitution.

In response to the potential argument that a Bondowner who purchases a bond after the passage of Proposition 218 presumably purchases with full knowledge of the power to reduce or repeal taxes by initiative and therefore waives the constitutional protections against impairments of contracts, the California legislature passed a bill enacted into law in 1997 which states as

follows: “Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

In addition, the initiative power generally has been held by the courts to extend only so far as the legislative body can act. Voters, through the initiative process, may enact or repeal legislation only within the same bounds as govern the reach of the legislative body, itself. If the legislative body cannot impair a contract, then presumably neither may the voters by initiative.

It is, therefore, highly unlikely that an initiative measure repealing or reducing the Special Tax to the extent of imperiling timely payment of debt service on the Bonds would be upheld by a court of final jurisdiction.

There is less certainty, however, with respect to the power, through the initiative process, to reduce Special Taxes to amounts which will not allow for payment of Administrative Expenses and/or which will not allow for the future issuance of Parity Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Community Facilities District has covenanted in the Indenture to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of the Law Offices of Cameron A. Weist, Bond Counsel (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. A complete copy of the proposed opinion of Bond Counsel is set forth in “APPENDIX F – FORM OF BOND COUNSEL OPINION.”

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on

the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine, or to inform any person, whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Such things as future legislation or clarification of the Code may cause interest on the Bonds to be subject to federal income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of the Bonds or the accrual or receipt of interest on

the Bonds may otherwise affect the owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. There is no action, suit or proceeding known by the Community Facilities District to be pending at the present time restraining or enjoining the delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Community Facilities District taken with respect to the execution thereof. A no litigation certificate executed by the Community Facilities District will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

LEGAL OPINION

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of the Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel. The unqualified opinion of the Law Offices of Cameron A. Weist approving the validity of the Bonds will accompany each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. In that capacity, Bond Counsel's review with respect to this Official Statement has been limited to a review insofar as this Official Statement purports to present an accurate summary of certain provisions of the Bonds and the Indenture, referred to herein, and the Mello-Roos Community Facilities Act of 1982, as amended, "APPENDIX B – SUMMARY OF THE INDENTURE" and Bond Counsel's approving legal opinion, for the purpose of ascertaining whether this Official Statement represents an accurate summary of such provisions, agreements, laws and opinion. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County, Community Facilities District or the Bond Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. The compensation of Bond Counsel is fully contingent upon issuance and sale of the Bonds.

CONTINUING DISCLOSURE

The Community Facilities District and the Developer have each independently covenanted for the benefit of the Owners of the Bonds to provide, or cause to be provided, certain financial information and operating data relating to the Community Facilities District, the Assessment District and the Developer, as the case be, by not later than the times set forth in the respective Continuing Disclosure Certificates summarized in "APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATES" herein (the "Disclosure Reports"). The

District and the Developer have each independently covenanted to provide notices of the occurrence of certain enumerated events, if material. Each Disclosure Report is to be filed with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Since the effective date of the continuing disclosure requirements under S.E.C. Rule 15c2-12(b)(5), there have been instances in which the Developer has failed to comply in all material respects with any previous undertakings with regard to said rule, although the Developer now states that a system has been implemented to insure compliance in the future. Neither the County nor the Community Facilities District has failed to comply in all material respects with any previous undertakings with regard to said rule.

VERIFICATION

Grant Thornton, LLP, Minneapolis, Minnesota, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the Community Facilities District relating to the sufficiency of the anticipated receipts from the funds and securities to pay, when due, the principal, interest and redemption premium requirements of the 2001 Bonds. The report of Grant Thornton LLP, will include the statement that the scope of their engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them, and have they no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

UNDERWRITING

The Bonds are being purchased by E.J. De La Rosa & Co. Inc. pursuant to a bond purchase contract (the "Bond Purchase Contract") at a purchase price of \$6,926,326.25 (representing the par amount of the Bonds less an original issue discount of \$86,491.25 and an Underwriter's discount of \$132,182.50). The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such Bond Purchase Contract. The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

NO RATING

The Community Facilities District has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

EXECUTION

Appropriate Community Facilities District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein not misleading. This Official Statement is not to be construed as a contract or agreement between the Community Facilities District and the purchasers or registered owners of any of the Bonds.

**COUNTY OF CALAVERAS
COMMUNITY FACILITIES DISTRICT NO. 2
(SADDLE CREEK)**

By: /s/ Lynette Norfolk
Treasurer -Tax Collector

APPENDIX A

GENERAL INFORMATION ON THE COUNTY AND THE SURROUNDING AREA

Disclaimer

The following information, unless otherwise cited, was directly transcribed from material provided by the County of Calaveras (the “County”), the Calaveras County Water District (the “Water District”) and the area Chamber of Commerce. The following information is intended to merely provide the reader with a better understanding of certain socioeconomic and demographic characteristics of the County, the Water District and surrounding area. The information set forth in this Appendix “A” has not been researched for accuracy or veracity, and therefore it must not be relied upon when making an investment decision. The Bonds are not a debt of the County, the Water District or the State of California (the “State”) or any of the State’s Political Subdivisions; and neither the County, the Water District, the State nor any of the State’s Political Subdivisions are liable therefore.

An Overview of the County

The County of Calaveras is one of the original 27 California counties. The County was created on February 18, 1850, with the county seat originally being Mokelumne Hill. The County seat was moved to San Andreas in 1866. The County spans 1,080 square miles (645,210 acres) and is located in the central portion of the Sierra Nevada foothills. The County's geography is extremely varied, ranging in elevation from near sea level in the western part of the County to over 8,000 feet in the east.

The County is home to a wide variety of distinct communities wherein approximately 47,000 (according to the 2005 estimate of the U.S. Census Bureau) people reside. The City of Angels Camp is the only incorporated community in the County. San Andreas has been the County seat since 1866. This is primarily a rural area where agriculture has long been the most important economical factor, but this is gradually changing to include tourism. The County is also dependent upon recreation, ranching, service employment (governmental, schools), and some mineral extraction and timber harvesting.

The meaning of the word Calaveras comes from the Spanish word for “skulls.” The County takes its name from the Calaveras River which was reportedly so designated by an explorer in 1808 when he found, on the banks of the Calaveras River, many skulls of Indians who had either died of famine or had been killed in tribal conflicts over hunting and fishing grounds. In 1854 a portion of Calaveras County was incorporated as Amador County.

The economy of Calaveras County is primarily generated from recreation and tourism, ranching, service employment (governmental, schools), agricultural production, some mineral extraction and processing, timber harvesting and retirement communities.

From the late 1950s through the 2000s tourists from throughout the world have come to the area to view the local underground caverns, giant sequoias and large waterfalls. Yosemite national park is located 50 miles east of the Saddle Creek area, and nearby Highway 108 travels over the Sierras through the famous Sonora Pass. Also, tourists come to the area for golf and winter sports.

Extensive ditch, flume and reservoir networks, and power systems created in the early years of the Gold Rush for mining operations were eventually taken over by agricultural and domestic consumers as the needs of the mining economy decline, and towns and farms developed. Agriculture was introduced by families who planted orchards and vegetable gardens, raised cattle, sheep, hogs and poultry. Agricultural production has been a historically stable industry in the County. Field crops, vineyards, orchards, livestock and poultry are the categories contributing most to total gross value of production. The largest agricultural industry in the County today is the wine industry, with hundreds of acres of grapes planted, and six wineries established.

The forested areas of Calaveras County represent another valuable segment of the area's economy. The timber industry has shown a fairly stable pattern of providing local employment and building materials. Timber is currently taken from private holdings in the higher regions of the County, with some logging done in the Stanislaus National Forest.

Government and education are presently the County's largest employers. The government sector accounted for approximately 29 percent of the employment in the County in 2000. The government sector is expected to increase almost 23 percent in the next 7 years, with that growth primarily concentrated in local government. The services sector is expected to be an important economic factor for Calaveras County due to its seven-year projected growth rate of 37%. Retail trade is projected to increase by over 19%.

Overview of the Water District

The Water District was formed on November 5, 1946 and has operated continuously since 1947 under the laws of the State as a county water district for the purpose of providing water and sewer service to the residents of Calaveras County. The Water District is a political subdivision of the State of California and is not a part of, or under the control of, Calaveras County; however, the Water District includes all of Calaveras County, which is located in the central Sierra Nevada foothills, in the northeastern part of California. The Water District boundaries encompass approximately 640,000 acres of land ranging from the San Joaquin Valley to the Sierra Nevada Mountains.

The Water District currently provides water service to approximately 10,800 municipal and residential/commercial customers in four improvement districts, and sanitary sewer services to approximately 3,200 customers in six improvement districts.

The Water District has broad general powers over the use of water within its boundaries, including the right of eminent domain, authority to acquire, control, distribute, store, spread,

sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water, to acquire or construct hydroelectric facilities and sell the power and energy produced to public agencies or public utilities engaged in the distribution of power, to contract with the United States, other political subdivisions, public utilities, or other persons, and, subject to Article XIII A of the California State Constitution, to levy taxes for improvements.

The Water District provides treated water for municipal and commercial use to residents and businesses within four different improvement districts which serve the communities of Copperopolis, West Point, Sheep Ranch, Ebbetts Pass, Jenny Lind, Copper Cove and Wilseyville. Water supplied by the Water District for each of the improvement districts is obtained from the surface waters of adjoining streams under permits from the State Water Resources Control Board. These water systems serve areas with connections varying from 50 to 5,000.

The Water District's provides sanitary sewer utilities for municipal and commercial use to residents and businesses within six sewer improvement districts in 12 communities and two homeowners associations located throughout Calaveras County. The sewer systems serve varying numbers of connections ranging from 4 to 1,004. The smaller systems were designed to serve limited and defined geographical areas and thus little future expansion is expected. The larger systems generally re intended to serve larger populations and are designed for expansion with planned system improvements.

Location

As depicted in the map below, the County is located within a short distance of some of California's major cities – 52 miles east of Stockton - 133 miles east of San Francisco – 135 miles southwest of Lake Tahoe – 75 miles southeast of Sacramento – 354 miles north of Los Angeles.



Population

Federal Census 2000 figures released through the California Department of Finance show Calaveras County with population of 42,005, an increase of approximately 26.7% since 1990, or almost twice that of the state average (13.6%). This is an average annual growth rate 2.23%. This makes Calaveras County the eighth fastest growing county in the state. The County's total population base, however, is very small, relatively, and ranks only 45th out of total of 58 counties in the state. This ranking has remained unchanged for last ten years.

The population trends for Calaveras County, as determined by U.S. Census Bureau and the State of California, department of Finance, are as follows:

HISTORICAL COUNTY POPULATION ESTIMATES (1995 – 2000)

<u>Area</u>	<u>01/01/1995</u>	<u>01/01/1996</u>	<u>01/01/1997</u>	<u>01/01/1998</u>	<u>01/01/1999</u>	<u>01/01/2000</u>
Angels Camp	2,830	2,84	2,860	2,960	2,980	3,070
Unincorporated	33,800	34,100	34,250	35,150	35,150	38,935
Incorporated	2,830	2,840	2,860	2,960	2,980	3,070
County Total	36,630	36,940	37,110	38,110	38,130	42,005

Source: California Department of Finance

As shown on the chart, over the last several years Calaveras County has shown a steady increase in population. The average annual increase (from April 1990 to April 2000) is approximately 2.7%. The County is projected (by the California department of Finance) to grow at similar rates during the next years.

The following chart outlines projected population figures for the County, through the year 2010.

CALAVERAS COUNTY POPULATION PROJECTIONS (2000 to 2010)

<u>Year</u>	<u>Total Population</u>	<u>Percent Change</u>
2000	42,041	--
2001	43,392	3.2%
2002	44,709	3.0%
2003	46,031	3.0%
2004	47,295	2.7%
2005	48,540	2.6%
2006	49,609	2.2%
2007	50,703	2.2%
2008	51,817	2.2%
2009	52,916	2.1%
2010	53,989	2.0%

Source: State of California, Department of Finance

Housing

Calaveras County has an estimated 22,946 housing units (as of Census 2000); increases have averaged 2.0% over last 10 years. The majority of housing consist of single family detached (19,398) and attached homes (464), followed by mobile homes and multi-family units. The chart below outlines the mix of housing units for Calaveras County, as determined by U.S. Census Bureau and the State of California, Department of Finance:

CALAVERAS COUNTY SELECTED HOUSING CHARACTERISTICS (2000 Census Summary)

	<u>Number</u>	<u>Percent</u>
TOTAL HOUSING UNITS	22,946	100.0
Units in Structure		
1-unit, detached	19,398	84.5
1-unit, attached	464	2.0
2 units	281	1.2
3 or 4 units	213	0.9
5 to 9 units	186	0.8
10 to 19 units	33	0.1
20 or more units	135	0.6
Mobile home	2,055	9.0
Boat, RV, van, etc.	181	0.8
Year Structure Built		
1999 to March 2000	507	2.2
1995 to 1998	1,592	6.9
1990 to 1994	3,394	14.8
1980 to 1989	6,834	29.8
1970 to 1979	4,727	20.6
1960 to 1969	2,683	11.7
1940 to 1959	2,007	8.7
1939 or earlier	1,202	5.2
VALUE		
Less than \$50,000	169	1.8
\$50,000 to \$99,999	1,175	12.3
\$100,000 to \$149,999	3,035	31.7
\$150,000 to \$199,999	2,464	25.7
\$200,000 to \$299,999	1,937	20.2
\$300,000 to \$499,999	616	6.4
\$500,000 to \$999,999	168	1.8
\$1,000,000 or more	23	0.2
Median (dollars)	156,900	(n/a)

Source: U.S. Census Bureau, Census 2000 Summary File

Building Permits

The following table provides construction statistics of the County on new privately-owned residential housing units authorized by Building Permits. Data items include number of buildings and units for monthly new privately-owned residential Building Permits.

CALAVERAS COUNTY BUILDING PERMIT STATISTICS

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Units	425	546	520	691	830	862
Units in Single-Family Structures	425	542	520	681	824	851
Units in All Multi-Family Structures	0	4	0	10	6	11
Units in 2-unit Multi-Family Structures	0	4	0	0	6	8
Units in 3- and 4-unit Multi-Family Structures	0	0	0	4	0	3
Units in 5+ Unit Multi-Family Structures	0	0	0	6	0	0

Source: U.S. Census Bureau

Major Employers

There are over 50 major businesses situated within the County. The primary business types are service employment, such as governmental and educational, construction, mining and timber harvesting. The County is also dependent upon its recreation for area income, most of which are seasonal. The following table lists the top ten County employers and their total employees as compiled by the area Chamber of Commerce:

COUNTY OF CALAVERAS TOP TEN MAJOR EMPLOYERS

<u>Employer Name</u>	<u>Type of Business</u>	<u>Employment</u>
County Office of Education	Education Administration	946
Calaveras County Government	County Administrative Services	380
Mark Twain St. Joseph's Hospital	Health Care	248
OARS Raft Trips (seasonal)	Recreational	35 – 500
Calif. Department of Forestry	Agriculture	138 – 258
39 th District Ag Association	Agriculture	4 – 150
Human Resources Council	Employment Administration	150
Greenhorn Creek Golf Resort	Recreation	75 – 80
U.S. Forest Service (seasonal)	Forestry	49 – 99
Kautz Ironstone Vinyards	Agriculture	80

Source: The area Chamber of Commerce

Economic Characteristics

Over the last ten years, labor market conditions have been steadily improving for Calaveras County. The County has recorded growth in the civilian labor force and non-farm wage and salary employment has experienced declining employment rates. The most recent per capita income levels reported by the U.S. Department of Commerce, Bureau of Economic Analysis ranks Calaveras County 44th in income for the State. An outline of selected economic characteristics, as compiled by the U.S. Census Bureau, for Calaveras County is shown below.

CALAVERAS COUNTY SELECTED ECONOMIC CHARACTERISTICS

	<u>Number</u>	<u>Percent</u>
EMPLOYMENT STATUS		
Population 16 years and over	32,543	100.0
In labor force	17,565	54.0
Civilian labor force	17,555	53.9
Employed	16,202	49.8
Unemployed	1,353	4.2
Percent of civilian labor force	7.7	(X)
Armed Forces	10	0.0
Not in labor force	14,978	46.0
Females 16 years and over	16,542	100.0
In labor force	8,023	48.5
Civilian labor force	8,023	48.5
Employed	7,448	45.0
Own children under 6 years	1,948	100.0
All parents in family in labor force	1,077	55.3
INCOME IN 1999		
Households	16,449	100.0
Less than \$10,000	1,593	9.7
\$10,000 to \$14,999	992	6.0
\$15,000 to \$24,999	2,232	13.6
\$25,000 to \$34,999	2,062	12.5
\$35,000 to \$49,999	3,069	18.7
\$50,000 to \$74,999	3,135	19.1
\$75,000 to \$99,999	1,697	10.3
\$100,000 to \$149,999	1,106	6.7
\$150,000 to \$199,999	273	1.7
\$200,000 or more	290	1.8
Median household income (dollars)	41,022	(X)
Per capita income (dollars)	21,420	(X)
Median earnings (dollars):		
Male full-time, year-round workers	41,827	(X)
Female full-time, year-round workers	28,108	(X)

Source: U.S. Department of Commerce; Bureau of Economic Analysis
(x) Not Applicable.

Industry and Occupation

The following table demonstrates the number of County workers within selected occupation and industry classifications, as compiled by the U.S. Census Bureau.

CALAVERAS COUNTY SELECTED OCCUPATIONAL CHARACTERISTICS

	<u>Number</u>	<u>Percent</u>
OCCUPATION		
Management, professional, and related occupations	5,035	31.1
Service occupations	2,949	18.2
Sales and office occupations	3,879	23.9
Farming, fishing, and forestry occupations	116	0.7
Construction, extraction, and maintenance occupations	2,356	14.5
Production, transportation, and material moving occupations	1,867	11.5
INDUSTRY		
Agriculture, forestry, fishing and hunting, and mining	439	2.7
Construction	1,868	11.5
Manufacturing	1,097	6.8
Wholesale trade	379	2.3
Retail trade	2,118	13.1
Transportation and warehousing, and utilities	1,154	7.1
Information	302	1.9
Finance, insurance, real estate, and rental and leasing	800	4.9
Professional, scientific, management and administrative services	1,290	8.0
Educational, health and social services	3,028	18.7
Arts, entertainment, recreation, accommodation and food services	1,548	9.6
Other services (except public administration)	970	6.0
Public administration	1,209	7.5
CLASS OF WORKER		
Private wage and salary workers	10,183	62.9
Government workers	3,285	20.3
Self-employed workers in own not incorporated business	2,645	16.3
Unpaid family workers	89	0.5

Source: U.S. Census Bureau
(x) Not Applicable

Education

The County has a rich heritage of education that dates back nearly 150 years. During the Gold Rush, small private schools fulfilled the educational needs of the families, and were often held in the homes of the women teachers. After state legislature set up the framework for a public school system, Calaveras County soon had six schools in operation.

Today, there are four school districts within the County, which include two high schools, two middle schools and ten elementary schools. These schools within the area are among the finest in the state and continue to aim for excellence in educating their nearly 7,000 children. The County Office of Education provides a wide range of services that focus on curriculum development, instructional development, and staff development. Nearby community colleges include Columbia College in Sonora, Modesto junior College in Modesto, and San Joaquin Delta College in Stockton.

An outline of selected educational characteristics, as compiled by the U.S. Census Bureau, for Calaveras County is shown below.

**CALAVERAS COUNTY
SELECTED EDUCATIONAL CHARACTERISTICS**

	<u>Number</u>	<u>Percent</u>
SCHOOL ENROLLMENT		
Population 3 years and over enrolled in school	9,406	100.0
Nursery school, preschool	383	4.1
Kindergarten	344	3.7
Elementary school (grades 1-8)	4,697	49.9
High school (grades 9-12)	2,556	27.2
College or graduate school	1,426	15.2
EDUCATIONAL ATTAINMENT		
Population 25 years and over	29,201	100.0
Less than 9th grade	849	2.9
9th to 12th grade, no diploma	3,327	11.4
High school graduate (includes equivalency)	8,346	28.6
Some college, no degree	9,027	30.9
Associate degree	2,656	9.1
Bachelor's degree	3,353	11.5
Graduate or professional degree	1,643	5.6
Percent high school graduate or higher	85.7	(X)
Percent bachelor's degree or higher	17.1	(X)

Source: U.S. Census Bureau
(x) Not Applicable

Land Use Plans

The original Calaveras County General Plan was adopted in 1967. The latest version of the Plan reflects text amendments approved by the Board of Supervisors through December 9, 1996. The General Plan attempts to preserve individual property rights, while attempting to balance other competing interests. In areas where the County's most valuable resources exist, the Plan established more restrictive land use policies.

Calaveras County has developed area plans for many of the major towns in the County. The majority of the County's population, small lots, industrial, commercial and multiple family residential development, is found within these areas. Area plans afford communities the ability to address local issues with great detail. Area plans adopted by the County are incorporated into the General Plan.

Calaveras County has adopted a county-wide land use code with zoning classifications for residential, agricultural, commercial, industrial, recreational, conservation and open space uses.

County Agencies

The County supplies their resident's with three public utility district's, two power authorities, a sanitation district, water district and a library.

Health Care Providers

Mark Twain St. Joseph's Hospital (the "Hospital") provides the foundation of health services for Calaveras County. With it's five locations throughout the County, the Hospital's medical staff specialties include, but are not limited to, Family Practice, Internal Medicine, Pediatrics, Neurology, Cardiology, and Behavioral Health. The Hospital provides services such as 24-hour emergency, inpatient and outpatient surgery, an intensive care unit, medical and surgical units, ultrasound and cardiac and pulmonary rehabilitation.

Primary Market Areas

Bounded by the bustle of the San Joaquin and Stanislaus counties, which borders on the west, Calaveras County is home to roughly 42,000 people. Many County residents work in the nearby San Joaquin Valley and come home to relax amidst the trees. The Valley provides the area with a variety of retail stores and shopping malls, and it is an easy 60-minute trip from Angels Camp. San Francisco and Oakland are a mere 90 minutes from the County,

Climate

Climate in the County varies with its topography. Lower elevated areas during the winter season bring lower temperatures; 30 to 40 degrees, in the higher elevated area temperatures range 20 to 30 degrees. Precipitation also varies anywhere from 20 to 60 inches per year; much of it is in the form of snow in the upper regions. During the summer season, average yearly highs for the lower region can reach into the 90's while the higher region reaches into the 70's and 80's. Source: www.weatherbase.com

Tourism

In the spring, summer, and fall, visitors enjoy bicycling and hiking trails that criss-cross through the giant Sequoias at Calaveras Big Trees State Park and the Stanislaus National forest. Whitewater rafting tours of the famous Stanislaus River beckon the adventuresome, while fishing, water skiing, houseboat weekends, camping and horseback riding keep the entire family

busy. Other attractions of winter include first class downhill skiing at Bear Valley ski area. Tourists can also discover unique, year round adventures including historic picturesque gold rush towns, award winning foothill vineyards and tasting rooms, micro-breweries and pubs, eclectic art galleries, antique shops and gold rush museums. Visitors can learn the art of gold panning, or caving in the variety of natural limestone and crystalline-filled caverns open to the public. Enjoy a round of golf on professional courses laid out along canyon ridges in pines or among 200-year-old oaks in rolling terrain.

Geographic Quick Facts

People Quick Facts	County	California
Population, 2005 estimate	46,871	36,132,147
Population, percent change, April 1, 2000 to July 1, 2005	15.6%	6.7%
Population, 2000	40,554	33,871,648
Population, percent change, 1990 to 2000	26.7%	13.6%
Persons under 5 years old, percent, 2004	4.0%	7.3%
Persons under 18 years old, percent, 2004	20.0%	26.7%
Persons 65 years old and over, percent, 2004	17.7%	10.7%
Female persons, percent, 2004	50.4%	50.1%
White persons, percent, 2004 (a)	93.8%	77.2%
Black persons, percent, 2004 (a)	1.0%	6.8%
American Indian and Alaska Native persons, percent,	1.6%	1.2%
Asian persons, percent, 2004 (a)	1.2%	12.1%
Native Hawaiian and Other Pacific Islander, percent,	0.0%	0.4%
Persons reporting two or more races, percent, 2004	2.3%	2.4%
Persons of Hispanic or Latino origin, percent, 2004 (b)	8.3%	34.7%
White persons, not Hispanic, percent, 2004	86.1%	44.5%
Living in same house in 1995 and 2000, pct age 5+, 2000	55.0%	50.2%
Foreign born persons, percent, 2000	3.0%	26.2%
Language other than English spoken at home, pct age 5+,	6.2%	39.5%
High school graduates, percent of persons age 25+, 2000	85.7%	76.8%
Bachelor's degree or higher, pct of persons age 25+, 2000	17.1%	26.6%
Persons with a disability, age 5+, 2000	8,199	5,923,361
Mean travel time to work (minutes), workers age 16+,	34.5	27.7
Housing units, 2004	25,071	12,804,702
Homeownership rate, 2000	78.7%	56.9%
Housing units in multi-unit structures, percent, 2000	3.7%	31.4%
Median value of owner-occupied housing units, 2000	\$156,900	\$211,500
Households, 2000	16,469	11,502,870
Persons per household, 2000	2.44	2.87
Per capita money income, 1999	\$21,420	\$22,711
Median household income, 2003	\$43,415	\$48,440
Persons below poverty, percent, 2003	9.7%	13.8%

Source: U.S. Census Bureau

(a) Includes persons reporting only one race.

(b) Hispanics may be of any race, so also are included in applicable race categories.

Business QuickFacts	County	California
Private nonfarm establishments, 2003	999	827,472 ¹
Private nonfarm employment, 2003	6,192	12,991,795 ¹
Private nonfarm employment, percent change 2000-2003	7.6%	0.8% ¹
Nonemployer establishments, 2003	3,424	2,381,043
Manufacturers shipments, 2002 (\$1000)	NA	378,661,414
Retail sales, 2002 (\$1000)	208,310	359,120,365
Retail sales per capita, 2002	\$4,828	\$10,264
Minority-owned firms, percent of total, 1997	F	28.8%
Women-owned firms, percent of total, 1997	21.3%	27.3%
Housing units authorized by building permits, 2004	830	207,390
Federal spending, 2004 (\$1000)	244,957	232,387,168 ¹

Source: U.S. Census Bureau

1: Includes data not distributed by County.

APPENDIX B

SUMMARY OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete Indenture for the definitive terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary of the Indenture:

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 et seq. of the California Government Code.

“Acquisition and Construction Fund” means the fund by such name created and established pursuant to Section 3.1 of the Indenture.

“Acquisition and Disclosure Agreement” means the Acquisition and Disclosure Agreement, dated as of July 1, 2001, by and between the County, on behalf of itself and the District, and the Developer, as the same may be amended from time to time pursuant to the provisions thereof and consistent with the provisions of the Indenture.

“Administrative Expenses” means the administrative costs incurred by the County on behalf of the District with respect to the calculation, levy, and collection of the Special Taxes, including all attorneys' fees and other costs related thereto, the fees and expenses of the Trustee, any fees for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District's compliance with State and federal laws requiring continuing disclosure of information concerning the Bonds and the District and arbitrage rebate, and any other costs otherwise incurred by the County on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder.

“Administrative Expense Account” means the account by such name in the Special Tax Fund created and established pursuant to Section 3.1 of the Indenture.

“Administrative Expense Cap” means the amount of \$25,000, with such amount escalating by 2% per Bond Year beginning September 2, 2002, provided that the District may, in its sole discretion, fund Administrative Expenses, without limitation, from any other funds available to the District, including the Surplus Fund.

“Alternative Penalty Account” means the account by such name created and established in the Rebate Fund pursuant to Section 3.1 of the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America (“Direct Obligations”);

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) U.S. Export-Import Bank (“Eximbank”) - direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Farmers Home Administration (“FmHA”) - certificates of beneficial ownership,

(iii) Federal Financing Bank,

(iv) Federal Housing Administration Debentures (“FHA”),

(v) General Services Administration - participation certificates,

(vi) Government National Mortgage Association (“GNMA” or “Ginnie Mae”) - GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations,

(vii) U.S. Maritime Administration - guaranteed Title XI financing, and

(viii) U.S. Department of Housing and Urban Development (“HUD”) - project notes, local authority bonds, new communities debentures (U.S. government guaranteed debentures), and U.S. Public Housing Notes and Bonds (U.S. government guaranteed public housing notes and bonds);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - senior debt obligations,

- (ii) Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) - participation certificates and senior debt obligations,
 - (iii) Federal National Mortgage Association (“FNMA” or “Fannie Mae”) - mortgage-backed securities and senior debt obligations,
 - (iv) Student Loan Marketing Association (“SLMA” or “Sallie Mae”) - senior debt obligations,
 - (v) Resolution Funding Corp. (“REFCORP”) obligations, and
 - (vi) Farm Credit System Corp. - Consolidated system-wide bonds and notes;
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G, AAAm or AAm, and, if rated by Moody's, rated Aaa, Aa1 or Aa2 (including those of the Trustee and its affiliates or funds for which the Trustee or affiliates provide investment advisory or other management services);
- (e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Bondholders must have a perfected first security interest in the collateral;
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or which are with a bank rated AA or better by Standard & Poor's and Aa or better by Moody's (including those of the Trustee and its affiliates);
- (g) Investment Agreements with any corporation, including banking or financial institutions, provided that:
- (i) the long-term debt of the provider of any such investment agreement, or in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability, is rated, at the time of investment, in one of the two highest rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category), and
 - (ii) any such investment agreement will include a provisions that in the event that the long-term debt rating or claims paying ability rating of the provider or the guarantor is downgraded below AA- by Standard & Poor's or Aa3 by Moody's during the term of the agreement the provider must either (A) deliver to the Trustee or a third party custodian collateral in the form of Unites States Treasury or agency obligations which at least equal 102% of the principal amount invested thereunder or (B) assign the existing agreement and all of its obligations thereunder to a financial institution mutually

acceptable to the provider, the District and the Trustee which is rated in one of the two highest rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category), and

(iii) any such investment agreement will include a provision that in the event that the long-term debt rating or claims paying ability rating of the provider, or the guarantor, is downgraded below A- by Standard & Poor's or A3 by Moody's during the term of the agreement the provider must repay the principal of and accrued by it unpaid interest on the invested moneys, and

(iv) any such agreement will include a provision to the effect that in the event of default under such Investment Agreement by such provider or in the event of a bankruptcy of such provider, the District has the right to withdraw or cause the Trustee to withdraw all funds invested in such agreement and thereafter to invest such funds pursuant to the Indenture, and

(v) any such investment agreement permits withdrawal upon not more than three (3) days notice (excepting only withdrawals from the Acquisition and Construction Fund, from which withdrawals may be permitted upon not more than seven (7) days notice) for any purpose authorized for the use of the invested funds under the Indenture;

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-I" or better by Standard & Poor's;

(i) Bonds or notes issued by any state or municipality which are rated by both Rating Agencies in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured or unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A -1" or "A" or better by Standard & Poor's;

(k) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's, and "A-I" or "A-" by Standard & Poor's; provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction, and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million, or (iii) a bank approved in writing for such purpose by the District, and the Trustee will

have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee, and

(iv) the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; and

(l) Any other investment which the District is permitted by law to make.

To the extent that any of the requirements concerning Authorized Investments embodies a legal conclusion, the Trustee will be entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party, that such requirement has been met.

“Authorized Representative of the District” or *“Authorized Officer”* means generally, the County Counsel, County Administrative Officer, Treasurer-Tax Collector, Auditor-Controller, Chair and Clerk and any other person or persons designated by the Board of Supervisors of the County and authorized to act on behalf of the District by a written certificate signed on behalf of the County by the Chairman of the Board of Supervisors and containing the specimen signature of each such person.

“Bond Counsel” means the Law Offices of Cameron A. Weist, or another attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds will be recorded.

“Bondowner” or *“Owner”* means the person or persons in whose name or names any Bond or Parity Bond is registered.

“Bonds” means the District's \$_____ Series 2006 Special Tax Refunding Bonds issued pursuant to the Indenture.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first September 1

which is not more than 12 months after the Delivery Date, provided that for purposes of Section 3.8 of the Indenture, “Bond Year” will have the meaning ascribed thereto in the Tax Certificate.

“*Business Day*” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, San Francisco, California, or the City where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“*Certificate of the Authorized Officer*” means a written certificate or warrant request executed by such Authorized Officer, or his or her written designee, on behalf of the District.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“*Costs of Issuance*” means the costs and expenses incurred in connection with the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds or any Parity Bonds, fees of financial consultants, District formation and related administration costs and all other related fees and expenses, as set forth in a Certificate of an Authorized Officer.

“*Costs of Issuance Account*” means the Account by that name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 of the Indenture.

“*County*” means the County of Calaveras, California.

“*County Administrative Officer*” means the County Administrative Officer of the County.

“*Delivery Date*” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“*District*” means County of Calaveras Community Facilities District No.2 (Saddle Creek) established pursuant to the Act and the Resolution of Formation.

“*DTC*” means The Depository Trust Company, New York, New York, and its successors and assigns.

“*DTC Participants*” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“*Federal Securities*” means any of the following:

- (a) Cash,
- (b) United States Treasury Certificates, Notes and Bonds (including State and Local

Government Series - "SLGS"),

(c) Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself, e.g. , CATS, TIGRS and similar securities,

(d) The interest component of Resolution Funding Corp. strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form,

(e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's,

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

(i) U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Farmers Home Administration - certificates of beneficial ownership,

(iii) Federal Financing Bank,

(iv) General Services Administration - participation certificates,

(v) U.S. Maritime Administration - guaranteed Title XI financing, and

(vi) U.S. Department of Housing and Urban Development (HUD) - project notes, local authority bonds, new communities debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Gross Taxes" means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

(a) is in fact independent and not under the domination of the District or the County;

(b) does not have any substantial interest, direct or indirect, in the District or the County; and

(c) is not connected with the District or the County as a member, officer or employee of the District or the County, but who may be regularly retained to make annual or other reports to the District or the County.

“Indenture” means the Trust Indenture dated as of August 1, 2006 by and between the District and the Trustee, together with any Supplemental Indenture entered into pursuant to Article VI.

“Interest Account” means the account by such name created and established in the Special Tax Fund pursuant to Section 3 .1 of the Indenture.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2007; provided, however, that, if any such day is not a Business Day, interest up to, but not including, the Interest Payment Date will be paid on the Business Day next following such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (g) of the definition of Authorized Investments in the Indenture.

“Maximum Annual Debt Service” means the maximum amount of the Annual Debt Service for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds.

“Moody's” means Moody's Investors Service, its successors and assigns.

“National Repositories” means any Nationally Recognized Municipal Securities Information Repository for purpose of the Rule.

“Net Taxes” means Gross Taxes (exclusive of any penalties and interest accruing with respect to delinquent Special Tax installments) minus amounts set aside to pay Administrative Expenses and minus the portion of any Prepayment that not required to be deposited in the Special Tax Fund pursuant to Section 3.2 of the Indenture.

“Outstanding” or *“Outstanding Bonds and Parity Bonds”* means all Bonds and Parity Bonds theretofore issued by the District, except:

(a) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1 of the Indenture;

(b) Bonds and Parity Bonds for payment or redemption of which monies will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(c) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to Section 2.9 of the Indenture or for which a replacement has been issued pursuant to Section 2.10 of the Indenture.

“Overlapping Debt” means with respect to any property within the District, the sum of (a) the aggregate amount of all unpaid assessments which are a lien on such property and which are pledged to secure the repayment of bonds, plus (b) a portion of the principal amount of any outstanding bonds of other community facilities districts which are payable at least partially from special taxes to be levied on such property (the “Other CFD Bonds”) determined by multiplying the aggregate principal amount of the Other CFD Bonds by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on such property and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes, based upon information which is available for the then current Fiscal Year.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayment” means money received by the County or the District as a complete or partial prepayment of Special Taxes permitted pursuant to the RMA.

“Prepayment Account” means the Account by such name created and established in the Special Tax Fund pursuant to Section 3.1 of the Indenture.

“Primary Property” means Residential Property, Non-Residential Property and Golf Course Property, each as defined in the RMA.

“Principal Account” means the Account by such name created and established in the Special Tax Fund pursuant to Section 3.1 of the Indenture.

“Principal Office of the Trustee” means the office of the Trustee located in San Francisco, California (provided that for purposes of redemption, payment, surrender, cancellation, exchange or transfer of Bonds such term will mean the office of the Trustee located in Los Angeles, California) or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Project” means the public facilities described in the Resolution of Formation, including all engineering, planning and design services and other incidental expenses related to such

facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Project Account” means the Account by such name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 of the Indenture.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve accounts, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rating Agency” means either Moody's or Standard & Poor's, or both, as the context requires.

“Rebate Account” means the Account by such name created and established in the Rebate Fund pursuant to Section 3.1 of the Indenture.

“Rebate Fund” means the fund by such name created and established pursuant to Section 3.1 of the Indenture.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by such name created and established in the Special Tax Fund pursuant to Section 3.1 of the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the representation letter or letters from the District to DTC.

“Reserve Account” means the account by such name created and established in the Special Tax Fund pursuant to Section 3.1 of the Indenture.

“Reserve Requirement” means, as of any date of calculation by the District, an amount equal to the lowest of (i) 10% of the original proceeds of the Bonds and each issue of Parity Bonds, less original issue discount, if any, plus original issue premium, if any, or (ii) Maximum Annual Debt Service, or (iii) 125% of the average Annual Debt Service.

“*Resolution of Formation*” means the resolution adopted by the Board of Supervisors of the County on June 4, 2001, pursuant to which the County formed the District.

“*RMA*” means the Rate and Method of Apportionment of Special Taxes approved by the qualified electors of the District at an election conducted on June 18, 2001, a copy of which is attached hereto as Exhibit C.

“*Secondary Property*” means all Taxable Property (as defined in the RMA) that is not Primary Property.

“*Sinking Fund Payment*” means the annual payment in those years indicated in Section 4.1(b) of the Indenture to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth herein to retire the Term Bonds or in a Supplemental Indenture to retire any Parity Bonds which are designated as Term Bonds.

“*Six-Month Period*” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

“*Special Tax Administrator*” means the County Treasurer of the County or such other person or firm as may be designated by the Board of Supervisors to administer the calculation and collection of the Special Taxes, or any successor entity acting in such capacity.

“*Special Taxes*” means the taxes authorized to be levied by the District in accordance with the RMA, as the RMA may be amended from time to time (if and to the extent such amendment is consistent with the covenant set forth in Section 5.2(g) of the Indenture).

“*Special Tax Fund*” means the fund by such name created and established pursuant to Section 3.1 of the Indenture.

“*Standard & Poor's*” means Standard & Poor's Ratings Services, a division of McGraw-Hill, its successors and assigns.

“*Supplemental Indenture*” means any supplemental indenture entered into in accordance with the provisions hereof amending or supplementing the Indenture.

“*Surplus Fund*” means the Fund by such name created and established pursuant to Section 3.1 of the Indenture.

“*Tax Certificate*” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“*Term Bonds*” means the Bonds maturing September 1, 2026, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Trustee” means Union Bank of California, N.A., a banking association organized and existing under the laws of the United States, at its principal corporate trust office in San Francisco, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 of the Indenture and any successor thereto.

“Underwriter” means the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of the Bonds or an issue of Parity Bonds.

“Value of Primary Property” means (i) the fair market value, as of the date of value used in the appraisal provided for below, of the parcels of Primary Property which are subject to the levy of the Special Taxes and which are not delinquent in the payment of any Special Taxes, including the value of the then existing improvements thereon, as estimated by an appraiser selected and employed by the County who has an MAI designation from the Appraisal Institute in an appraisal that utilizes a date of value not more than ninety (90) days preceding the date of such determination and that is based upon a methodology of valuation consistent with the Appraisal, provided that a mass appraisal methodology may be applied when valuing Primary Property; or (ii) in the alternative, the full cash value of any or all of such non-delinquent parcels and the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County.

“Value of District Property” means (i) the fair market value, as of the date of value used in the appraisal provided for below, of the parcels of property in the District which are subject to the levy of the Special Taxes and which are not delinquent in the payment of any Special Taxes, including the value of the then existing improvements thereon, as estimated by an appraiser selected and employed by the County who has an MAI designation from the Appraisal Institute in an appraisal that utilizes a date of value not more than ninety (90) days preceding the date of such determination and that is based upon a methodology of valuation and (with respect to Secondary Property and Near Term Property) market absorption consistent with the Appraisal and that includes such value as the appraiser deems appropriate for the portions of the Project for which proceeds of Bonds or Parity Bonds will be made available, provided that a mass appraisal methodology may be applied when valuing Primary Property; or (ii) in the alternative, the full cash value of any or all of such non-delinquent parcels and the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County.

“Value of Secondary Property” means (i) the fair market value as of the date of value utilized in the appraisal provided for below, of the parcels of Secondary Property which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes, including the value of the then existing improvements thereon, as estimated by an appraiser selected and employed by the County who has an MAI designation from the Appraisal Institute in an appraisal that utilizes a date of value not more than ninety (90) days preceding the date of such determination and that is based upon a methodology of valuation and market absorption consistent with the Appraisal and that includes such value as the appraiser deems appropriate for the portions of the Project for which proceeds of Bonds or Parity Bonds will be made available, or (ii) in the alternative, the full cash value of any or all of such non-delinquent parcels and the

improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes

Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of (including Sinking Fund Payments) the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are hereby set aside for the payment of the Bonds and any Parity Bonds. The Net Special Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) are hereby pledged to the payment of the principal of, premium, if any, and interest on the Bonds. Such pledge will constitute a first lien on such assets.

Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Special Taxes deposited in the Administrative Expense Account of the Special Tax Fund, the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Administrative Expense Account of the Special Tax Fund nor the Acquisition and Construction Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture will preclude: (a) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which will be payable from Net Taxes.

Place and Form of Payment

The Bonds and Parity Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof will be payable by check of the Trustee upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the

date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest will be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond will be payable from its dated date. Interest on any Bond or Parity Bond will be paid to the person whose name will appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Bond Register

The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in Section 2.9 of the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as herein provided.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes, and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It will be the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer

Subject to the limitations set forth in the Indenture, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds of other authorized denominations of the same maturity and issue. The Trustee will not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds or Parity Bonds will be surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed, or (ii) any Bonds or Parity Bonds chosen for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds

If any Bond or Parity Bond will become mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to Section 10.1 of the Indenture. If any Bond or Parity Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the District and the Trustee will be given, the District will execute and the Trustee will authenticate and deliver, a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits hereof with all other Bonds and Parity Bonds issued hereunder. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding hereunder, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds

The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State will be conclusive evidence of their validity and of the regularity of their issuance.

Deposits to and Disbursements from Special Tax Fund

The Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund in accordance with the terms of the Indenture to be held by the Trustee, provided that any Prepayment will be deposited in the funds and accounts (and in the respective amounts) specified in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of the Prepayment to the Trustee. The Trustee will transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

- (a) The Administrative Expense Account,
- (b) The Interest Account,
- (c) The Principal Account,
- (d) The Redemption Account,
- (e) The Reserve Account,
- (f) The Rebate Fund, and
- (g) The Surplus Fund.

At the maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund

In addition to bond proceeds deposited in accordance with the Indenture, the Trustee will, commencing in Fiscal Year 2006-2007, not less often than annually transfer from the Special Tax Fund and deposit in the Administrative Expense Account from time to time amounts necessary to make timely payment of Administrative Expenses upon the written direction of the District; provided, however, that the total amount of the deposits into the Administrative Expense Account in any Bond Year will not exceed the Administrative Expense Cap until such time as (i) there has been deposited in the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and (ii) there has been deposited in the Reserve Account the amount, if any, required in order to cause the amount on deposit therein to equal the Reserve Requirement. In addition to the foregoing, the Trustee will also deposit in the Administrative Expense Account the portion of any Prepayment directed to be deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with such Prepayment.

Interest Account and Principal Account of the Special Tax Fund

The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, will be paid by the Trustee from the Principal Account and the Interest Account, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, the Trustee will make

the transfers described below from the Special Tax Fund on each Interest Payment Date first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds or any Parity Bonds, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers then any deficiency will be made up by an immediate transfer from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account will be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due after the application for such purpose of moneys on deposit in the Capitalized Interest Subaccount of the Interest Account. On any date on which Bonds or Parity Bonds are to be redeemed from moneys on deposit in the Prepayment Account, the Trustee will withdraw from the Capitalized Interest Subaccount and transfer to the Prepayment Account the amount, if any, directed to be so transferred in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of the Prepayment giving rise to such redemption.

(b) To the Principal Account, an amount such that the balance in the Principal Account on September 1 of each year, commencing September 1, 2007 will equal the sum of (i) the principal payment due on the Bonds and any Parity Bonds maturing on such September 1, (ii) the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1, and (iii) any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity or pursuant to the Sinking Fund Payment schedules set forth in Section 4.1 (b) of the Indenture and in any Supplemental Indenture.

In addition to the transfers to the Interest Account and Principal Account described in the Indenture, the Trustee will also transfer thereto such portions of a Prepayment as may be directed to be so transferred in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the Prepayment.

Redemption Account of the Special Tax Fund

(a) After making the deposits to the Interest Account and the Principal Account of the Special Tax Fund, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) of the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be so deposited in the Redemption Account and applied to optionally redeem Bonds and Parity Bonds only if immediately following such transfer and redemption the amount in the Reserve Account will

equal the Reserve Requirement. The Trustee will also transfer from the Acquisition and Construction Fund and deposit in the Redemption Account moneys in the amounts and at the times provided in Section 3.10.

(b) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of the principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account as set forth above may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.I(a) of the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Prepayment Account of the Special Tax Fund

(a) The Trustee will deposit in the Prepayment Account the portion of each Prepayment directed to be so deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of such Prepayment. On each date on which Bonds or Parity Bonds are to be redeemed from moneys on deposit in the Prepayment Account pursuant to subsection (b) of the Indenture, the Trustee will withdraw from the Capitalized Interest Subaccount of the Interest Account and from the Reserve Account and deposit in the Prepayment Account the respective amounts, if any, directed to be so withdrawn and deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the Prepayment giving rise to such redemption.

(b) Moneys set aside in the Prepayment Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of the principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Prepayment Account as set forth above may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1 (c) of the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in

the Interest Account or the Capitalized Interest Subaccount for the payment of interest on such Bonds on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund

There will be maintained in the Reserve Account an amount equal to the Reserve Requirement. Notwithstanding any provision in the Indenture to the contrary, the amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of (i) paying the principal of, including Sinking Fund Payments, and interest on any Bonds and Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account are insufficient therefor, (ii) making any required transfer to the Rebate Fund pursuant to Section 3.8 of the Indenture upon written direction from the District, and (iii) making any transfer to the Prepayment Account required pursuant to the provisions of Section 3.6 of the Indenture. If the amounts in the Interest Account or the Principal Account are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.4, 3.6 and 3.8 of the Indenture, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Interest Account or the Principal Account for the next succeeding Interest Payment Date. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with an optional redemption of the Bonds hereunder or any Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of the Bonds or any Parity Bonds in accordance with Section 9.1 of the Indenture, amounts in the Reserve Account may be applied to such optional redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for Outstanding Bonds and Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds or Parity Bonds in such final Bond Year. Moneys in the Reserve Account in excess of the Reserve Requirement not

transferred in accordance with the preceding provisions of this paragraph will be withdrawn from the Reserve Account on each Interest Payment Date and transferred to the Interest Account.

Rebate Fund

(a) The Trustee will establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and will establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account will be established for each issue of Bonds and Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds and any issue of Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on such Bonds or Parity Bonds will not be adversely affected if such requirements are not satisfied.

(i) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

A. Annual Computation. Within 55 days of the end of the fourth and the fifth Bond Year for each issue of Bonds and Parity Bonds and each fifth Bond Year thereafter, the District will calculate or cause to be calculated the amount of rebatable arbitrage for each issue of Bonds and Parity Bonds to which the Indenture is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½ % Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Indenture.

B. Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account will equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (A) of Subsection (a)(i) of the Indenture with respect to each issue of Bonds and Parity Bonds to which the Indenture is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee will withdraw the excess from the

appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

C. Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account,

1. Not later than 60 days after the end of (A) the fifth Bond Year for each issue of Bonds and Parity Bonds to which the Indenture is applicable, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for each issue of Bonds and Parity Bonds, as applicable; and

2. Not later than 60 days after the payment or redemption of all of an issue of Bonds and Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(i) of the Indenture will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038- T, or will be made in such other manner as provided under the Code.

(ii) Alternative Penalty Account.

A. Six-Month Computation. If the 1½ % Penalty has been elected for an issue of Bonds or Parity Bonds, within 85 days of each particular Six-Month Period, the District will determine or cause to be determined whether the 1½ % Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District will obtain expert advice in making such determinations.

B. Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, will deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (a)(ii)(A) of the Indenture. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by

Subsection (C) of the Indenture, the Trustee, at the written direction of an Authorized Representative of the District, will withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

C. Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, specified by the District in writing not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to any issue of Bonds and Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(ii) will be made to the Internal Revenue Service, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038- T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to an issue of Bonds or Parity Bonds after redemption and payment of such issue and after making the payments described in Subsection (a)(i)(C) or (a)(ii)(C) of the Indenture (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any lawful manner pursuant to the Act.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture or the Indenture to the contrary, the obligation to comply with the requirements of the Indenture will survive the defeasance and final payment of any Bonds or Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any issue of Bonds and Parity Bonds issued on a tax-exempt basis.

(e) Trustee Responsibility. The Trustee will be deemed conclusively to have complied with its obligations with respect to the Rebate Fund and any amounts required to be rebated to the United States Treasury under the Indenture by following the directions given by the District pursuant to the Indenture.

Surplus Fund

After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee will transfer all remaining

amounts in the Special Tax Fund, if any, to the Surplus Fund, other than amounts in the Special Tax Fund which the District has deemed available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) of the Indenture. Moneys deposited in the Surplus Fund may be transferred by the Trustee, (i) to the Interest Account or the Principal Account to pay the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account are insufficient therefor, (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement, and (iii) to the Administrative Expense Account to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account are insufficient to pay Administrative Expenses. In the event unexpended amounts remain on deposit in the Surplus Fund after the foregoing transfers, if any, the District will apply such unexpended amounts to, in its sole discretion, either (i) pay Project Costs, (ii) to reduce the next fiscal year's Special Tax levy by depositing such amount in the Special Tax Fund, or (iii) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose in the manner described in the Indenture. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, upon the written direction of the District, the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Acquisition and Construction Fund

(a) The moneys in the Acquisition and Construction Fund will be applied exclusively to pay the Project Costs and Costs of Issuance. Amounts for Project Costs or Costs of Issuance will be disbursed by the Trustee from the Project Account or the Costs of Issuance Account, as the case may be, pursuant to a requisition signed by an Authorized Officer of the District substantially in the form of Exhibit B to the Indenture, which must be submitted in connection with each requested disbursement.

(b) Upon the earlier of March 1, 2007 or its receipt of a Certificate of an Authorized Officer that all or a specified portion of the amount remaining in the Costs of Issuance Account is no longer needed to pay Costs of Issuance, the Trustee will transfer all or such specified portion of said amount to the Administrative Expense Account.

(c) Upon receipt of a Certificate of an Authorized Officer (i) stating that the portion of the Facilities to be financed from the Proceeds Account has been completed and that all costs of such Facilities have been paid, or (ii) stating that such portion of the Facilities has been substantially completed and that all remaining costs of such portion of the Facilities have been determined and specifying the amount to be retained therefor, the Trustee will (A) if the amount remaining in the Proceeds Account (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Account, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Proceeds Account (less any such retention) to the Interest Account, to be applied to the payment of interest on the Bonds.

(d) Upon the filing of a Certificate of an Authorized Officer stating that the Acquisition and Disclosure Agreement has been terminated and that the Community Facilities District has determined to close the Proceeds Account, the Trustee will (i) if and to the extent so directed in such Certificate, retain in the Proceeds Account the amount specified in such Certificate for payment of the cost of any Facility that is substantially complete, (ii) if the amount in excess of the amount retained pursuant to the preceding clause (i) is equal to or greater than \$25,000, transfer the portion of such excess amount equal to the largest integral multiple of \$5,000 that is not greater than such excess amount to the Redemption Account and apply the same to the redemption of Bonds, and (iii) after making the transfer, if any, required to be made pursuant to the preceding clause (ii), transfer all of the amount in excess of the amount retained pursuant to the preceding clause (i) to the Interest Account and apply the same to pay interest on the Bonds.

Investments

Moneys held in any of the funds, accounts and subaccounts under the Indenture will be invested at the written direction of an Authorized Representative of the District in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such funds, accounts and subaccounts. Any investment earnings, gains or losses resulting from such Authorized Investments will be credited or charged to the fund, account or subaccount from which such investment was made. Moneys in the funds, accounts and subaccounts held under the Indenture may be invested by the Trustee on the written direction of the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account and the Redemption Account will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due. Notwithstanding anything herein to the contrary, amounts in the Capitalized Interest Subaccount on the Delivery Date for the Bonds and any Parity Bonds will not be invested at yields greater than those set forth in the Tax Certificate.

(b) Moneys in the Acquisition and Construction Fund will be invested in Authorized

Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything herein to the contrary, amounts in the Acquisition and Construction Fund on the Delivery Date for the Bonds and any Parity Bonds will not be invested at yields greater than those set forth in the Tax Certificate.

(c) One-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not later than two years from their date of purchase, and one-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not more than five years from the date of purchase; provided that such amounts may be invested in an Investment Agreement to the final maturity of Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.7 of the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds will mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds to which such account relates. Notwithstanding anything herein to the contrary, amounts in the Reserve Fund on the Delivery Date for the Bonds and any Parity Bonds will not be invested at yields greater than those set forth in the Tax Certificate.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.8 of the Indenture or in Authorized Investments of the type described in clause (d) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee will invest solely in Authorized Investments specified in clause (d) of the definition thereof.

The Trustee will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any such funds and accounts, any such investments constituting a part of such funds and accounts will be valued at their cost, except that amounts in the Reserve Account will be valued at the market value thereof and marked to market at least annually. In making any valuations of investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system, and rely thereon. Notwithstanding anything herein to the contrary, the Trustee will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture. The Trustee or an affiliate may act as principal or agent in connection with the acquisition or disposition of any Authorized Investments and will be entitled to its customary fee therefor. Any Authorized Investments that are registrable securities will be registered in the name of the Trustee or its nominee.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder (other than the Rebate Fund) but will account for each separately.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Warranty

The District will preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants

So long as any of the Bonds or Parity Bonds are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust and will immediately deposit such amounts with the Trustee, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District further covenants that, in connection with the delivery of any Prepayment to the Trustee, the District will also deliver to the Trustee a certificate of the Special Tax Administrator identifying with respect to the Prepayment: (i) the "Future Facilities Costs" (as defined in the RMA), with instructions that said amount will be deposited in the Project Account of the Acquisition and Construction Fund, (ii) the "Administrative Fees and Expenses" (as defined in the RMA), with instructions that said amount will be deposited in the Administrative Expense Account, (iii) the amount that represents the Special Taxes levied in the current Fiscal Year on the subject Assessor's Parcel which had not been paid, with instructions to deposit portions of said amount in the Interest Account and the Principal Account of the Special Tax Fund, (iv) the amount of the "Reserve Fund Credit" (as defined in the RMA), with instructions to withdraw said amount from the Reserve Account and transfer it to the Prepayment Account in connection with the redemption of Bonds, and (v) the amount to be deposited in the Prepayment Account.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it

will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture will prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. Beginning in Fiscal Year 2006-2007 and in each Fiscal Year thereafter so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal (including Sinking Fund Payments) of and interest on the Bonds and any Parity Bonds when due, (2) to the extent permitted by law, the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel of Primary Property which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (1) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement, and (2) with respect to the Bonds, or any Parity Bonds, the District is not in default in the payment of the principal of or interest on the Bonds or any such Parity Bonds. The District may, but will not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit the proceeds of any foreclosure which constitute Net Taxes in the Special Tax Fund.

The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular,

will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in a reduction in the maximum Special Taxes that may be levied on the taxable property within the District in any Fiscal Year to an amount less than the sum of 110% of Annual Debt Service in the Bond Year ending on the September 1 following the end of such Fiscal Year plus the estimated Administrative Expenses for such Bond Year.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided that nothing herein contained will require the District to make any such payments so long as the District in good faith will contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries will be made of all transactions relating to the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on any Parity Bonds issued on a tax-exempt basis for federal income tax purposes and the Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(i) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code;

(ii) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(iii) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(iv) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(v) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a taxexempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds; and

(vi) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture, including payment of amounts required to pay the District's pro rata share of any rebate amounts owing to the United States on the Bonds.

(vii) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. The District hereby further finds and determines that the issuance of Parity Bonds may be required in order to provide funds for the acquisition and construction of public improvements necessary for the future development of the land within the District, which future development will further secure the timely payment of principal of and interest on the Bonds. For this reason, the District hereby determines that a reduction in the Maximum Special Tax (as defined in the RMA) authorized to be levied on parcels in the District below the levels provided in this Section 5.2(g) of the Indenture would interfere with the timely retirement of the Bonds. The District determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District hereby does covenant, that it will take no action that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax, including the initiation of proceedings to reduce the Maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Primary Property in each Bond Year for any Bonds and Parity Bonds

Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in that Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds and (iii) the District receives both (A) a certificate of the Developer specifying (1) the maximum amount of Parity Bonds that the Developer may request be issued in the future (the “Anticipated Parity Bonds”) pursuant to the Acquisition and Disclosure Agreement and (2) the development activity that the Developer expects will take place within the District in each Fiscal Year until all such development is complete, which specification will be sufficiently detailed to permit the preparation of the certificate required pursuant to (B) hereof, and (B) a certificate from one or more Independent Financial Consultants which, when taken together, in the determination of the District, certify that (1) on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the proposed reduction and (2) on the basis of the future development activity described in the certificate of the Developer described in (A) hereof, the maximum amount of the Special Tax which may be levied each Fiscal Year on all property within the District that is subject to the levy of the Special Taxes will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each applicable Bond Year on all Bonds, Parity Bonds, and Anticipated Parity Bonds subsequent to the proposed reduction. For purposes of estimating Administrative Expenses for the foregoing calculations, the Independent Financial Consultant or Special Tax Administrator will compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year; and for purposes of estimating Annual Debt Service on Anticipated Parity Bonds, the Independent Financial Consultant may assume that the Anticipated Parity Bonds will mature in such amounts, and bear interest at such rates, as the Independent Financial Consultant deems reasonable in light of market conditions at the time the Independent Financial Consultant delivers its certificate.

(h) Covenant to Defend. The District covenants that in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the Maximum Special Tax below the levels specified in Section 5.2(g) of the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) of the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Supplemental Indentures or Orders Not Requiring Bondowner Consent

The District and Trustee may from time to time, and at any time, without notice to or consent of any of the Bondowners, enter into Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than that permitted under Section 5.2(g) of the Indenture; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent

Exclusive of the Supplemental Indentures described in Section 6.1 of the Indenture, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding will have the right to consent to and approve the execution and delivery by the District of such Supplemental Indentures as will be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing herein will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District will desire to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture will require the consent of the Bondowners, the District will so notify the Trustee and will deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Trustee for

inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee will receive an instrument or instruments purporting to be executed by the Owners of a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Indenture described in such notice, and will specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the appropriate Section of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds

After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of his Bond or Parity Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District will so determine, new Bonds or Parity Bonds so modified as, in the opinion of the District, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

Duties, Immunities and Liabilities of Trustee

Union Bank of California, N.A. will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District hereunder. The Trustee will, prior to an event of default and after curing all events of default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. Upon the occurrence and upon the continuance of an event of default, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use as trustee under a trust indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of Section 7.2 of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and to allocate, use and apply the same as provided in the Indenture.

The Trustee is authorized to and will mail or cause to be mailed by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 of the Indenture, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee is hereby authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in the Indenture, and to provide for the authentication of Bonds and Parity Bonds, and will perform such other duties expressly assigned to or imposed on it as provided in the Indenture; provided, however, that no other duties of the Trustee will be implied or imposed upon the Trustee other than as expressly stated hereunder. The Trustee will keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is hereby authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of Section 10.1 of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Trustee and its officers, directors and employees harmless against costs, claims expenses and liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds.

Removal of Trustee

The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor, other than the Trustee, will be a bank or trust company having (or in the case of a financial

institution that is part of a bank holding company, such company will have) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee

The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in Section 7.2 of the Indenture by an instrument in writing. In the event a successor trustee will not have been designated within 30 Business Days, the Trustee will have the right to petition any federal court for an order appointing a replacement Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Events of Default

Any one or more of the following events will constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same will become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same will become due and payable; or

(c) Except as described in (a) or (b) above, default will be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default will have continued for a period of 30 days after the District will have been given notice in writing of such default by the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The District agrees to give notice to the Trustee immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the District's knowledge of an event of default under (c) above.

Remedies of Owners

Following the occurrence of an event of default, any Owner will have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article or in any other provision of the Indenture, the Bonds or any Parity Bonds will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and any Parity Bonds to the respective Owners thereof at the respective dates of maturity, as herein provided, out of the Net Taxes and other amounts pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds or any Parity Bonds and in the Indenture.

A waiver of any default or breach of duty or contract by any Owner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by this article may be enforced and exercised from time to time and as often as will be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

The Trustee's counsel is not and will not be deemed counsel to the Bondholders. Any communication between the Trustee and its counsel will be deemed confidential and privileged. In case the moneys held by the Trustee after an event of default pursuant to Section 8.1(a) or (b) of the Indenture will be insufficient to pay in full the whole amount so owing and unpaid upon

the Outstanding Bonds and Parity Bonds, then all available amounts will be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Defeasance

If the District will payor cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth in the Indenture, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning set forth above if such Bond or Parity Bond is paid in anyone or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, noncallable Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds will not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to payor cause to

be paid to the Owner of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Section 5.2(f) of the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture. If a forward supply contract is employed in connection with an advance refunding to be effected under (c) above, (i) such verification report will expressly state that the adequacy of the amounts deposited with the bank under (c) above to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement executed to effect an advance refunding in accordance with (c) above will provide that, in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement will be controlling.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness

The District may at any time issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Indenture for any purposes authorized under the Act. Parity Bonds may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District will be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect will have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds will have been provided for by a Supplemental Indenture duly adopted by the District which will specify the following:

(i) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including payment of all costs and the funding of all reserves incidental to or connected with such issuance;

(ii) The authorized principal amount of such Parity Bonds;

(iii) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date will fall on a September 1, (ii) all such Parity Bonds of like maturity will be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, will be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(iv) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(v) The denominations and method of numbering of such Parity Bonds;

(vi) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(vii) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(viii) The form of such Parity Bonds; and

(ix) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District will have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee will be directed by the District to accept any of such documents bearing a prior date):

(i) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(ii) A written request of the District as to the delivery of such Parity Bonds;

(iii) An opinion of Bond Counsel and/or the County Counsel of the County to the effect that (a) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California a personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(iv) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(v) A certificate from one or more Independent Financial Consultants which, when taken together, certify that:

A. the Value of District Property is at least three (3) times the sum of the aggregate principal amount of Outstanding Bonds, the Parity Bonds proposed to be issued and the Overlapping Debt with respect to all taxable property in the District;

B. the Value of Primary Property is at least three and one-half (3 ½) times the sum of the Overlapping Debt allocable thereto plus, that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to the Primary Property (collectively, the "Parity Debt for Primary Property"). For this purpose, there will be allocated to the Primary Property the largest principal amount of Parity Debt for Primary Property that results in (1) the maximum Special Taxes that may be levied on Primary Property (not including any parcels of Primary Property with delinquent Special Taxes and assuming taxation as "Primary Property" as defined in the RMA) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Parity Debt for Primary Property in the Bond Year ending on the September 1

following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Primary Property for such Fiscal Year of taxation and (2) a Value of Primary Property at least 3 ½ times the sum of Parity Debt for Primary Property plus Overlapping Debt allocable to Primary Property;

C. the Value of Secondary Property is at least two and one-half (2½) times the sum of the Overlapping Debt allocable thereto plus; that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to the Secondary Property (collectively, the “Parity Debt for Secondary Property”). For this purpose, there will be allocated to the Secondary Property the largest principal amount of Parity Debt for Secondary Property that results in (1) the maximum Special Taxes that may be levied on Secondary Property (not including any parcels of Secondary Property with delinquent Special Taxes and assuming taxation as “Secondary Property” as defined in the RMA) in each Fiscal Year being at least equal to the sum of 110% of Annual Debt Service on such Parity Debt for Secondary Property in the Bond Year ending on the September 1 following the end of such Fiscal Year of taxation plus the share of Administrative Expenses allocable to the Secondary Property for such Fiscal Year of taxation and (2) a Value of Secondary Property equal to at least 2 ½ times the sum of Parity Debt for Secondary Property plus Overlapping Debt allocable to Secondary Property; provided, however, that no parcel of property may be included in any of the foregoing determinations if there is, at the time of any such determination, a delinquency in the payment of any ad valorem real property taxes or Special Taxes levied on such parcel. Administrative Expenses in each Fiscal Year will be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Parity Debt. Administrative Expenses in each Fiscal Year will be deemed to be equal to actual Administrative Expenses for the last Fiscal Year ending prior to the date of calculation of Parity Debt for each of Primary Property, Near Term Property and Secondary Property, respectively.

The amount of Parity Bonds permitted to be issued will be the largest integral multiple of \$5,000 that is not greater than the remainder of (a) the sum of (I) the Parity Debt for Primary Property, as specified in the certificate of the Special Tax Administrator delivered pursuant to (B) above, plus (II) the Parity Debt for Secondary Property, as specified in the certificate of the Special Tax Administrator delivered pursuant to (C) above, less (b) the then aggregate principal amount of Outstanding Bonds.

The provisions of this paragraph (v) will not apply to Parity Bonds issued for the principal purpose of refunding Outstanding Bonds if the District will have received a certificate from an Independent Financial Consultant to the effect that Annual Debt Service after the issuance of such Parity Bonds will be no larger than Annual Debt Service would have been prior to the issuance of such Parity Bonds in each Fiscal Year in which Bonds or Parity Bonds (other than the refunding Parity Bonds) will remain Outstanding.

(vi) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

Unclaimed Moneys

Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee at the written request of the District or the Trustee will, at the expense of the District, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract

The provisions of the Indenture will constitute a contract between the District and the Bondowners and the provisions hereof will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

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APPENDIX C

DETAILED REPORT OF PARCEL VALUATIONS*

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
Patterson	55-062-02	Yes	\$424,678	\$2,866	-	\$2,866	148.2
Waarner, Larry & Lora	55-062-03	Yes	507,289	2,866	5,163	8,029	63.2
Triller	55-062-04	Yes	439,900	2,866	5,163	8,029	54.8
Naples & Thomas	55-062-05	Yes	477,959	2,866	5,163	8,029	59.5
Howell, Ted & Yoly	55-062-06	Yes	335,696	2,866	5,163	8,029	41.8
Warner, Larry & Lora	55-062-07	Yes	293,232	2,866	5,163	8,029	36.5
Bishop, Larry & Susan	55-062-09	Yes	314,000	2,866	5,163	8,029	39.1
Hirschbein	55-062-10	Yes	568,100	2,866	5,163	8,029	70.8
Stevens	55-062-11	Yes	431,680	2,866	5,163	8,029	53.8
Damelio	55-062-12	Yes	550,424	2,866	5,163	8,029	68.6
Mayor	55-062-13	Yes	474,651	2,866	5,163	8,029	59.1
White	55-062-14	Yes	480,604	2,866	5,163	8,029	59.9
Madar	55-062-17	Yes	602,959	2,866	5,163	8,029	75.1
Romoli	55-063-02	Yes	389,781	2,866	5,163	8,029	48.5
Wong,Hamilton,Barbano	55-063-03	Yes	385,662	2,866	5,163	8,029	48.0
Castle, Wes	55-063-04	Yes	367,436	2,866	5,163	8,029	45.8
Howell, Cecil & Donna	55-063-05	Yes	341,491	2,866	5,163	8,029	42.5
Crowther, David & Jan	55-063-06	Yes	315,481	2,866	5,163	8,029	39.3
Braaten, Keith & Diane	55-063-07	Yes	373,425	2,866	5,163	8,029	46.5
Katsarsky, Chris	55-063-08	Yes	367,501	2,866	5,163	8,029	45.8
Dickey	55-063-09	Yes	296,000	2,866	5,163	8,029	36.9
O'Brien	55-063-10	Yes	326,929	2,866	5,163	8,029	40.7
Fawcett, Bill & Judy	55-063-11	Yes	294,673	2,866	5,163	8,029	36.7
Stein, Paul	55-064-01	Yes	305,597	2,866	5,163	8,029	38.1
Servidio, Ralph & debbie	55-064-02	Yes	306,746	2,866	5,163	8,029	38.2
Katsarsky, Chris	55-064-03	Yes	356,358	2,866	5,163	8,029	44.4
Brown, Thomas & Susan	55-064-04	Yes	307,664	2,866	5,163	8,029	38.3
Newman	55-064-05	Yes	317,461	2,866	5,163	8,029	39.5
Wilson	55-064-07	Yes	331,728	2,866	5,163	8,029	41.3
Giles, Ray & Judy	55-064-08	Yes	477,596	2,866	5,163	8,029	59.5
Schubert	55-064-09	Yes	385,921	2,866	5,163	8,029	48.1
Young	55-064-10	Yes	474,024	2,866	5,163	8,029	59.0
Linstedt	55-064-11	Yes	468,619	2,866	5,163	8,029	58.4
Lazarus	55-064-12	Yes	392,949	2,866	5,163	8,029	48.9
Merritts, Lee & Giesle	55-064-13	Yes	331,736	2,866	5,163	8,029	41.3
Hanson	55-065-01	Yes	765,041	4,669	14,655	19,323	39.6
Starritt	55-065-02	No	191,811	4,669	14,655	19,323	9.9
McPherson, Frank	55-065-03	No	213,231	4,669	14,655	19,323	11.0
Steiner	55-065-04	No	161,976	4,669	14,655	19,323	8.4

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
Holm, R.C. & J.R.	55-065-05	Yes	365,050	4,669	14,655	19,323	18.9
Fangonilo, Richard & Renee	55-065-06	No	180,721	4,669	14,655	19,323	9.4
Murdoch & Muriel Henretty	55-065-07	No	184,028	4,669	14,655	19,323	9.5
Margherita	55-065-08	No	160,873	4,669	14,655	19,323	8.3
Cheang, Jonathan & Debra	55-065-10	No	179,571	4,669	14,655	19,323	9.3
Bicais, Jean & Mary	55-065-11	Yes	477,543	4,669	14,655	19,323	24.7
Armstrong, Clyde & France	55-065-12	Yes	497,764	4,669	14,655	19,323	25.8
Willard	55-065-13	Yes	764,273	4,669	14,655	19,323	39.6
Go, Shirley Tan	55-065-14	No	173,451	4,669	14,655	19,323	9.0
Chapman	55-065-15	No	141,027	4,669	14,655	19,323	7.3
Armagnac	55-066-02	No	160,873	4,669	14,655	19,323	8.3
Mosher, Patricia Trustee	55-066-03	No	223,440	4,669	14,655	19,323	11.6
Savage, Hal & Angela	55-066-04	No	260,151	4,669	14,655	19,323	13.5
Justice	55-066-05	No	110,151	4,669	14,655	19,323	5.7
Thompson	55-066-06	Yes	543,133	4,669	14,655	19,323	28.1
Richards, Bob	55-066-07	Yes	1,076,998	4,669	14,655	19,323	55.7
George, Maggie & Vini	55-066-08	No	198,659	4,669	14,655	19,323	10.3
Affinity Development	55-066-09	Yes	354,819	4,669	-	4,669	76.0
Halliday	55-066-10	No	148,344	4,669	14,655	19,323	7.7
Gale, Richard	55-066-11	No	164,182	4,669	14,655	19,323	8.5
Smith, Ben	55-066-12	Yes	737,160	4,669	14,655	19,323	38.1
McMinn, Ann E.	55-066-13	No	173,451	4,669	14,655	19,323	9.0
Thionnet	55-066-14	Yes	672,901	4,669	14,655	19,323	34.8
McKay	55-066-15	Yes	745,162	4,669	14,655	19,323	38.6
Chaney, Tim	55-066-16	No	132,651	4,669	14,655	19,323	6.9
Hennessy	55-066-17	No	94,715	4,669	14,655	19,323	4.9
Schubert, Ralph	55-067-01	No	147,641	4,669	14,655	19,323	7.6
McKay	55-067-02	No	188,439	4,669	14,655	19,323	9.8
Andaya, Brigida	55-067-03	No	176,511	4,669	14,655	19,323	9.1
McWhinney	55-067-04	Yes	596,706	4,669	14,655	19,323	30.9
Weber, Don & Liz	55-067-05	Yes	1,052,819	4,669	14,655	19,323	54.5
Gutierrez, Nomer & Arlaine	55-067-06	No	151,011	4,669	14,655	19,323	7.8
Soderstrom	55-067-07	No	139,347	4,669	14,655	19,323	7.2
Stephens, Scott & Victoria	55-067-08	Yes	1,364,000	4,669	14,655	19,323	70.6
Robinson, Ken	55-067-09	Yes	740,456	4,669	-	4,669	158.6
Alford, Bob & Francine	55-067-10	No	195,000	4,669	14,655	19,323	10.1
Viola, Anthony Gen. Contr.	55-067-11	No	219,351	4,669	14,655	19,323	11.4
Ott, Colin & Suzanna	55-067-12	No	219,351	4,669	14,655	19,323	11.4
Gardin, David & Siew Chin	55-068-01	Yes	745,982	4,669	14,655	19,323	38.6
Marcetti, Dave	55-068-02	No	232,611	4,669	14,655	19,323	12.0
Papapietro, Rich & Fran	55-068-03	No	193,851	4,669	14,655	19,323	10.0
Gutierrez	55-068-04	No	134,691	4,669	14,655	19,323	7.0
Hammam & Litch	55-068-05	No	142,851	4,669	14,655	19,323	7.4
Chevalier, Patrick & Antionette	55-068-06	No	115,451	4,669	14,655	19,323	6.0
Gavey, Paul	55-068-07	Yes	474,300	4,669	14,655	19,323	24.5

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
Chaney 8/27/04	55-068-08	Yes	549,222	4,669	14,655	19,323	28.4
Viola, Tony	55-068-09	No	183,651	4,669	14,655	19,323	9.5
Batino, Ronnie & Bessie	55-068-10	No	158,151	4,669	14,655	19,323	8.2
Rocklage, Kurt & Laura	55-068-11	No	132,651	4,669	14,655	19,323	6.9
Neach	55-068-12	Yes	448,447	4,669	14,655	19,323	23.2
Acosta, Wilfred & Margaret	55-069-01	Yes	895,000	4,669	14,655	19,323	46.3
Lynch, Jon & Mary Ellen	55-069-02	Yes	613,836	4,669	14,655	19,323	31.8
Hastings	55-069-03	Yes	384,251	4,669	14,655	19,323	19.9
Sifferman/Mazzetti	55-069-04	Yes	566,733	4,669	14,655	19,323	29.3
Gaidsick	55-069-05	Yes	471,858	4,669	14,655	19,323	24.4
Simkins, John & Beryl	55-069-06	Yes	434,809	4,669	-	4,669	93.1
Marshall, Steven & Gloria	55-069-07	No	137,751	4,669	14,655	19,323	7.1
Pavillion Homes	55-069-08	No	153,051	4,669	14,655	19,323	7.9
Vialpando, Wayne & Patricia	55-069-09	No	163,251	4,669	14,655	19,323	8.4
Quile, Robert & Ginsa	55-069-11	No	Paid	Paid	Paid	Paid	Paid
McGuire, Laurs & Mary Ann	55-069-12	Yes	653,300	4,669	14,655	19,323	33.8
Higgins, Walt & Charlene	55-069-13	Yes	771,909	4,669	-	4,669	165.3
Musumeci	55-069-14	No	161,842	4,669	14,655	19,323	8.4
Hoffman, Lawrence	55-069-15	No	Paid	Paid	Paid	Paid	Paid
Gale, Don & Joan	55-069-16	No	210,453	4,669	14,655	19,323	10.9
Martin	55-069-17	No	160,873	4,669	14,655	19,323	8.3
Gress, Mike	55-069-18	No	232,387	4,669	-	4,669	49.8
Dunn, Michael	55-070-01	Yes	345,166	2,787	3,126	5,912	58.4
Tu, David & Lee, Kristl	55-070-02	Yes	438,904	2,787	3,126	5,912	74.2
Dalton, Jim & Arlene	55-070-03	Yes	291,765	2,787	3,126	5,912	49.3
Herbert, Larry & Sally	55-070-04	Yes	294,690	2,787	3,126	5,912	49.8
Gibaut, Chuck & Darlene	55-070-05	Yes	336,432	2,787	3,126	5,912	56.9
Nearon Enterprises	55-070-06	Yes	316,594	2,787	3,126	5,912	53.5
Stine & Goebel	55-070-07	Yes	333,202	2,787	3,126	5,912	56.4
Michell, Peter & Karri	55-070-08	Yes	349,241	2,787	3,126	5,912	59.1
Summers, Jim & Linda	55-070-09	Yes	360,204	2,787	3,126	5,912	60.9
Cardoza 12/7/05	55-070-10	Yes	441,027	2,787	3,126	5,912	74.6
Rajala, Gregory & Beth	55-071-01	Yes	374,447	2,787	3,126	5,912	63.3
Baker, Scott & Dolores	55-071-02	Yes	341,666	2,787	3,126	5,912	57.8
Lorion, Mark & Jan	55-071-03	Yes	358,692	2,787	3,126	5,912	60.7
Mosher, Patricia	55-071-04	Yes	367,646	2,787	3,126	5,912	62.2
Franklin, Cliff & Susan	55-071-05	Yes	345,848	2,787	3,126	5,912	58.5
Evenson, Don & Rosemary	55-071-06	Yes	303,899	2,787	3,126	5,912	51.4
Simms, Scott & Laura	55-071-07	Yes	327,448	2,787	3,126	5,912	55.4
Rehder, Steve & Eileen	55-072-01	No	224,451	4,669	11,230	15,898	14.1
Reynen, John & Judith	55-072-02	Yes	888,354	4,669	11,230	15,898	55.9
Perry, Mark & Kerri	55-072-03	Yes	995,000	4,669	11,230	15,898	62.6
Freeman, Bruce & Monika	55-072-04	No	155,232	4,669	11,230	15,898	9.8
Unavailable	55-072-05	No	445,000	4,669	11,230	15,898	28.0
Heaton, Jeffrey	55-072-06	No	229,163	4,669	11,230	15,898	14.4

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
Freeman, Bruce & Monika	55-073-01	No	218,179	3,606	17,555	21,161	10.3
Roy & Beverly Mapps	55-073-02	No	217,511	3,606	17,555	21,161	10.3
Reynen, John	55-073-04	No	Paid	Paid	Paid	Paid	Paid
Bond, Peter & Linda	55-073-05	No	393,900	3,606	17,555	21,161	18.6
Pierce, Thomas	55-073-06	No	254,898	3,606	17,555	21,161	12.0
Drysen, John and Helen	55-073-09	No	428,722	3,606	17,555	21,161	20.3
Dawson/Lim	55-074-01	No	243,679	3,606	17,555	21,161	11.5
Martinez, Nate & Solia	55-074-02	No	228,722	3,606	17,555	21,161	10.8
Gove	55-074-03	Yes	612,666	3,606	17,555	21,161	29.0
Joe & Susan Ferraro	55-074-04	Yes	884,231	3,606	17,555	21,161	41.8
Wessel	55-074-05	No	Paid	Paid	Paid	Paid	Paid
Temple	55-074-06	No	210,041	3,606	-	3,606	58.2
Jones, Gordon & Janice	55-074-07	Yes	947,530	3,606	17,555	21,161	44.8
Weber, Don & Liz	55-074-08	No	205,845	3,606	17,555	21,161	9.7
Morgan, Robert & Susan	55-074-09	Yes	1,046,827	3,606	17,555	21,161	49.5
Bond, Peter & Linda	55-074-10	Yes	1,608,316	3,606	17,555	21,162	76.0
Timpe, Robert & Nan	55-074-11	No	216,415	3,606	17,555	21,162	10.2
Beasley	55-074-12	No	193,911	3,606	17,555	21,162	9.2
Slezak, Jon J. & Joan	55-075-01	Yes	575,631	4,618	17,555	22,173	26.0
Mirizzi, Joseph & Judy	55-075-02	Yes	515,213	4,618	7,222	11,840	43.5
Neiman, Ed & Cindy	55-075-03	Yes	534,678	4,618	7,222	11,840	45.2
Koeper	55-075-04	Yes	567,251	4,618	7,222	11,840	47.9
Barenberg & Burleigh	55-075-05	Yes	590,606	4,618	7,222	11,840	49.9
Sandell, Brian & Sally	55-075-06	Yes	589,207	4,618	7,222	11,840	49.8
Gonzales, Almario & Myrna	55-075-07	Yes	495,789	4,618	7,222	11,840	41.9
Lamb, Roger & Karen	55-075-08	Yes	526,718	4,618	7,222	11,840	44.5
Schmid, Arthur A	55-075-09	Yes	542,139	4,618	7,222	11,840	45.8
Cordero, Rudith A.	55-075-10	Yes	499,872	4,618	7,222	11,840	42.2
Hansen, Bob & Patricia	55-075-11	Yes	594,841	4,618	7,222	11,840	50.2
Schaefer, Bill & Bonnie	55-075-12	Yes	629,167	4,618	7,222	11,840	53.1
Plant, Ken & Jeanne	55-075-13	Yes	501,357	4,618	7,222	11,840	42.3
Kaja, David & Karen	55-075-14	Yes	518,192	4,618	7,222	11,840	43.8
Lauby, Donna	55-075-15	Yes	543,059	4,618	7,222	11,840	45.9
Alcantara, John & Edrahilda	55-075-16	Yes	495,044	4,618	7,222	11,840	41.8
Kay, Laurence & Heather	55-075-17	Yes	556,292	4,618	7,222	11,840	47.0
Marsden, Steve	55-075-18	Yes	468,650	4,618	7,222	11,840	39.6
Tomas, Wendell & Ruby	55-076-01	Yes	504,685	4,618	7,222	11,840	42.6
Tomas, Patrick	55-076-02	Yes	510,940	4,618	7,222	11,840	43.2
Ferrer, Leonardo & Procerfina	55-076-03	Yes	558,954	4,618	7,222	11,840	47.2
Chiao, Nancy & Fu Kuo	55-076-04	Yes	473,385	4,618	7,222	11,840	40.0
Tan, Elizabeth & Alberto	55-076-05	Yes	500,011	4,618	7,222	11,840	42.2
Bustos, Glen & Dinah	55-076-06	Yes	469,635	4,618	7,222	11,840	39.7
Normandy, Kevin & Rosalinda	55-076-07	Yes	459,626	4,618	7,222	11,840	38.8
Jerry & Claire Gillland	55-076-08	Yes	441,808	4,618	7,222	11,840	37.3
Sunga, Danilo & Wendelina	55-076-09	Yes	544,631	4,618	7,222	11,840	46.0

Owner	APN	Home	Value⁽¹⁾	AD Lien	CFD Lien	Total Lien⁽²⁾	VTL
Schneider, W.C.	55-076-10	Yes	540,594	4,618	7,222	11,840	45.7
McCarthy	55-076-11	Yes	478,541	4,618	7,222	11,840	40.4
Lemke, Max & Aninfa	55-076-12	Yes	579,767	4,618	7,222	11,840	49.0
Jones, Robert & Cecilia	55-076-13	Yes	565,991	4,618	7,222	11,840	47.8
Gonzales, Briccio	55-076-14	Yes	655,000	4,618	7,222	11,840	55.3
Cayanan, Archie & Luisa	55-076-15	Yes	468,006	4,618	7,222	11,840	39.5
Harris, Richard & Marilyn	55-076-16	Yes	456,193	4,618	7,222	11,840	38.5
Lovetro, Keith & Wendy	55-076-17	Yes	478,508	4,618	7,222	11,840	40.4
Brewer, Ross & Mary	55-076-18	Yes	549,702	4,618	7,222	11,840	46.4
Watson, Bob & Deanna	55-076-19	Yes	525,923	4,618	7,222	11,840	44.4
Shields, Jim & Dorothy	55-076-20	Yes	450,528	4,618	7,222	11,840	38.1
McCann, Wm & Dolores	55-076-21	Yes	522,965	4,618	7,222	11,840	44.2
McCormick, Pete & Sharon	55-077-01	Yes	709,000	4,618	7,222	11,840	59.9
Manoos, Reginald & Jennifer	55-077-02	Yes	574,472	4,618	7,222	11,840	48.5
Garcia, Floyd & Kathilee	55-077-05	Yes	620,409	4,618	7,222	11,840	52.4
Datwyler, Darryl & Bonita	55-077-06	Yes	529,000	4,618	7,222	11,840	44.7
Kubitz & Pederson	55-077-07	Yes	719,000	4,618	7,222	11,840	60.7
Carande, Neil	55-077-08	Yes	759,000	4,618	7,222	11,840	64.1
Gilmore, Thomas & Lynne	55-077-09	Yes	553,479	4,618	7,222	11,840	46.7
Gutierrez, Nomer & Arlaine	55-078-01	No	260,094	4,618	29,295	33,913	7.7
Brian McGuire	55-078-02	No	375,000	4,618	29,295	33,913	11.1
Eleuterio & Maria Go	55-078-03	No	465,000	4,618	29,295	33,913	13.7
Reynen, John	55-078-04	No	469,767	4,618	29,295	33,913	13.9
Brian McGuire	55-078-05	No	375,000	4,618	29,295	33,913	11.1
Naples & Thomas	55-078-06	No	336,594	4,618	29,295	33,913	9.9
Matthews, David & Brenda	55-078-07	No	329,767	4,618	29,295	33,913	9.7
Servidio, Ralph & Debbie	55-078-08	No	Paid	Paid	Paid	Paid	Paid
Musumeci	55-078-09	No	331,621	4,618	-	4,618	71.8
West, William & Christina	55-078-10	No	515,094	4,618	29,295	33,913	15.2
Ricafort & Kwong	55-078-11	No	438,594	4,618	29,295	33,913	12.9
Elefante & Olalo	55-078-12	No	311,094	4,618	29,295	33,913	9.2
Eastham, Dennis & Dianne	55-078-13	No	336,811	4,618	29,295	33,913	9.9
Ford, Larry & Cynthia	55-078-14	No	394,594	4,618	29,295	33,913	11.6
Greci & Dieiallonardo	55-078-15	No	234,594	4,618	29,295	33,913	6.9
Medalle, Vicente & Lilani	55-078-16	No	235,000	4,618	29,295	33,913	6.9
Ibanez, Marcelina & Caesar	55-078-17	No	265,194	4,618	29,295	33,913	7.8
MacDonald	55-079-01	Yes	422,104	4,618	5,178	9,796	43.1
Cass, Gregg & Sylvia	55-079-02	Yes	445,874	4,618	5,178	9,796	45.5
Cherniss, Lou & Natalie	55-079-03	Yes	458,714	4,618	5,178	9,796	46.8
Pennini, Daniela	55-079-04	Yes	422,492	4,618	5,178	9,796	43.1
Mullins, Mark M.	55-079-05	Yes	435,191	4,618	5,178	9,796	44.4
Reardon-Lucey-Broderick	55-079-06	Yes	391,282	4,618	5,178	9,796	39.9
Hedges, John & Jean	55-079-07	Yes	410,374	4,618	5,178	9,796	41.9
Hedges, Bruce & Suzanne	55-079-08	Yes	393,769	4,618	5,178	9,796	40.2
Schmidt, R.,P.,C., & K.	55-079-09	Yes	456,882	4,618	5,178	9,796	46.6

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
Saylor, Kenneth & Bette	55-079-10	Yes	387,292	4,618	5,178	9,796	39.5
Shorey, Terry & Susan	55-079-11	Yes	419,076	4,618	5,178	9,796	42.8
Smejdir, Donald & Bonnie	55-079-12	Yes	398,943	4,618	5,178	9,796	40.7
Jaureguito & O'Brien	55-079-13	Yes	425,628	4,618	5,178	9,796	43.4
Andrieux, Joseph & Susan	55-079-14	Yes	403,013	4,618	5,178	9,796	41.1
Franssen, Robert & Sharon	55-079-15	Yes	410,132	4,618	5,178	9,796	41.9
Maddox, John & Toni	55-079-16	Yes	595,000	4,618	5,178	9,796	60.7
Silva, Leonard & Maria	55-079-17	Yes	433,900	4,618	5,178	9,796	44.3
Winnacker, Georgre & Mieko	55-079-18	Yes	398,758	4,618	5,178	9,796	40.7
Alton, Adrian & Jeanette	55-079-19	Yes	466,127	4,618	5,178	9,796	47.6
Bret, Thomas & Susan	55-079-20	Yes	468,834	4,618	5,178	9,796	47.9
Santos, Dan & Edith	55-079-21	Yes	426,274	4,618	5,178	9,796	43.5
Yeung, Ben & Sandi	55-081-01	Yes	618,800	4,618	8,820	13,438	46.0
Kopel, Andrew	55-081-02	Yes	663,530	4,618	8,820	13,438	49.4
Tomas, Benito & Victoria	55-081-03	Yes	570,440	4,618	8,820	13,438	42.5
Tomas, Patrick, Wendell & Ruby	55-081-04	Yes	543,717	4,618	8,820	13,438	40.5
Pantig & Malonzo	55-081-05	Yes	541,707	4,618	8,820	13,438	40.3
Lomibao, Emma & Richard	55-081-06	Yes	531,753	4,618	8,820	13,438	39.6
Albertson, Kenneth & Sharon	55-081-07	Yes	558,047	4,618	8,820	13,438	41.5
Medalle, Maureen	55-081-08	Yes	503,082	4,618	8,820	13,438	37.4
Santos, Danilo & Editha	55-081-09	Yes	518,723	4,618	8,820	13,438	38.6
CASTLE & COOKE	55-081-10	Yes	559,718	4,618	8,820	13,438	41.7
Edejer, Edwin & Gail	55-081-11	Yes	691,000	4,618	8,820	13,438	51.4
Lowell, Charles & Audrey	55-081-12	Yes	560,017	4,618	8,820	13,438	41.7
Wood, James & Patty	55-081-13	Yes	653,831	4,618	8,820	13,438	48.7
Medalle, Vicente & Lilani	55-081-14	Yes	542,556	4,618	8,820	13,438	40.4
Cardoza, Thomas & Lorraine	55-081-15	Yes	631,400	4,618	8,820	13,438	47.0
Shattuck, Harry & Elaine	55-081-16	Yes	638,500	4,618	8,820	13,438	47.5
Baker, Richard & Jan	55-081-17	Yes	664,689	4,618	8,820	13,438	49.5
Yep, David & Susan	55-081-18	Yes	562,767	4,618	8,820	13,438	41.9
Schaffer, Suess & Boyd	55-082-01	No	240,057	4,947	15,264	20,211	11.9
Wurster, Glen	55-082-02	No	234,957	4,947	15,264	20,211	11.6
Hernandez, Ernest & Theresa	55-082-03	No	234,957	4,947	15,264	20,211	11.6
Barbano/Hamilton	55-082-04	No	285,957	4,947	15,264	20,211	14.1
Madar, Dushon & Gretchen	55-082-05	No	338,494	4,947	15,264	20,211	16.7
Markley-Invest. Prop. Exchan	55-082-06	No	462,614	4,947	15,264	20,211	22.9
Qualle, Robert & Beth	55-082-07	No	259,437	4,947	15,264	20,211	12.8
Moscuzza, Joseph & Cristi	55-082-08	Yes	663,530	4,947	15,264	20,211	32.8
CASTLE & COOKE	55-083-01	Yes	1,435,000	4,947	15,264	20,211	71.0
CASTLE & COOKE	55-083-02	Yes	1,200,000	4,947	15,264	20,211	59.4
Coons, Michael & Barbara	55-083-03	No	204,357	4,947	15,264	20,211	10.1
Coons, Michael & Barbara	55-083-04	No	214,557	4,947	15,264	20,211	10.6
CASTLE & COOKE	55-083-05	No	1,125,000	4,947	15,264	20,211	55.7

Owner	APN	Home	Value⁽¹⁾	AD Lien	CFD Lien	Total Lien⁽²⁾	VTL
Rich, Chad	55-083-06	No	285,350	4,947	15,264	20,211	14.1
Sampson, Lewis & Justine	55-083-08	No	198,040	4,947	15,264	20,211	9.8
Connors, Don & Dolores	55-083-09	No	198,040	4,947	15,264	20,211	9.8
Hoffman, Charles & Carolyn	55-083-10	No	543,842	4,947	15,264	20,211	26.9
Zeiter, Edmund	55-083-13	No	245,157	4,947	17,248	22,195	11.0
Lyons, John & Agnes	55-083-14	No	224,757	4,947	17,248	22,195	10.1
Hines, James & Irene	55-083-15	No	219,657	4,947	17,248	22,195	9.9
BUSTOS & LEE LOT 394	55-083-16	No	430,196	4,947	17,248	22,195	19.4
CASTLE & COOKE	55-083-17	No	47,545	4,947	17,248	22,195	2.1
CASTLE & COOKE	55-083-18	No	49,833	4,947	17,248	22,195	2.2
Holm, Robert & Judith	55-083-19	No	355,000	4,947	17,248	22,195	16.0
Cram, Randy & Mary	55-083-20	No	365,106	4,947	17,248	22,195	16.4
CASTLE & COOKE	55-083-21	No	52,579	4,947	17,248	22,195	2.4
Giacomo Maggi	55-083-22	Yes	465,127	4,947	17,248	22,195	21.0
Coons, Mike	55-083-23	No	48,917	4,947	17,248	22,195	2.2
CASTLE & COOKE	55-083-24	No	44,800	4,947	17,248	22,195	2.0
Martinez, Nate & Solis	55-084-01	No	235,106	4,947	15,264	20,211	11.6
Viola, Anthony Gen. Contr.	55-084-02	No	240,057	4,947	15,264	20,211	11.9
CASTLE & COOKE	55-084-03	Yes	1,120,000	4,947	15,264	20,211	55.4
Nylund, Rodney & Juliet	55-084-04	Yes	1,202,126	4,947	15,264	20,211	59.5
Reynen & McCulloch	55-084-05	No	988,957	4,947	15,264	20,211	48.9
Reynen & McCulloch	55-084-06	No	682,993	4,947	15,264	20,211	33.8
Pennini, Michael & Drinda	55-084-07	No	239,656	4,947	15,264	20,211	11.9
Spieller, Lee & Linda	55-084-08	No	239,656	4,947	15,264	20,211	11.9
Lazarus, Kent & Mary Ellen	55-084-09	No	481,262	4,947	15,264	20,211	23.8
Cadorna & Evangelisia	55-084-11	No	204,357	4,947	15,264	20,211	10.1
Vista Homes	55-084-12	No	255,357	4,947	15,264	20,211	12.6
CASTLE & COOKE	55-084-13	No	1,135,000	4,947	15,264	20,211	56.2
Garcia, Floyd & Kathilee	55-084-14	No	245,157	4,947	15,264	20,211	12.1
Holm, Robert & Judith	55-084-15	No	245,157	4,947	15,264	20,211	12.1
Vista Homes	55-084-16	No	234,957	4,947	15,264	20,211	11.6
CASTLE & COOKE	55-084-17	No	1,235,000	4,947	15,264	20,211	61.1
Viola, Anthony Gen. Contr.	55-084-18	No	199,257	4,947	15,264	20,211	9.9
Viola, Anthony Gen. Contr.	55-084-19	No	199,257	4,947	15,264	20,211	9.9
Carnes, Kristen	55-084-22	No	343,077	4,947	17,248	22,195	15.5
Bianchi, Paul & Susan	55-084-23	No	321,657	4,947	17,248	22,195	14.5
Rehder, Steve & Eileen	55-084-24	No	321,408	4,947	17,248	22,195	14.5
Veizinaw, Daniel & Victoria	55-084-25	No	321,657	4,947	17,248	22,195	14.5
Grooms, Randy	55-084-26	No	422,007	4,947	17,248	22,195	19.0
Anzaldua, Aaron & Shirley	55-084-27	No	221,350	4,947	17,248	22,195	10.0
Maggi, James & Charlla	55-084-28	No	204,357	4,947	17,248	22,195	9.2

Owner	APN	Home	Value ⁽¹⁾	AD Lien	CFD Lien	Total Lien ⁽²⁾	VTL
TOTALS							
Large Blocks			\$17,046,896	\$2,680,214	\$2,854,660	\$5,534,874	3.1
Golf Course			12,137,388	678,179	881,666	1,559,845	7.8
Individual Lots without Homes			42,923,546	1,206,330	2,803,711	4,010,041	10.7
Individual Lots with Homes		<u>119</u>	<u>86,273,419</u>	<u>130,217</u>	<u>604,963</u>	<u>735,180</u>	<u>117.4</u>
Total		<u>119</u>	<u>\$158,381,248</u>	<u>\$4,694,940</u>	<u>\$7,145,000</u>	<u>\$11,839,940</u>	<u>13.4</u>

Notes: (1) Value of Large Lot Parcels is from the 2001 Appraisal. Value from all others parcels is equal to either the assessed value from the County equalized tax rolls, or from recent sales, if applicable.

(2) Total lien is the sum of the Assessment District lien and the Community Facilities District lien. The Community Facilities District lien is spread to properties based on distribution of current Special Taxes. Because developed property is taxed first according to the Rate and Method of Apportionment of Special Tax, the Community Facilities District lien allocation is weighted more heavily on the developed property.

*The values set forth in this table are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the taxed parcels. See "BONDOWNERS' RISKS – Factors Affecting Parcel Values and Aggregate Values" herein.

APPENDIX D

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in County of Calaveras Community Facilities District No. 2 (Saddle Creek) (herein "CFD No. 2") shall be levied and collected according to the tax liability determined by the Calaveras County Board of Supervisors, as described below. All of the property in CFD No. 2 (including property annexed into CFD No. 2 in future years), unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel, measured in acres, as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded with the County.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5. (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, the expenses of the County in carrying out its duties for such Bonds, including, but not limited to, the levying and collection of the Special Tax, the fees and expenses of its counsel, amounts needed to pay rebate to the federal government with respect to any such Bonds, and all other costs and expenses of the County in any way related to the establishment or administration of CFD No. 2.

"Administrator" shall mean the person or firm designated by the County to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County of Calaveras designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the County for CFD No. 2 under the Act.

"Board" means the Calaveras County Board of Supervisors.

“Buildable Lot” means an individual lot identified and numbered on a Final Map that can be developed without further subdivision subject only to issuance of a building permit.

“County” means the County of Calaveras.

“Excess Golf Course Acreage” means the Acreage determined by subtracting 237.78 Acres from the total Acreage of Golf Course Property within CFD No. 2.

“Final Map” means a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates Buildable Lots. The term “Final Map” shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create Buildable Lots, including Assessor's Parcels that are designated as remainder parcels.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Golf Course Property” means up to 237.78 acres of property within CFD No. 2 that is used as a golf course, including but not limited to, a driving range, clubhouse, parking, outbuildings, and other Taxable Property owned and/or controlled by the golf course operator. If such uses occur on more than 237.78 Acres, the additional Acres shall be categorized as Excess Golf Course Acreage.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year.

“Net Acreage” means the Acreage of a Parcel as shown on the Final Map, excluding rights-of-way for streets and other Public Property.

“Non-Residential Property” means, in any Fiscal Year, all Taxable Property for which a Final Map has been approved by the Board prior to July 1 of that Fiscal Year designating Buildable Lots for which a building permit can be issued for construction of a building other than a single family detached or single family attached residential unit, including an apartment building. Non-Residential Property shall also include any Parcels for which a building permit can be issued for a building other than a single family detached or single family attached residential unit without approval of a Final Map.

“Owners’ Association Property” means any property within CFD No. 2 that is owned by a homeowners’ or property owners’ association.

“Proportionately” means, for Residential Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Residential Property. For Non-Residential Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Non-Residential Property. For Golf Course Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Golf Course Property. For Undeveloped Property,

“Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property.

“**Public Property**” means any property within the boundaries of CFD No. 2 that is owned by the federal government, State of California or other local governments or public agencies and used for a public purpose.

“**Residential Property**” means, in any Fiscal Year, all Taxable Property for which a Final Map has been approved by the Board prior to July 1 of that Fiscal Year designating Buildable Lots for which a building permit can be issued for construction of a single family detached or single family attached residential unit.

“**Special Tax**” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“**Special Tax Requirement**” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 2 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) to pay Administrative Expenses, and (v) to pay construction expenses to be funded directly from Special Tax proceeds.

“**Taxable Owners' Association Property**” means all Owners' Association Property that has not been exempted pursuant to Section F below.

“**Taxable Property**” means all of the Assessor's Parcels within the boundaries of CFD No. 2 which are not exempt from the Special Tax pursuant to law or Section F below.

“**Taxable Public Property**” means all Public Property that has not been exempted pursuant to Section F below.

“**Undeveloped Property**” means, in any Fiscal Year, all Taxable Property not classified as Golf Course Property, Non-Residential Property, Taxable Owners' Association Property, Taxable Public Property or Residential Property.

B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for Taxable Property within CFD No. 2. In addition, the Administrator shall categorize each Parcel of Taxable Property as Golf Course Property, Residential Property, Non-Residential Property, Taxable Owners' Association Property, Taxable Public Property or Undeveloped Property. For Residential Property, the Administrator shall also identify the number of Buildable Lots within the Final Map or portion of Final Map that is Residential Property.

C. CALCULATING THE MAXIMUM SPECIAL TAX

1. Residential Property

Each time a Final Map is approved creating Parcels of Residential Property, the Administrator shall apply the following steps to calculate the Maximum Special Tax for each Parcel:

- Step 1.** Determine the Net Acreage within the approved Final Map or portion of the Final Map that is designated as Residential Property.
- Step 2.** Multiply the Net Acreage determined in Step 1 by \$2,012 per Acre to determine the total Maximum Special Tax assigned to the Residential Property within the Final Map.
- Step 3.** Divide the Maximum Special Tax in Step 2 by the number of Buildable Lots that are included within the Net Acreage determined in Step 1. The quotient is the Maximum Special Tax for each Parcel of Residential Property.

2. Non-Residential Property

The Maximum Special Tax for Non-Residential Property is \$2,012 per Acre.

3. Golf Course Property

The Maximum Special Tax for Golf Course Property is \$328 per Acre if there is no Excess Golf Course Acreage within CFD No. 2. Notwithstanding the foregoing, if the Administrator determines in any Fiscal Year that there is Excess Golf Course Acreage, the Maximum Special Tax for Golf Course Property shall be determined as follows:

- Step 3a.** Multiply the Excess Golf Course Acreage by \$1,684 per Acre to calculate the Maximum Special Tax associated with the Excess Golf Course Acreage.
- Step 3b.** Divide the product determined in Step 3a by the total Acreage of Golf Course Property to calculate a per-Acre increase due to the Excess Golf Course Acreage.
- Step 3c.** Add the per-Acre amount calculated in Step 3b to \$328 to determine the per Acre Maximum Special Tax that will apply to Golf Course Property.

4. Undeveloped Property

The Maximum Special Tax for Undeveloped Property is \$2,012 per Acre.

Once the Maximum Special Tax has been determined for a Parcel within an approved Final Map, such Maximum Special Tax shall not be reduced in future years although the amount actually levied on the Parcel may be less than the maximum.

D. APPORTIONMENT AND LEVY OF SPECIAL TAX

Commencing with Fiscal Year 2001-02 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement for CFD No. 2 for the Fiscal Year, and shall levy the Special Tax by applying the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Residential Property, Non-Residential Property and Golf Course Property within CFD No. 2 up to 100% of the Maximum Special Tax for each type of property for such Fiscal Year determined pursuant to Section C.

Step 2: If additional monies are needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property as determined pursuant to Section C.

Step 3: If additional monies are needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Taxable Owners' Association Property within CFD No. 2 up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.

Step 4: If additional monies are needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property in CFD No. 2, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.

E. MANNER OF COLLECTION

The Special Taxes for CFD No. 2 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the County may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Taxes proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2042-2043.

F. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Taxes shall be levied on up to 192.86 Acres of Public Property and up to 0.59 Acres of Owners' Association Property; Acreage exceeding these totals shall be treated as Taxable Public Property and Taxable Owners' Association Property, respectively.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“Future Facilities Costs” means the Public Facilities Requirements (as defined below) minus public facility costs funded by Previously Issued Bonds, interest earnings on the construction fund actually earned prior to the date of prepayment, Special Taxes, developer equity, and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of “Outstanding Bonds” for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued by CFD No. 2 prior to the date of prepayment.

“Public Facilities Requirements” means either \$6,210,000 in 2001 dollars, which shall increase by three percent (3%) on January 1, 2002, and on each January 1 thereafter, or such lower number as shall be determined by the Board as sufficient to fund public facilities to be provided by CFD No. 2 under the authorized bonding program for CFD No. 2.

The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 2 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein. provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the District with written notice of intent to prepay. Within 30 days of receipt of such written notice, the District shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any interest payment date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

	Bond Redemption Amount
plus	Future Facilities Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1:** Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the County.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD, or (ii) the Maximum Special Tax revenues that could be generated at buildout of property in the CFD based on anticipated land uses at the time the prepayment is calculated.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid. (the "**Bond Redemption Amount**").
- Step 4:** Compute the current Future Facilities Costs.
- Step 5:** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Facilities Costs to be prepaid (the "**Future Facilities Amount**").
- Step 6:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "**Redemption Premium**").
- Step 7:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.

- Step 8:** Compute the amount of interest the County reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the “*Defeasance*”).
- Step 10:** The administrative fees and expenses of CFD No. 2 are as calculated by the County and include the costs of computation of the prepayment, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).
- Step 11:** A reserve fund credit shall be calculated as the reduction, if any, in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 12:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the “*Prepayment Amount*”).

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, as determined by or at the direction of the Administrator.

H. INTERPRETATION OF SPECIAL TAX FORMULA

The County reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the County's discretion. Interpretations may be made by the County by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

APPENDIX E

BOOK ENTRY SYSTEM

The following description of the procedures and record-keeping of the Depository Trust Company (“DTC”) with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of Bonds certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community

Facilities District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Community Facilities District or Fiscal Agent on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Community Facilities District or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, physical Bonds are required to be printed and delivered.

The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District and the Fiscal Agent takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

[Letter head of Bond Counsel]

August 16, 2006

Honorable Board of Supervisors
County of Calaveras
San Andreas, California 95249

OPINION: \$7,145,000
Calaveras County
Community Facilities District No.2 (Saddle Creek)
Series 2006 Special Tax Refunding Bonds

Dear Honorable Members of the Board of Supervisors:

We have acted as Bond Counsel in connection with the formation of County of Calaveras Community Facilities District No.2 (Saddle Creek) (the "District") and the authorization and issuance of the District's 2006 Special Tax Refunding Bonds, dated August 16, 2006, in the aggregate principal amount of \$7,145,000 (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), and a Trust Indenture, dated as of August 1, 2006, by and between Union Bank of California, N.A., as Trustee, and the District (the "Indenture"). We have examined the law and such certified proceedings and other papers, as we deem necessary to render this opinion.

In such connection, we have reviewed the Indenture and the Tax Certificate of the District dated the date hereof (the "Tax Certificate"), and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, and no opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions

are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District.

We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps and other engineering details of the proceedings, or upon the validity of the individual separate reassessments securing the Bonds which validity depends, in addition to the legal steps required, upon the accuracy of certain of the engineering details. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based upon our examination, we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding special obligations of the District, payable solely from the sources provided therefor in the Indenture.

2. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance

of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

4. The purposes for which the proceeds of the Bonds are to be applied are permitted under applicable law.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Law Offices of Cameron A. Weist

By: _____

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APPENDIX G

CONTINUING DISCLOSURE CERTIFICATES

(ISSUER CONTINUING DISCLOSURE CERTIFICATE)

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Calaveras (the “County” or “Issuer”) in connection with the issuance of \$7,145,000 aggregate principal amount of its Series 2006 Special Tax Refunding Bonds (the “Bonds”) for and on behalf of the County of Calaveras Community Facilities District No.2 (Saddle Creek) (the “Community Facilities District”). The Bonds are being issued pursuant to a resolution authorizing issuance of the Bonds, adopted by the legislative board of the Issuer on July 17, 2006 (the “Resolution”), and pursuant to a Trust Indenture dated as of August 1, 2006 (the “Indenture”), by and between the Community Facilities District and Union Bank of California, N.A., as Trustee (the “Trustee”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report: shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

Beneficial Owner: shall mean any person which has (i) the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond or Bonds, including persons holding Bonds through nominees depositories, or other intermediaries, or (ii) is treated as the owner of any Bonds for federal income tax purposes.

Dissemination Agent: shall mean Union Bank of California N.A., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

Fiscal Year: shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Issuer.

Holders: shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Listed Event: shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

National Repository: shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

Official Statement: shall mean the Official Statement dated August 4, 2006, pertaining to the Bonds.

Participating Underwriter: shall mean E.J. De La Rosa & Co. Inc., and any other original underwriters of the Bonds, if any, required to comply with the Rule in connection with offering of the Bonds.

Preliminary Official Statement: shall mean the Preliminary Official Statement dated July 31, 2006, pertaining to the Bonds.

Repository: shall mean each National Repository and each State Repository.

Rule: shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State: shall mean the State of California.

State Repository: shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

Tax-exempt: shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The County shall, or upon written request shall cause the Dissemination Agent to, not later than six months after the end of the County's fiscal year, commencing with the report for the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee. Not later than fifteen (15) Business Days prior to said date, the County shall provide the Annual Report to the Dissemination Agent. The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the County, and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filing of the

Annual Report if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the County is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the County shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Annual Report has been provided to the Dissemination Agent, file a report with the County and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Issuer's Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Principal amount of Bonds outstanding, including principal amount and years of maturity of Bonds, if any, called for redemption in advance of maturity.

(b) Balance in each of the following funds established pursuant to the Indenture:

(i) the Redemption Fund;

(ii) the Acquisition and Improvement Fund for the Bonds; and

(ii) the Reserve Fund and Reserve Requirement.

(c) Total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.

(d) Identity of any delinquent tax payer obligated for more than 10% of the annual Special Tax levy.

(e) Significant amendments to land use entitlements for property in the District known to the County.

(f) Status of any significant legislative, administrative, and judicial challenges to the construction of the development in the District known to the County without independent inquiry, for any year in which construction activity has occurred in the District.

(g) To the extent available in the records of the County without significant additional expense, the number of building permits and certificates of occupancy provided by the County with respect to residential units in the District for the most recent year for which such information is available.

(h) Special Tax and property tax delinquency rate for parcels in the District for the most recent year.

(i) Identification of each parcel for which any installment of the unpaid Special Tax is delinquent, together with the following information respecting each such parcel provided, however, that parcels with delinquencies of \$5,000.00 or less may be grouped together and such information may be provided by category:

(i) the amount delinquency (exclusive of late charges and monthly penalties for reinstatement);

(ii) the date (December 10 or April 10) of the first delinquency;

(iii) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the Calaveras County Superior Court; and

(iv) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

(j) The audited financial statement of the Issuer for the preceding Fiscal Year prepared in accordance with generally accepted accounting practices; provided, If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the County, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

In each instance above in this Section 4 or in Section 5, the term “*current*” shall mean as of the end of the Fiscal Year to which the Annual Report relates, unless a later date is selected by the Issuer and stated in said Annual Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories; provided that, if the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the Issuer shall clearly identify each such other document so included by reference.

Section 5. Issuer's Report of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events (Listed Events) with respect to the Bonds, if material:

(i) principal or interest payment delinquencies.

- (ii) non-payment related defaults.
- (iii) modifications to the rights of bondholders.
- (iv) bond calls, including bond calls resulting from prepaying of assessments.
- (v) defeasances.
- (vi) rating changes.
- (vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.
- (viii) unscheduled draws on the Reserve Fund reflecting financial difficulties.
- (ix) any unscheduled draw on a credit enhancement facility, if any, reflecting financial difficulties.
- (x) any change in the provider of any credit enhancement facility, if any, or any failure by any such provider to perform on the credit enhancement facility, if any.
- (xi) the release, substitution or sale of property securing repayment of the Bonds, if any.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file or cause the filing of a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (a)(v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution or Supplement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had

been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any Holder of Outstanding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities caused or claimed to have been caused (whether in whole or in part) by the Dissemination Agent's negligence or willful misconduct. The obligations for the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August 16, 2006

COUNTY OF CALAVERAS COMMUNITY FACILITIES
DISTRICT NO. 2 (SADDLE CREEK)

By: _____

EXHIBIT "A"

**NOTICE TO REPOSITORIES
OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: County of Calaveras, California

Name of Bond Issue: County of Calaveras Community Facilities District No.2 (Saddle Creek)
Series 2006 Special Tax Refunding Bonds

Date of Issuance: August 16, 2006

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 7.12 of the Supplement. The Issuer anticipates that the Annual Report will be filed by _____.

Date: _____

By _____
Dissemination

Agent

APPENDIX G (Cont.)

CONTINUING DISCLOSURE CERTIFICATES (Cont.)

(CONTINUING DISCLOSURE CERTIFICATE-LANDOWNER)

This Continuing Disclosure Certificate-Landowner (the “Disclosure Certificate”) is executed and delivered by Castle & Cooke Saddle Creek, Inc., a California corporation (the “Owner”) in connection with the issuance of \$7,145,000 County of Calaveras Community Facilities District No.2 (Saddle Creek) Series 2006 Special Tax Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of August 1, 2006 (the “Indenture”), between County of Calaveras Community Facilities District No.2 (Saddle Creek) (the “District”) and Union Bank of California, N.A., as trustee (the “Trustee”). The Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Owner for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, (c) any Person directly or indirectly controlling such other Person, and (d) any general partner of a partnership for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Annual Report*” shall mean any Annual Report provided by the Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Assumption Agreement*” means an agreement between a landowner in the District, or an Affiliate thereof, and the Dissemination Agent containing terms substantially similar to this Disclosure Certificate, whereby such landowner or Affiliate agrees to provide annual reports and notices of significant events to the Dissemination Agent, of the character described in Sections 3 and 4 hereof, with respect to the portion of the Property owned by such landowner and its Affiliates, and an assumption provision of the character set forth in Section 6 hereof to be applicable to sales of Property by such landowner.

“Disclosure Representative” means the Vice President of Finance/Accounting of the Owner or his or her designee, or such other officer, employee or agent as the Owner shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Union Bank of California N.A., or any successor Dissemination Agent designated in writing by the County and which has filed with the Owner, the County and the Trustee a written acceptance of such designation.

“Event of Bankruptcy” means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person's debts or obligations, or offers to such Person's creditors to effect a composition or extension of time to pay such Person's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person's creditors.

“Fiscal Year” shall mean the fiscal year used by the Owner for its financial accounting purposes.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Mid-Year Report” shall mean any Semiannual Report provided by the Owner pursuant to, and as described in, Sections 3(b) and 4(b) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Participating Underwriter” shall mean E.J. De La Rosa & Co. Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the real property within the boundaries of the District on which special taxes have been levied by the District.

“Property Owner” means any Person that owns a fee interest in any Property.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. (a) Provision of Annual Reports.

(i) Until this Disclosure Certificate terminates in accordance with Section 7 below, the Owner shall, or upon written request shall cause the Dissemination Agent to, not later than four months after the end of the Owner's Fiscal Year, commencing with the report for the Fiscal Year which first ends after the date of issuance of the Bonds, provide to each Repository an Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Certificate, with a copy to the County and the Trustee. Not later than fifteen (15) Business Days prior to said date, the Owner shall provide the Annual Report to the Dissemination Agent. The Owner shall provide a written certification with each Annual Report furnished to the Dissemination Agent, the County and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Owner hereunder. The Dissemination Agent, the County and the Trustee may conclusively rely upon such certification of the Owner, and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4(a) of this Disclosure Certificate; provided that any audited financial statements of the Owner may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Owner's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(ii) If the Owner is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Owner shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(iii) The Dissemination Agent shall:

(A) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(B) to the extent the Annual Report has been provided to the Dissemination Agent, file a report with the Owner, the County and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(b) Provision of Mid-Year Reports.

(i) Until this Disclosure Certificate terminates in accordance with Section 7 below, the Owner shall, or upon written request shall cause the Dissemination Agent to, not later than forty-five (45) days after the six month anniversary of the first day of the Owner's fiscal year, commencing with the report for the first such six-month anniversary that occurs after July 1, 2006, provide to each Repository a Mid-Year Report which is consistent with the requirements of Section 4(b) of this Disclosure Certificate, with a copy to the County, the Participating Underwriter and the Trustee. Not later than fifteen (15) Business Days prior to said date, the Owner shall provide the Mid-Year Report to the Dissemination Agent. The Owner shall provide a written certification with each Mid-Year Report furnished to the Dissemination Agent, the County and the Trustee to the effect that such Mid-Year Report constitutes the Mid-Year Report required to be furnished by the Owner hereunder. The Dissemination Agent, the County and the Trustee may conclusively rely upon such certification of the Owner, and shall have no duty or obligation to review such Mid-Year Report. The Mid-Year Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4(b) of this Disclosure Certificate.

(ii) The Dissemination Agent shall:

(A) determine each year prior to the date for providing the Mid-Year Report the name and address of each National Repository and each State Repository, if any; and

(B) to the extent the Mid-Year Report has been provided to the Dissemination Agent, file a report with the Owner, the County and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Mid-Year Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. (a) Content of Annual Reports. The Owner's Annual Report shall contain or incorporate by reference the following:

(i) Financial statements prepared in accordance with generally accepted accounting principles for the Owner, or, in the event that no such statements are prepared for the Owner, such annual financial statements as are so prepared.

(ii) A description of any sales of portions of the Owner's Property during the Fiscal Year covered by such Annual Report, including the identification of each buyer and the number of acres sold.

(iii) A description of how many acres of Property were owned by the Owner as of the end of the Fiscal Year covered by such Annual Report.

(iv) Any delinquency in the payment of Special Taxes by the Owner.

- (v) Any pending litigation which would adversely affect the ability of the Owner to develop its Property or to pay Special Taxes levied on its Property.
- (vi) Any material change in the structure or ownership of the Owner.
- (vii) Status of completion of the improvements being constructed by the Owner located within the District (the “Improvements”).
- (viii) Status of the financing with respect to the Improvements. A certificate as to the sufficiency of available funds to complete the Improvements as contemplated.
- (ix) Significant amendments to land use entitlements for the Improvements. Status of building permits issued for the Improvements.
- (x) Status of any major governmentally imposed preconditions to commencement or continuation of construction of the Improvements.
- (xi) Status of any legislative, administrative, and judicial challenges to the construction of the Improvements as known to the Owner.
- (xii) The assumption of any obligations by a landowner pursuant to Section 6.

In addition to any of the information expressly required to be provided as described above, the Owner shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Owner or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Owner shall clearly identify each such other document so included by reference.

(b) Content of Mid-Year Reports. The Owner's Mid-Year Report shall contain or incorporate by reference the following information as of the date which is six months after the first day of each Fiscal Year:

- (i) A description of any material changes to the legal structure of the Owner, the plan of finance or the plan of development of the Improvements from that shown in the Official Statement for the Bonds, which has occurred since the date of the information in the last Annual Report.
- (ii) A description of the status of the financing with respect to the Improvements, including a certificate as to the sufficiency of available funds to complete the

Improvements as described in the Official Statement, which sets forth in summary fashion the expected sources and uses of funds.

(iii) A description of any building permits, sales escrow openings and/or completed sales of parcels in the District since the date of the information in the last Annual Report, including the identification of each County Assessor's parcel for which a building permit has been issued, sales escrow has been opened or a completed sale has occurred, along with an identification of the aggregate building permits issued and sales that have occurred to date.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Owner shall give, or cause to be given, notice of the occurrence of any of the following events, if material:

(i) failure to pay any real property taxes (including any Mello-Roos special taxes) levied within the District,

(ii) material damage to or destruction of any of the Improvements,

(iii) default by the Owner on any loan with respect to the construction of the Improvements, and

(iv) The occurrence of an Event of Bankruptcy with respect to the Owner, or any Affiliate of the Owner.

(b) Whenever the Owner obtains knowledge of the occurrence of a Listed Event, the Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Owner shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, with a copy to the County and the Trustee.

Section 6. Assumption of Obligations. If a portion of the Property owned by the Owner, or any Affiliate of the Owner, is to be conveyed to a Person that, upon such conveyance, will, together with any Affiliates of such Person, own in the aggregate more than twenty percent (20%) of the developable lots in the District, the Owner shall include a provision in the conveyance agreement for a Person to agree to execute an Assumption Agreement following the closing of escrow for the conveyance.

The Owner shall enter into an Assumption Agreement with any landowner described in the preceding paragraph, which Assumption Agreement shall be in form and substance satisfactory to the County, or the landowner shall otherwise enter into an agreement with Dissemination Agent in form substantially identical to this Disclosure Certificate (except for the identity of the

“Owner” therein). From and after the date on which an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is executed with respect to Property, the Owner shall no longer be required to take such Property into account in connection with its Annual Report and Mid-Year Reports required under Sections 3 and 4 hereof; provided however that if, following a conveyance by the Owner of the character described in the first sentence of this Section 6, an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is not executed (other than by reason of the willful misconduct of the Dissemination Agent), the Owner shall continue to include such Property in its Annual Reports and Mid-Year Reports and, for purposes of Section 3, the term “Owner” shall include, in addition to Owner, the Person to whom the Property has been conveyed.

Section 7. Termination of Reporting Obligation. The Owner's obligations under this Disclosure Certificate shall terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) the date on which the Owner and all Affiliates of the Owner own, in the aggregate, less than twenty percent (20%) of the developable lots in the District (subject, however, to the last paragraph of Section 6 above), (c) the date on which all Special Taxes on the Property owned by the Owner and its Affiliates are paid or prepaid in full (as evidenced by the recording of a Notice of Cancellation of Special Tax Lien by the County with respect to such property), and (d) the date on which the Owner delivers to the County and the Dissemination Agent an opinion of bond counsel acceptable to the County to the effect that the continuing disclosure provided for in this continuing Disclosure Certificate is no longer required under the Rule to allow the Participating Underwriter to deal in the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Owner shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to act as such under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Union Bank of California N.A. The Dissemination Agent may at any time resign by providing thirty days written notice to the County, the Owner and the Trustee, such resignation to become effective upon acceptance of appointment by a successor Dissemination Agent. Upon receiving notice of such resignation, the County shall promptly appoint a successor Dissemination Agent by an instrument in writing, delivered to the Trustee and the Owner. If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Dissemination Agent shall have given to the County, the Owner and the Trustee written notice of its resignation, the Dissemination Agent may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon after such notice, if any, as such court may deem proper, appoint a successor Dissemination Agent. The County shall provide the Owner and the Trustee with written notice of the identity of any successor Dissemination Agent appointed or engaged by the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or Sea), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds; and

(d) no amendment increasing or affecting the obligations or duties of the County, the Dissemination Agent or the Trustee shall be made without the consent of such party. If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Owner to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report, Mid-Year Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Owner chooses to include any information in any Annual Report, Mid-Year Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report, Mid-Year Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Owner to comply with any provision of this Disclosure Certificate any Participating Underwriter or any owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Owner for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Owner and shall not be deemed to be acting in any fiduciary capacity for the Owner, the Bondholders, or any other party. The obligations of the Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or further act.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August 16, 2006

CASTLE & COOKE SADDLE CREEK, INC.
A California Corporation

By: _____

The undersigned hereby agrees to act
as Dissemination Agent pursuant to
the foregoing Continuing Disclosure
Certificate-Landowner
UNION BANK OF CALIFORNIA N.A.

By: _____

Its: _____

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULE MAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Calaveras
Name of Bond Issue: County of Calaveras Community Facilities District No.2
(Saddle Creek)
2006 Special Tax Refunding Bonds
Date of Issuance: August 16, 2006

NOTICE IS HEREBY GIVEN that Castle & Cooke Saddle Creek, Inc., a California corporation (the "Owner") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate-Landowner dated August 16, 2006 executed by the Owner for the benefit of the owners and beneficial owners of the above-referenced bonds. The Owner anticipates that the Annual Report will be filed by _____.

Dated: _____

CASTLE & COOKE SADDLE CREEK, INC
a California corporation

By: _____

Its: _____

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APPENDIX H

2006 CONFIRMATION OF APPRAISED VALUES

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P.O. BOX 411, ANGELS CAMP, CA 95221 * PHONE 209-736-0625 * FAX 209-736-4229
email: pimentel@starband.net

Mr. Eric J. Scriven
Senior Vice President
E.J. De La Rosa & Company
90 New Montgomery Street, Suite 414
San Francisco, CA 94105

Dear Mr. Scriven,

07/26/06

Per your request, I have accepted an appraisal consulting assignment, as outlined in the *Uniform Standards of Appraisal Practice*, with respect to land values in the Saddle Creek Resort development located in the unincorporated area of Calaveras County known as Copperopolis.

PURPOSE OF THE REPORT:

The purpose of this report is to demonstrate market value trends of the residential real property in the Saddle Creek development since June 2nd, 2001 in order to determine if the collateral property provides at least as much security as it did on June 2nd, 2001.

INTENDED USER OF THE REPORT:

The intended users of this report is E.J. De La Rosa & Company and is to be included in the "official statement" which is the offering document for investors.

SCOPE OF THE ASSIGNMENT:

Specifically, the client has requested my comments and expert opinion regarding the trend of property values in the Saddle Creek development since June 2nd of 2001 as of which date an appraisal report of various parcels in the Saddle Creek development was provided by "Bender and Rosenthal" for the purpose of evaluating security for public improvement bonds.

It is not within the scope of this assignment to provide a review or an update of the aforementioned appraisal report. That report must stand on its own merit and my report hereby makes the extraordinary assumption that the estimated values in the "Bender and Rosenthal" report were reasonable estimates of value at the time of the report.

This report shall provide sales data of various properties within the Saddle Creek development that have occurred since June 2nd, 2001 which will clearly indicate the trend of values in the area from then until the present day and which will lead to a logical and well supported conclusion as to market value trends in the development. In short, the client has instructed me to provide an opinion of the trend in values with support from market sales data which will show whether or not values have increased or decreased within the Saddle Creek development, which is the problem to be solved in this report.

Recent History of the Saddle Creek Development:

The development has several phases or units with distinctively different amenities with differing appeal. Some are "cottage" units which are 1450-2000 sf homes which were sold as completed units only. Some were lot sales of homesites whereby purchasers could hire their own contractors to build their custom homes, limited only by the CC&R's for the unit. Some are more tract type homes with limited floor plans with the

properties being sold as finished products, homes being built by the developer. Others are larger “estate” type lots (1 acre+-) which were sold as “compound” type properties with room for very large homes with private swimming pools, tennis courts, etc.

Virtually all types of units have been very well received in the marketplace with all completed units sold out within the past 12 months and with the next phase under construction with several reservations taken pending receipt of the subdivision final approval. Specific lots and homes have been selected which have sold more than once in recent years in order to demonstrate market appreciation. This data is used to demonstrate the general trend in values in the development rather than an indication of the value of any specific property which could only be determined by complete appraisals of individual properties. It should be noted that there may, in some instances, be some value increase contributed for some of the properties due to improvements to some of the properties or other relatively minor differences due to improvement bond payoffs, etc. Most of the increase in value, however, is due simply to increased demand relative to supply.

Home Sales:

Lot # 114

Unit Name: “Mitchell Lake”

Unit Description: Cottage

Sale Dates:	10/2000*	11/03	02/06
Sale Prices	\$295,000.	\$329,000.	\$474,000.

Lot # 127

Unit Name: “Mitchell Lake”

Unit Description: Cottage

Sale Dates:	08/02*	02/06
Sale Prices	\$285,000.	\$450,000.

Lot # : 119

Unit Name: “Mitchell Lake”

Unit Description: Cottage

Sale Dates:	06/02*	05/04
Sale Prices	\$409,314.	\$465,000.

Lot # Bungalow #1

Unit Name: “Mitchell Lake”

Unit Description: Bungalow

Sale Dates:	12/01*	05/03	07/05
Sale Prices	\$259,000.	\$270,000.	\$430,000.

*(original sale from developer)

Lot # 188

Unit Name: "The Knolls"

Unit Description: Original Lot Sale Only with subsequent "spec. home" sale, and then resale)

Sale Dates:	08/02*	01/05	01/06
Sale Prices	\$110,000.	\$825,000.	\$882,500.

Lot # 338

Unit Name: "Quail Meadow Lane"

Unit Description: "Tract type" home built by developer. Sold before home was built and immediately sold again for substantial profit. Ie. Home appreciated substantially during construction period.

Sale Dates:	10/05*	10/05
Sale Prices	\$557,500.	\$650,000.

Lot # 338

Unit Name: "Quail Meadow Lane"

Unit Description: "Tract type" home built by developer. Sold before home was built and sold again soon after for a substantial profit.

Sale Dates:	10/05*	03/06
Sale Prices	\$563,462.	\$620,000

Lot # 287

Unit Name: "Rock Ridge"

Unit Description: "Tract type" home built by developer. Sold before home was built and sold again after construction for substantial profit.

Sale Dates:	11/04*	07/06
Sale Prices	\$526,515.	\$662,500

Lot # 269

Unit Name: "Rock Ridge"

Unit Description: "Tract type" home built by developer. Sold before home was built and immediately sold again for substantial profit. Ie. Home appreciated substantially during construction period.

Sale Dates:	07/05*	07/05
Sale Prices	\$505,000.	\$695,000.

*(original sale from developer)

Lot Sales:

Lot # 1

Unit Name: "Copper Ridge"

Unit Description: Lot Sales Only

Sale Dates:	01/97*	05/00	08/05
Sale Prices	\$61,000.	\$83,000.	\$320,000.

Lot # 2

Unit Name: "Copper Ridge"

Unit Description: Lot Sales Only

Sale Dates:	02/97*	07/05
Sale Prices	\$70,000.	\$250,000.

Lot # 21

Unit Name: "Copper Ridge"

Unit Description: Lot Sales Only

Sale Dates:	11/98*	08/00	01/02
Sale Prices	\$106,500.	\$170,500.	\$190,888.

Lot # 153

Unit Name: "The Knolls"

Unit Description: Lot Sales Only

Sale Dates:	03/00*	09/04	09/05
Sale Prices	\$137,000.	\$150,000.	\$360,000.

Lot # 177

Unit Name: "The Knolls"

Unit Description: Lot Sales Only

Sale Dates:	12/00*	11/04
Sale Prices	\$130,150.	\$168,000.

*(original sale from developer)

Lot # 8

Unit Name: "Copper Ridge"

Unit Description: Lot Sales Only

Sale Dates:	01/97*	01/02
Sale Prices	\$85,000.	\$175,000.

Lot # 113

Unit Name: "Copper Ridge"

Unit Description: Lot Sales Only

Sale Dates:	02/99*	03/05	06/06
Sale Prices	\$74,000.	\$210,000.	\$225,000.

Lot # 265

Unit Name: "Summit Lane"

Unit Description: Large Lot Sales Only

Sale Dates:	07/05*	10/05
Sale Prices	\$325,000.	\$ 465,000.

Data Sources:

Sales data sources include the Castle and Cooke Sales Office records; Calaveras MLS data; with verification from Fastweb.

*(original sale from developer)

CONCLUSION AND OPINION OF THE APPRAISER

Without hesitation, I conclude that due to substantial increases in the market value of residential properties in the Saddle Creek development, as evidenced in this report, there is no doubt that the market values of virtually all of the properties within the development have increased in value since June 2nd, 2001. This includes the yet to be developed residential properties provided that they remain as viably developable properties, an assumption not verified in this report.

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

---the statements of fact contained in this report are true and correct.

---the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased profession analyses, opinions, conclusions, and recommendations.

---I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

---I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.


---my engagement in this assignment was not contingent upon developing or reporting predetermined results.

---my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.

---my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

---I have not, since the acceptance of this assignment, physically inspected any of the properties that are the subject of this report, however, I have inspected most of the properties in the Saddle Creek development during the past six years in the normal course of my appraisal practice.

---no one provided significant real property appraisal or appraisal consulting assistance to me.


Signed, Thomas M. Pimentel AG002096

07/26/06
Date Signed

APPRAISER'S QUALIFICATIONS:

Thomas M. Pimentel has Appraiser General status in the State of California which licenses him to appraise all types of real and personal property in the State of California, provided the competency provisions of the USPAP are fulfilled. He has been evaluating real property in the mountains and foothills of Santa Cruz County (from 1968 to 1987) and of Calaveras County (from 1987 to the present).

For the past five years he has limited his practice to the "Highway 4 corridor" from Arnold to Copperopolis with the majority of his work in the Copperopolis area having appraised approximately 750 single family residential homes and lots in the Copperopolis area during that time.

Nearly all of his appraisal work is provided to single family lenders of various types (banks, loan brokers, etc.) having provided his service to hundreds of such lenders over the years. Specific references will be provided upon request.

He is intimately familiar with the Saddle Creek Resort development and inspects and appraises properties there on a weekly basis.

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